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SPECIAL NOTICE

**2019 Legislative Changes Affecting the Alcoholic Beverages Tax
 and Requiring a Floor Tax on Alcoholic Beverages Inventory
 as of the Opening of Business on October 1, 2019**

Purpose: This Special Notice summarizes several legislative changes made during the 2019 regular session of the Connecticut General Assembly to the alcoholic beverages tax and provides information on a floor tax on the inventory of retailers of alcoholic beverages, other than beer, effective October 1, 2019.

Increase to the Alcoholic Beverages Tax on Alcoholic Beverages Other than Beer: The alcoholic beverages tax rates are increased by 10% for sales made by licensed distributors on or after October 1, 2019. The chart below shows the rate increases by beverage type and size.

| Product | Size | Old Tax Rate | New Tax Rate |
|--|----------------|--------------|--------------|
| Still Wines | Wine Gallon | \$0.72 | \$0.79 |
| Still Wines Produced by Small Wineries | Wine Gallon | \$0.18 | \$0.20 |
| Fortified Wines and Sparkling Wines | Wine Gallon | \$1.80 | \$1.98 |
| Distilled Liquors | Wine Gallon | \$5.40 | \$5.94 |
| Cider | Barrel | \$7.20 | \$7.92 |
| Cider | Half Barrel | \$3.60 | \$3.96 |
| Cider | Quarter Barrel | \$1.80 | \$1.98 |
| Cider | Wine Gallon | \$0.24 | \$0.26 |
| Liquor Coolers | Wine Gallon | \$2.46 | \$2.71 |
| Alcohol (over 100 proof) | Proof Gallons | \$5.40 | \$5.94 |

Conn. Gen. Stat. § 12-435, as amended by 2019 Conn. Pub. Acts 117, § 352.

Floor Tax on Alcoholic Beverages Other than Beer: As a result of the 10% increase in tax rates for distributors of alcoholic beverages, each retailer of alcoholic beverages (including but not limited to grocery stores, package stores, restaurants, taverns, bars, and hotels) is required to take an inventory of all alcoholic beverages, other than beer, owned and held within Connecticut as of the opening of business on October 1, 2019. These items held in inventory on October 1, 2019, or ordered prior to October 1, 2019, but delivered between October 1 and October 8,

2019, are subject to a floor tax at the rates shown on Page 2 in the chart entitled, “Floor Tax Rates on Alcoholic Beverages Inventory.”

The floor tax on alcoholic beverages is the application of the 10% increase to each type of alcoholic beverage other than beer that is already in the inventory of retailers as of the opening of business on October 1, 2019.

2019 Conn. Pub. Acts 117, § 353.

Floor Tax Rates on Alcoholic Beverages Inventory

| Beverage | Size | Tax Rate |
|---|--------------|---------------|
| Still Wines - Not in excess of 21% alcohol by volume. | Wine Gallon | \$0.07 |
| Still Wines Produced by Small Wineries - Not in excess of 21% alcohol by volume. | Wine Gallon | \$0.02 |
| Fortified Wines in excess of 21% alcohol by volume and Sparkling Wines . | Wine Gallon | \$0.18 |
| Distilled Liquors | Wine Gallon | \$0.54 |
| Cider - Draught barrels only. | Barrel | \$0.72 |
| Cider - Other containers. | Wine Gallon | \$0.02 |
| Liquor Coolers - Not more than 7% of alcohol by volume. | Wine Gallon | \$0.25 |
| Alcohol - In excess of 100 proof. | Proof Gallon | \$0.54 |

Alcoholic Beverages, Other than Beer, Ordered Prior to October 1, 2019, are Subject to the Floor Tax: Alcoholic beverages, other than beer, ordered by a retailer prior to October 1, 2019, and delivered by a wholesale distributor from October 1, through October 8, 2019, are considered to be in the inventory of retailers as of October 1, 2019, and are subject to the floor tax.

Invoices for any products ordered by a retailer prior to October 1, 2019, and delivered by a wholesale distributor from October 1, 2019, through October 8, 2019, should include the statement “**Alcohol Floor Tax Due on These Products**” in bold red lettering.

Completion of Prescribed Forms: Retailers must use **Form FT-AFT, Floor Tax for Alcoholic Beverages Tax**, to calculate, report, and pay the floor tax on their inventory of alcoholic beverages. Form FT-AFT must be filed on or before November 15, 2019. Make sure to use Floor Tax (FT) forms with the revision date of “09/19.”

The first step to complete Form FT-AFT requires retailers to take a detailed inventory of their floor stock of alcoholic beverages other than beer. Retailers may use their own method for taking inventory. However, this inventory must be converted onto **Form FT-22-S, Summary of Alcoholic Beverages Floor Tax Inventory Report on Floor Stock of Alcoholic Beverages**. Use Form FT-22-S to calculate the quantities of alcoholic beverages subject to the floor tax. Do **not** submit Form FT-22-S to the Department of Revenue Services (DRS). Retain this summary for your records and be prepared to produce this form upon request by DRS.

The floor tax rate is then applied to quantities of alcoholic beverages subject to the floor tax using Form FT-AFT, *Schedule A, Retailers of Alcoholic Beverages Inventory - Computation of Tax*.

A total of the tax due is then listed on Form FT-AFT along with any applicable penalties and interest. **Only Form FT-AFT and its accompanying Schedule A are required to be filed with the DRS.**

Reporting the Floor Tax by Beverage Classification: As stated above, the rate of alcoholic beverages tax is dependent upon the type of alcoholic beverage. The following is a list of the parts of Form FT-22-S to be used in reporting alcoholic beverages inventories:

Still Wines: Use **Form FT-22-S, Part 1**, to report all still wines, including any non-effervescent wine of generic type or otherwise, and containing not in excess of 21% absolute alcohol by volume.

Still Wines Produced by Small Wineries: Use **Form FT-22-S, Part 2**, to report all still wines produced by small wineries (producers of 55,000 gallons or less per year), including any non-effervescent wine of generic type or otherwise, and containing not in excess of 21% absolute alcohol by volume.

Sparkling Wines and Fortified Wines: Use **Form FT-22-S, Part 3**, to report all sparkling wines, including champagne and all other effervescent wines of generic type or otherwise, whether naturally or artificially carbonated, and report all fortified wines, including any non-effervescent wine of generic type or otherwise, the alcoholic contents of which have been increased by whatever process, beyond that produced by natural fermentation, and containing more than 21% of absolute alcohol.

Cider in Barrels: Use **Form FT-22-S, Part 4**, to report all cider in barrels.

Cider in Bottles or Cans: Use **Form FT-22-S, Part 5**, to report all cider, whether bottled or canned. (Convert all containers of less than 1/4 barrel or less than 1 wine gallon into wine gallons.)

Distilled Liquors: Use **Form FT-22-S, Part 6**, to report all distilled liquors, including any beverage that contains alcohol obtained by distillation mixed with drinkable water and other substances in solution, including whiskies, gin, rum, brandy, vodka, liqueurs, cordials, cocktails, and similar compounds containing distilled spirits.

Liquor Coolers: Use **Form FT-22-S, Part 7**, to report all liquor coolers containing not more than 7% of alcohol by volume.

Alcohol in Excess of 100 Proof: Use **Form FT-22-S, Part 8**, to report all alcohol, meaning ethyl alcohol, hydrated oxide of ethyl, or spirit of wine, from whatever source or by whatever process produced, in excess of 100 proof.

Open Bottles of Alcoholic Beverages, Other than Beer, are Subject to the Floor Tax: Open bottles, commonly referred to as “opened bar stock,” are also subject to the Alcoholic Beverages Floor Tax. Retailers are required to take an itemized inventory of the quantity contained in an open bottle, back bar, or elsewhere in multiples of one-tenth of the full bottle. For example, a quart bottle if half-full would be 5/10 (.50) of the size, or, if slightly more than half-full, it would be 6/10 (.60).

After determining the total volume for “opened bar stock” in each beverage classification, include this amount in the *Total bottles (and fractional parts)* column on Form FT-22-S.

Failure to File and Pay Floor Tax: Failure to file Form FT-AFT and pay the floor tax is sufficient cause to revoke any state license or permit issued to such person. You **must** file this form, even if you possess no alcoholic beverages in inventory on October 1, 2019.

Additionally, if any retailer fails to file this report, DRS will estimate the amount of alcoholic beverages held by that retailer based upon any information in the possession of DRS.

In addition to the tax due, a retailer who fails to file and pay the floor tax will owe interest calculated at the rate of 1% per month (or fraction of a month) of the tax due. Interest will continue to accrue from November 15, 2019, until the tax is paid in full. The retailer will also be subjected to a late payment penalty equal to 10% of the tax due, or \$50, whichever is greater.

New Reduction of Tax on Beer Sold at Craft Breweries: On October 1, 2019, the alcoholic beverages tax is reduced by 50% on beer sold on the premises covered by a manufacturer’s permit for off-premises consumption. This means that beer sold by craft breweries for off-premises consumption will be subject to tax at this reduced rate.

Conn. Gen. Stat. § 12-435, as amended by 2019 Conn. Pub. Acts 117, § 352.

New Out-Of-State Retail Shipper’s Permit: As of July 1, 2019, the Department of Consumer Protection (DCP), Liquor Control Division created a new out-of-state retail shipper’s permit for wine that allows permit holders to sell and ship wine (including cider not exceeding 6% alcohol by volume and apple wine not exceeding 15% alcohol by volume) directly to consumers located in Connecticut. Persons holding these permits must register with DRS as “distributors,” file returns and pay the alcoholic beverages and sales and use taxes on their direct sales to in-state customers.

Conn. Gen. Stat. § 30-18a, as amended by 2019 Conn. Pub. Acts 24, § 26.

New Limitation of Exemption from Tax for Beer Served at a Brewery Taproom: Effective January 1, 2020, the tax exemption for beer served at a craft brewery taproom will be limited to the first 15 barrels of beer produced annually and consumed on the premises covered by a manufacturer’s permit.

Conn. Gen. Stat. § 12-435, as amended by 2019 Conn. Pub. Acts 24, § 1.

New Filing and Payment Requirements: As of July 1, 2020, holders of a manufacturer’s permit for wine, cider and mead who sell and ship their products directly to Connecticut consumers must file returns and remit the alcoholic beverages and sales and use taxes.

Conn. Gen. Stat. § 30-16, as amended by 2019 Conn. Pub. Acts 24, § 5.

New Record Keeping Requirement: As of July 1, 2020, in-state transporters delivering alcoholic liquor from outside the state to Connecticut customers and retailers must keep records of their shipments or deliveries. In-state transporters must provide records

of their shipments or deliveries to the DCP Liquor Control Division or DRS no later than five business days following a request for records made by either agency.

Any failure to keep records, refusal to respond to a records request or failure to provide the requested records to the DCP Liquor Control Division or DRS will subject the transporter to a notification of violation, and possible permit suspension or revocation.

Conn. Gen. Stat. § 30-19f, as amended by 2019 Conn. Pub. Acts 24, § 11.

For Further Information on the Alcoholic Beverages Tax: For further information on the alcoholic beverages tax, call the Excise Taxes Subdivision at **860-541-3224**, Monday through Friday, 8:30 a.m. to 4:30 p.m.

Effective Date: Effective dates are provided herein.

Statutory Authority: Statutory citations are provided herein.

Effect on Other Documents: **Special Notice 2011(4)**, *Alcoholic Beverages Tax on Alcoholic Beverages Inventory as of the Opening of Business on July 1, 2011*, is obsolete.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

SN 2019(3)
Floor Tax Alcoholic Beverages Tax
Issued: 09/04/2019

For Further Information: Call DRS during business hours, Monday through Friday:

- **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at **portal.ct.gov/DRS** to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential): Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at **portal.ct.gov/TSC** to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.