**Instructions for Completion of State Winery Forms**(Examples Provided)

 **General Information**

**Washington State Liquor Control Board (WSLCB)**

Home page: [www.liq.wa.gov](http://www.liq.wa.gov)

Winery Forms page: [www.liq.wa.gov/taxreporting/winery](http://www.liq.wa.gov/taxreporting/winery)

Email: beerwinetaxes@liq.wa.gov

Olympia Tax Desk: (360) 664-1721

Mailing Address: PO Box 43085

 Olympia, WA 98504-3085

The WSLCB requires licensees to maintain records for three years; however other regulatory agencies may require longer retention.

 **Alcohol and Tobacco Tax and Trade Bureau (TTB):**

Home page: [www.TTB.gov](http://www.TTB.gov)

**Wash Domestic Winery Summary Tax Report (LIQ 774)**

This form is used to report the net production, the removals for sales, samples, donations, and/or shipments out of state and to compute the taxes and assessments owed on those transactions. The tax form must be filed even when there is no activity to report. It must be postmarked no later than the 20th of the following month, if you file monthly. Or it must be postmarked no later than the 20th of January for the previous year, if you file annually. Please note that changes in rates during a year will require additional filings for an annual filer.

If there is no postmark date, the date received at the Liquor Control Board or by an authorized designee will be used to determine if a penalty will be assessed and what percentage rate will be charged.

Complete all fields that pertain. Net Production (Field 1) should not be left blank, enter a zero to show no activity. Negative production values can occur and should be reported with brackets, a net production loss would be shown as such – (000.00).

Activities reported should be based on and supported by the TTB F 5120.17 Report of Wine Premises Operations form; removal or sales summary records, invoices, bonded wine warehouse reports, and other assorted source documents.

* Field 1 is for the Net Production figure; follow the instructions to the left of the entry cell on tax form (LIQ 774). The TTB F 5120.17 operations form serves as the general source of the information listed and be sure to include all columns in the computations. The production information should be based on internal records documenting the various activities.

Do not report the bulk inventory on hand at the end of each month and do not include the lines with the bulk transfer in and out activities.
* Field 2 is based on amounts tabulated from the TTB F 5120.17 operations form (Section B, columns a through f, line 8 [*Removed Taxpaid*] plus line 12 [*Removed for Export*] minus line 4 [*Taxpaid Wine Returned to Bond*]). Note: their export line is for sales/shipments leaving the United States.
* These removals may be for activities other than sales. Some wineries choose to pay their Federal excise taxes in advance, such as at bottling or to move the product to a warehouse not under federal bond.
* Used for Tasting wine (CHARGED FOR) should be added to this line and reported in Field 13 as retail sales.
* Please note that Returns to Bond (Line 4 of TTB’s form) should only be used when previously tax-paid wine is being returned to bulk inventory for reconditioning.
* Do not include Family Use wine unless it exceeds the allowable federal limits or Used for Tasting wine provided at no charge.
* Field 3 is for wine/cider movements into federally tax-paid areas at the winery. It is to account for wine in which the federal excise taxes were paid in advance and the disposition of the product remains unknown for state reporting. The line will also include federally tax-paid wine received from other locations like a winery warehouse. Please note that this wine must be clearly identified and segregated from bonded inventory.
* If you have a retail sales room (area) at the winery, the wine in this area may or may not be included depending upon your reporting preference. If you choose to delay reporting the retail sales to the state until the wine/cider is actually sold, it would be included. If you choose to report the wine/cider as retail sales when the products are moved into the sales area, it would not be included.

It is our recommendation that you pay the state excise taxes on the product when it is placed in the sales area to help simplify your accounting and tracking.
* These federally tax-paid areas do not include additional winery retail locations. That wine is reported as retail sales to the state and taxes paid when shipped to them. In addition, these locations are not part of the winery’s bonded premise.
* Field 4 is for wine/cider movements into federally tax-paid areas not at the winery but still in Washington such as a bonded wine warehouse or your winery warehouse, if licensed for one. The federal taxes are paid in advance, either by the winery’s preference or because it is required – the storage facility does not have a federal bond. Sales are reported to the state whenever removals are made for a transaction from those locations and listed on Field 6.
* These federally tax-paid areas do not include additional winery retail locations. That wine is reported as retail sales to the state and taxes paid when shipped to them. In addition, these locations are not part of the winery’s premise.
* Field 5 is for wine/cider movements out of the federally tax-paid areas at the winery. It is to account for wine in which the federal excise taxes were paid in advance and the disposition of the product is now known for state reporting. The line will also include federally tax-paid wine shipped to other federally tax-paid locations.
* If you have a retail sales room (area) at the winery and you chose to delay reporting the retail sales to the state until the wine/cider was actually sold, those activities would be included.
* Field 6 is for wine/cider movements out of federally tax-paid areas not at the winery but still in Washington. It is to account for wine in which the federal excise taxes were paid in advance and the disposition of the product is now known for state reporting. The line will also include federally tax-paid wine shipped to other federally tax-paid locations.
* These federally tax-paid areas do not include the sales at additional winery retail locations. That wine should have been reported as retail sales to the state and taxes paid when shipped to them.
* Field 7 is for transactions in which wine/cider is shipped / transferred in bond to warehouses located outside the state of Washington for anticipated sales or sample activities and/or storage. These will be considered exports and also reported in Field 12 of this form.
* Field 8 is for transactions occurring at other bonded facilities in Washington (i.e., Tiger Mountain Services). The wine is being removed from federal bond and taxes paid by the bonded wine warehouse on behalf of the winery. They will in turn bill the winery for the taxes. Wine/cider removal activities from these locations should be summarized on a worksheet similar to the Board’s Removal at Bonded Wine Warehouse example form (LIQ 678 – no longer available).

All inventory and removal reports supplied by those warehouses must be retained for auditing purposes. The winery will need to account for these federally tax-paid removals and report them to the state in their appropriate category (Fields 11 thru 14, if applicable). The bonded wine warehouse does not report the winery’s activities to the state.

* Transfers in bond from these locations to facilities outside of Washington will be reported on Line 7 and not this line. Again, they will also be reported as an export.
* Please note that “Total Gallons” (Field 9) must equal “Total Sales” (Field 16).
* Field 11 (Washington Wine Distributors) columns are for sales to and/or samples provided to Washington wine distributors (wholesalers). Do not include sales to Washington retailers. The columns of Field 11 must equal the columns of Field 8, respectively, on the Report of Sales to Wash Wine Distributors by Domestic Winery (LIQ 777). The LIQ 777 form provides the detail of which distributors were sold to or given samples.
* Field 12 columns are a combination of sales to In-state Military, Inter-state Common Carriers (ICC), and export activities. Exports will include the following for wine/cider leaving the state of Washington: direct shipments to distributors and retailers, samples, donations to non-profits, bonded and/or federally tax-paid transfers / shipments to warehouses in other states for future out-of-state transactions.

This line will also be used to report previously exported wine/cider products returned to the winery, licensed Washington bonded wine warehouse, or licensed Washington wine distributor.

Note: The wine/cider must be of your own production.

The quantity returned will be deducted from the totals exported. If returned directly to a Washington wine distributor, it must also be added to the reported distributor sales in Field 11 and on form LIQ 777. The Liquor Board’s return form LIQ 021 must be completed in full and submitted.

* Field 13 columns for retail sales may or may not be actual sales transactions. If the winery maintains and stores wine/cider in a retail area or room, the winery may report the sales under one of two methods. It can be reported when the wine/cider is added to the sales area or when it is actually sold and removed. If based on movement of wine/cider into the sales area, be sure to account for product received from all bonded areas and tax-paid areas.

Wine/cider shipped directly to out-of-state retail customers is reported in this field as “Retail on Winery Premises” sales and not as “Exports.”

* The shipments to your additional retail room locations need to be included and reported as retail sales when shipped.
* If the winery charges for tasting, that wine is classified as retail sales and will need to be included in this field.
* Samples (part of Field 13 columns) are wines/ciders provided for off-premise consumption in Washington at no charge to help influence customers to add the wine/cider to their product line. Do not include wine/cider used on the winery’s premises for tasting (free of charge) or removed for family use (within federal guidelines). Be advised that regulations limit the quantities of samples that are allowed and specify the documentation required.
* Donations to non-profits (part of Field 13 columns) are wines/ciders donated for off-premise use to qualifying non-profit charitable organizations located in Washington per 501C (3) or (6) of the IRS Code.
* Field 14 (Sales to Retail Licensees) columns are wines/ciders sold to other Washington retailers (like restaurants, grocery stores, wine shops, etc.) not distributors. Deliveries to such customers from Washington bonded wine warehouses are permitted but cannot exceed 2,000 cases in a calendar year.
* If the winery operates a restaurant on premise, the wine moved to that part of the business needs to be reported as a sale in this field at the time of transfer and not delayed till sold to the consumers.
* Detail instructions for the tax form can be found on our web site (examples provided).

**Report of Sales to Washington Wine Distributors by Domestic Winery (LIQ 777)**

* This form is used to list sales to and/or samples provided to Washington wine distributors.
* The report should only be filed when there are sales/samples to such licensees.
* Complete all fields, especially the license numbers of the distributors.
* If you have multiple transactions with one licensee, total them and list them on one line. Be sure to maintain worksheets that clearly provide the detail of those totals as backup.
* The total gallons tabulated in the columns of field 8 must equal the gallons listed on the Wash Domestic Winery Summary Tax Report form (LIQ 774) in the columns of field 11, respectively.
* Detailed instructions for the tax form can be found on our web site (example provided).

**Report of Exported Wine Returned to Washington by the Domestic Winery (LIQ 021)**

(Allowed as of 2009, regulation on returns revised in November 2013)

* The bottled wine/cider must be of your own production and it must be returned to the winery, a licensed Bonded Wine Warehouse, or a licensed wine distributor before being sold in Washington.
* Clear shipping records/documents must be created and retained at the winery for audit inspection.
* The LIQ 021 form must be completed in full and filed with the winery’s LIQ 774 form (when returns occur). The winery needs to retain a copy of the report with their records.

 **Summary of Wine Returned to Winery by Washington Distributors**

* Create and retain a document that clearly shows wine/cider returned from Washington wine distributors. (See example of a form that provides the pertinent information desired.)
* Please note that such returns (other than bad product exchanges or incorrect deliveries) must be for reconditioning, destruction, repossession or change of distributor.
* The distributor must be given credit for or refunded for the returns including the wine/cider tax they paid.

 **Removals at Multiple Bonded Wine Warehouses**

* If you distribute from a Bonded Wine Warehouse (BWW), create and retain an informational worksheet designed to help summarize those activities taking place at each Bonded Wine Warehouse. (See example of a form that shows how it could be designed to help provide a clear audit trail.)
* The worksheet should be attached to the winery’s copy of the tax report. It is used during audits to help evaluate the accuracy of the transactions reported to the state on Wash Domestic Winery Summary Tax Report form (LIQ 774).
* The figures tabulated on the report should be added to the transactions that took place from the winery’s location.
* Bonded Wine Warehouse Inventory Movement Reports supplied by the BWW operations handling your products should be used to help determine what to record on the worksheet. Those reports are considered source documents and should be retained for referencing during audits.

**Wines with Different Alcohol Percentages on the State Reports Only**

* The Non-Fortified column on the state forms is for those wines that have not been fortified by the addition of alcohol or wine spirits (i.e. – brandy). The alcohol content is not a factor as long as; it was achieved through natural fermentation.

Note: The requirement for affidavits was discontinued in August 2009.

* The Fortified column on the state forms is for those wines, in which, the alcohol content was increased by the addition of alcohol or wine spirits (i.e. – brandy).
* Be advised that on the Federal (TTB) forms, you must report the wines in their appropriate tax categories.

**Annual State Filer Information**

(Became available after May 2012’s tax report filing)

* To qualify for annual filing of the state tax forms, taxable sales/samples/donations within Washington cannot exceed 6,000 gallons during a calendar year.
* You must notify the WSLCB in writing that you wish to file annually. It stays in effect until you notify the WSLCB to change the status – mandatory when you no longer qualify. See our web site to find annual filing topics (FAQs), such as, the details on how and when filing status can be changed or started.

Note: A switch to or out-of such filing will always take place at the beginning of the year and cannot be changed until the next year.

* Record keeping must still be maintained as if you were filing on a monthly basis. The annual figures reported need to be clearly supported by day to day and monthly summary records for auditing purposes.

**Recommendations for Acceptable Accounting Records**

(Examples Provided)

**Invoices**

* The invoices should be pre-numbered for tracking purposes. There should be at least two parts to the invoices, the original for the customer and a carbon copy to be retained by the winery. Invoices serve as source documents. They must be retained for audit referencing including those that are voided.
* Adequate invoice documentation would include the following information:
* Winery’s name, address, phone number, and license number
* Customer’s name and address
* A date (month, day, and year), normally the shipping date
* Shipping point (winery or another facility)
* Product description (vintage, variety, alcohol content, bottle size, and number of bottles per case)
* Quantity shipped (clearly showing whether cases or bottles)
* Prices charged per unit or “N/C” for samples
* Total gallons shipped divided between cider, non-fortified wine, and fortified wine
* Invoices should be filed in a manner that permits easy retrieval during audits. The different filing methods currently used include:
* By customer name
* By month
* By invoice number
* By type of transaction (i.e., retailer, export, sample, etc.)
* A combination of filing methods when additional copies are available
* A log with the invoice numbers pre-listed should be maintained. The log should show the date, customer name, and sale amount of those invoices issued for transactions.

**Cash Registers**

* Cash registers can be used to record and track sales.
* The Z readings and detail tapes should be retained to show how reported activities were determined.
* Store the tapes in a fashion that expedites their review during audits (date the tapes and separate them by month to match the summary records - spreadsheets).

**Inventory Records**

* The winery should set up a perpetual inventory system.
* It should be able to keep track of specific wine/cider products at their various stages of processing and their movement from one stage to the next (grapes, juice, bulk wines, bottled wine in bond, and bottled wine in tax paid areas). Inventory records for wine/cider stored at other facilities should also be maintained.
* Perpetual inventory records help simplify the task of maintaining accurately reported inventories. Single counts of the stock can be taken and compared to the book inventory whenever desired. Physical counts should be taken routinely (such as monthly) to ensure the accuracy of the inventories and transactions reported to the government agencies, banks, stockholders, etc. Discrepancies are easier to detect and correct the more frequently counts are done.
* The winery is required by the TTB to take and document at least one complete inventory count each year. That count should be tabulated and reconciled to the TTB F 5120.17 Report of Wine Premises Operations form to confirm that the inventory figures on the report are correct. Differences should be resolved so that all records and reports accurately reflect actual inventory quantities on hand.

**Removal Records**

* Monthly spreadsheets should be set up to summarize the daily activities.
* Multiple spreadsheets may be needed to accommodate the various tabulations required for reports (i.e. - removals from bond, removals from taxpaid areas, removals from the retail room, etc.).
* The summary records should be set up to help generate the information needed on the various tax reports (see examples). Be sure to cut off the activities at the end of each month and at the end of the year.
* These spreadsheets are used during audits to evaluate the accuracy of the reported transactions. If errors should exist in the reported activities, the summary sheets serve to expedite their resolution.

**Sales Records (dollar amounts)**

* The licensee should use cash balancing reports. These reports should show the reconciliation between cash receipts, sales, cash payouts, and deposits.
* The balancing reports should be summarized on monthly spreadsheets.
* The summary spreadsheets can be used to complete a variety of other tax reports (i.e. – B&O / Sales Taxes), to develop financial statements, and to show interested parties, like the Liquor Board, the source of operating funds.

**Conversion Values**

Round to no smaller than 2 decimal places on both the federal and state forms. Use same degree of accuracy on all reports and spreadsheets.

Standard 9 liter cases (2.378 gallons) = 12 x 750ML bottles

06 x 1.5L bottles

24 x 375ML bottles

Other conversions:

One 750ml bottle = .1981 gallons

One 1.5l bottle = .3962 gallons

One 375ml bottle = .0991 gallons

One 500ml bottle = .1321 gallons

0.26417 x liters = gallons

3.78544 x gallons = liters

State Wine/Cider Taxes:

 Cider - $0.06 cents per 750 ml bottle

 Non-Fortified - $0.17 cents per 750 ml bottle

 Fortified - $0.34 cents per 750 ml bottle

 Cider – $0.0814/liter or $0.308135/gallon

 Non-Fortified Wine – $0.2292/liter or $0.867623/gallon

 Fortified Wine – $0.4536/liter or $1.717076/gallon

 Assessment – $0.02113/liter or $0.08/gallon

**Federal Reports Used During Audits**

(Examples Provided)

**Excise Tax Returns (TTB F 5000.24)**

These reports are used by manufacturers to pay the federal taxes assessed on their products. They may be filed semi-monthly; one covers the 1st through the 15th and the other covers the 16th through the end of each month (except for the month of September which requires 3 filings, see TTB requirements). They may be filed on a quarterly basis; January through March, April through June, July through September, and October through December, if you qualify. Or they may be filed on an annual basis each January for the prior calendar year, if you qualify.

Quarterly qualifiers pay less than $50,000 in yearly taxes and have less than 60,000 gallons on hand at all times. Annual qualifiers pay less than $1,000 in yearly taxes and have less than 20,000 gallons on hand at all times. (See the Federal regulations for all the specific requirements that must be met.)

* The taxes are paid on wine/cider removed from bond for sales at the winery or for direct shipments to customers for sales or samples. This wine/cider is listed on the TTB F 5120.17 Report of Wine Premises Operations form under “Removed Taxpaid” (Section A, Line 14 and/or Section B, Line 8).
* Excise taxes are not paid on wine/cider (that meet TTB’s guidelines) used for tasting on premises, removed for exports (from US), removed for family use (within guidelines), or used for testing.
* The current tax rates (per gallon) on wine and cider are:
* Not Over 14 Percent – $1.07
* Over 14 to 21 Percent – $1.57
* Over 21 to 24 Percent – $3.15
* Artificially Carbonated Wine – $3.30
* Sparkling Wine – $3.40
* Hard Cider – $0.226

Qualifying small wineries (see TTB regulations) are allowed to take a $0.90 per gallon tax credit on all of their taxable wine except sparklingwine,and a $0.056 per gallon tax credit on their taxable hard cider.

Note: You must produce wine during the year.

* Detailed instructions should always be obtained from the Alcohol and Tobacco Tax and Trade Bureau.

**Report of Wine Premises Operations (TTB F 5120.17)**

This form is used to report the various activities that occur at the winery. All sections should be completed in full. Their reports should be completed each month to allow proper completion of the state form and to support how the quarterly or yearly figures were computed.

Like the TTB F 5000.24 Excise Tax Reports, this report may be filed with the TTB monthly, quarterly (if qualified), or annually for a calendar year (if qualified).

* The report summarizes the transactions of the wine and cider, from a raw product to a finished product to its distribution.
* The production activities, shown in Part I, Section A of the report, are used to determine the net production reported on the state form LIQ 774, Field 1.
* The removals listed on the state from LIQ 774, Field 2 are determined by adding together all columns of Section B, lines 8 and 12, and deducting line 4.
* The ending inventory of each section becomes the beginning inventory in the following month.
* In Section A - Bulk Wines, the total of lines 1 through 11 (Line 12) in each column should equal the total of lines 13 through 31 (Line 32) of the same columns.
* In Section B - Bottled Wines, the total of lines 1 through 6 (Line 7) in each column should equal the total of lines 8 through 20 (Line 21) of the same columns.
* Detailed instructions should always be obtained from the Alcohol and Tobacco Tax and Trade Bureau.

**Tax Exempt Removals for Family Use**
(see TTB’s regulations for details)

* Sole Proprietors are allowed to remove a limited amount of wine free of tax for personal use. They are allowed 100 gallons in a calendar year or 200 gallons if there are two or more adults in the household.
* Partnerships are allowed to remove a limited amount of wine free of tax for personal use. Each partner has the same allowance as a Sole Proprietor. Only partnerships solely made up of individuals are permitted to remove such wine.
* Limited Liability Companies (LLC) are allowed to remove a limited amount of wine free of tax for personal use. Each member of the LLC has the same allowance as a Sole Proprietor. To qualify for such removals, the LLC must be treated as a partnership by the IRS.
* Corporations do not qualify for such removals.

It is important to visit our web site, and the TTB website, on a regular basis to keep current on regulations, filing requirements, advisories, notifications, etc.