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I. PURPOSE

NCCU has a special tax-free alcohol permit, issued by the federal government, which allows scientific departments to purchase tax-free alcohol without paying any federal tax for certain research purposes. Tax-free alcohol refers to ethanol/ethyl alcohol that is 190 proof or higher and regulated by the Alcohol and Tobacco Tax and Trade Bureau (TTB). This provides substantial cost benefit to the user and the university. However, there are strict federal regulations associated with the permit that are required in order to maintain the cost savings. Laboratories who use tax-free alcohol are required to follow specific purchasing, receiving, storage, disposal, and record keeping protocols, as identified in this document.

North Carolina University Environmental Health and Safety (EHS) has developed this Guide to outline required procedures for obtaining, storing, using and disposing of tax-free ethanol found in [27 CFR Part](#)

Approved: 2/7/2023

Approved by: K. Long-Witter

NORTH CAROLINA CENTRAL UNIVERSITY • 1801 FAYETTEVILLE STREET • DURHAM, NC 27707
EMAIL ehs@ncu.edu • TELEPHONE 919-530-7125 • <https://ncu.edu/ehs>

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II. SCOPE

This Guide applies to all university personnel who order, purchase, or use tax-free pure ethanol in the course of their work at NCCU. The Principal Investigator (PI) in each laboratory that requires tax-free ethanol is ultimately responsible for ensuring compliance with all federal, state and NCCU regulations regarding ordering and using tax-free ethanol.

III. RESPONSIBILITIES

A. Environmental Health and Safety (EHS)

- Holds original Industrial Alcohol User Permit and provides copies to authorized users
- Provides guidance and assistance for purchasing tax-free ethanol
- Holds users responsible for compliance and removes access to tax-free alcohol due to non-compliance

B. Principal Investigator

- Responsible for laboratory compliance with all requirements listed in this guide and in accordance with the applicable state and federal regulations
- Registers lab and custodian with EHS for use of tax-free alcohol
- Investigates any loss of tax-free alcohol and reports loss immediately to EHS

C. Alcohol Custodians

- Responsible for enforcing compliance in laboratory with all requirements listed in this guide and in accordance with the applicable state and federal regulations
- Obtains copy of NCCU permit and attaches copy to all requisitions for tax-free alcohol
- Purchases tax-free alcohol for their laboratory only
- Personally receives and signs for all deliveries of tax-free alcohol
- Maintains all records of receipt, use, and loss for laboratory tax-free alcohol
- Ensures safe and secure locked storage of all tax-free ethanol

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IV. PERMIT

A Federal Industrial Alcohol User Permit is issued by the Department of Treasury, Alcohol and Tobacco Tax and Trade Bureau (TTB) to the university; there is a separate permit for each campus. The permit must be kept posted, available for inspection on the premises covered by the permit.

All physical locations where pure ethanol is used and/or stored must be registered with EHS for inclusion on the permit. Laboratories who wish to purchase and utilize tax-free ethanol must designate an alcohol custodian with EHS. To register a laboratory and custodian, submit a [Tax Free-Alcohol Use Request form](#) to ehs@nccu.edu.

Copies of the TTB permit will be sent to the requestor electronically once EHS has confirmed the identity of the requestor and verified a legitimate use of the pure ethanol. Once a copy of the permit is received, it must be kept on file wherever the alcohol is used or stored and attached to the requisition for every purchase of tax-free alcohol.

V. TRAINING

The tax-free alcohol custodian is required to complete the [NCCU Tax-Free Alcohol Training](#) before ordering or receiving tax-free alcohol. This training will ensure that the tax-free alcohol custodian is compliant with all applicable university policies and federal regulations.

VI. PURCHASE AND RECEIPT OF TAX-FREE ALCOHOL

Tax-free alcohol is restricted from a regular department order and only approved alcohol custodians can place tax-free alcohol orders.

- Orders must be placed through Eagle's Purch vendors.
- All requisitions for tax-free alcohol must have a copy of the Federal Industrial Alcohol User Permit attached. Purchasing will reject any requisition that does not include a copy of the permit.
- Orders of tax-free alcohol in containers exceeding 4 liters require special approval by the Tobacco Tax and Trade Bureau and is prohibited at NCCU without prior approval by EHS.
- Tax-free alcohol must be shipped directly to the laboratory – not Central Receiving for compliance with Federal and State regulations.

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- By federal law, the alcohol custodian who placed the order must be physically present and sign for receipt of the order at the time of delivery.

When tax-free alcohol is received on site, the custodian must inspect the shipment for any loss or deficiency. In the case of loss or deficiency, the custodian must annotate the receiving document and forward a copy to EHS and the appropriate TTB officer.

VII. STORAGE OF TAX FREE ALCOHOL

The regulations require the secure storage of tax-free alcohol while unattended or removing an amount from the inventory for use. Secure storage includes in a cabinet under a fume hood, lockable flammable storage cabinet, or a locked laboratory.

Tax-free alcohol may not be removed from the original packages or containers in which received until the alcohol is withdrawn for use. All reagents and dilutions made from tax-free ethanol should be appropriately and accurately labeled to ensure they are not transported off the premises.

If tax-free alcohol is transferred to “safety” containers in accordance with fire code regulations, the containers to which they are transferred shall be appropriately marked to identify the package from which transferred, the quantity transferred, the date of transfer, and the name and address of the vendor.

VIII. PROHIBITED USES OF TAX-FREE ALCOHOL

- Tax-free alcohol may not be withdrawn and used for beverage purposes, or in any food product, or in any preparation used in preparing a beverage or a food product
- Tax-free alcohol may not be sold
- Tax-free alcohol may not be used in the manufacture of any product which will be sold or in any product resulting from the use of tax-free alcohol which will be sold
- Tax-free alcohol may not be removed from the premises unless the removals are specifically authorized by the terms of the permit. This also applies to products resulting from the use of tax-free alcohol.
- Products made through the use of tax-free alcohol which contain no alcohol may be removed to other premises for the sole purpose of further research.

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- Anyone removing, selling, transporting or using tax-free alcohol in violation of the law or regulations will be required to pay the distilled spirits tax on the alcohol

IX. INVENTORY

Each custodian must keep an inventory of all tax-free alcohol in their possession using the [TTB Tax-Free Alcohol Inventory Form](#) and shall take a **physical inventory** of the tax-free and recovered alcohol in its possession semi-annually for the periods ending June 30 and December 31 of each year. This physical inventory should be recorded as an entry in the record of usage with any necessary adjustments (losses or gains). Copies of usage inventory showing the results of the semi-annual inventories must be provided to ehs@nccu.edu no later than July 15th and January 15th each year.

Further, EHS monitors individual laboratory usage to ensure that the cumulative quantity withdrawn or received during a calendar year does not exceed the amount authorized by the permit. Entities may not receive more alcohol than they are permitted for without first amending their permit.

X. RECORDKEEPING

Any person who conducts an operation which is required to be recorded, must enter that operation in the records on the same day the operation occurred.

Custodians must keep on file on their premises all inventories, receipts and use records for a period of not less than 3 years following the date of transaction or, at the discretion of the appropriate TTB officer, an additional 3-year period. The original permit, amendments, and records on any claims are retained and posted at EHS.

Acceptable records of receipt shall consist of an invoice, bill or bill of lading. Records of receipt must include: proof, date of transaction, quantity of tax-free alcohol actually received.

Records of usage must identify the tax-free alcohol by quantity, proof, and purpose of removal.

All records must be stored in such a manner that they are readily available to TTB officers and other inspectors upon request.

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XI. LOSSES AND CLAIMS

Loss of tax-free alcohol may occur for several reasons:

- Loss in transit to custodian
- Incomplete/incorrect shipments
- Loss on premises
 - Theft
 - Property damage

Upon discovering any loss of tax-free alcohol, the custodian shall immediately inform EHS in writing, of the facts and circumstances relating to the loss. In the case of theft, University Police and the appropriate TTB officer will also be notified of the facts and circumstances relating to the loss.

Transit loss

Upon discovering any loss of tax-free alcohol while in transit, the carrier shall immediately inform the custodian, in writing, of the facts and circumstances relating to the loss. In the case of theft, the carrier shall also immediately notify the consignee's appropriate TTB officer of the loss.

After the shipment or report of loss is received and the custodian determines the quantity of tax-free alcohol lost, the amount is noted on the receipt and all relevant documentation retained. Only the actual tax-free alcohol received should be recorded as received.

A claim for allowance of the entire quantity lost shall be filed if:

- the quantity lost exceeds 1.0% of the total quantity shipped; **and**
- is more than 5 proof gallons

If the loss was due to theft or other unlawful removal, the consignee shall file a claim for allowances of the entire quantity lost, regardless of the quantity or percentage involved.

Loss on premises

The custodian will determine and record any quantity of tax-free or recovered alcohol lost on premises:

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- when completing the semi-annual required physical inventory; or
- immediately upon the discovery of any loss due to casualty, theft or other unusual causes.

A claim for allowances of losses of tax-free alcohol on the premises shall be filed:

- if the loss during any semi-annual inventory period exceeds 1% of the quantity to be accounted for during that period; and
- is more than 10 proof gallons; or
- if the loss was due to theft or unlawful use or removal regardless of quantity involved.

Incomplete shipments

When containers of tax-free alcohol have sustained losses in transit other than by theft, and the shipment will not be delivered to the consignee, the carrier may return the shipment to supplier. In this case, the supplier will be the one to file a claim for allowance of the entire quantity lost.

XII. CLAIMS

Claims for allowances of losses of tax-free or recovered alcohol shall be filed online using Form 5620.8 by EHS within 30 days from the date the loss is ascertained.

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