



***INSTRUCTIONS FOR COMPLETION OF WINERY STATE FORMS
(EXAMPLES INCLUDED)***

General Information –

Washington State Liquor Control Board (WSLCB):

- A) Web addresses: Home page – www.liq.wa.gov
Winery Forms page – www.liq.wa.gov/taxreporting/winery
- B) Contact information: Olympia Tax Desk – (360) 664-1679 or 664-1691
Email Address – beerwinetaxes@liq.wa.gov
Tax Fax Number – (360) 586-2085

Alcohol and Tobacco Tax and Trade Bureau (TTB):

- A) Web address: Home page – www.TTB.gov

Wash Domestic Winery Summary Tax Report (LIQ 774) –

- A) 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.
- B) Complete ALL fields that pertain. Do not leave the net production box blank; enter a zero to show no activity. Negative production values can occur and should be reported as such.
- C) 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, and other assorted source documents.
- D) To determine the net production figure in field 1, follow the instructions above the entry cell on tax form (LIQ 774). The TTB F 5120.17 operations form serves as the source of the information listed and be sure to include all columns in the computations. (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.)
- E) 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 shipments out of the United States.)



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- F) Fields 3 and 5 are for wine/cider movements into and out of the federally tax-paid areas at the winery. This does **NOT** include the retail sales room (area) at the winery.
- G) Fields 4 and 6 are for wine/cider movements into and out of federally taxpaid areas **NOT** at the winery but still in Washington. Sales are reported to the state whenever removals are made for a transaction from those locations. This does **NOT** include wine shipped to additional winery retail locations.
- H) Field 7 is for transactions in which wine/cider is shipped or transferred to warehouses located outside the state of Washington for anticipated sales or sample activities and/or storage.
- I) Field 8 is for transactions occurring at other bonded facilities in Washington (i.e., Tiger Mountain Services). Wine/cider removal activities from these other locations should be summarized on a worksheet similar to the Board's Removal at Bonded Wine Warehouse form (LIQ 678 – no longer available). ALL inventory and removal reports supplied by those warehouses must be retained for auditing purposes.
- J) Please note that "Total Gallons" (field 9) must equal "Total Sales" (field 16).
- K) Washington Wine Distributors (field 11 columns) is only for sales to Washington 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).
- L) Field 12 columns are a combination of sales to the WSLCB, 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 for future out-of-state transactions.

This line will also be used to report previously exported wine/cider products brought back to the winery or licensed Washington bonded wine warehouse. (**Note:** The wine/cider must be of your own production. The quantity returned will be deducted from the totals exported. The Liquor Board's return form LIQ 021 must be completed in full and submitted.
- M) Samples (field 13 columns) are wines/ciders provided for off-premise consumption in Washington at no charge. Do **NOT** include wine/cider used on the winery's premises for tasting (free of charge) or removed for family use.
- N) Donations to non-profits (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.
- O) Sales reported under each category should be actual sales with one exception. If the winery maintains and stores wine/cider in a retail shop or room, the sales reported each month under "Retail on Winery Premises" (field 13 columns) would be based on wine/cider brought into the retail area and not the actual sales going out of it. Be sure to account for all sources, whether from bond or the other taxpaid areas. **Wine/cider shipped directly to out-of-state**



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retail customers is reported as “Retail on Winery Premises” sales and not as “Exports.” Be sure to include shipments to your additional retail room locations.

- P) Sales to Retail Licensees (field 14 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.
- Q) Detail instructions can be found on our web site (example provided).

Report of Sales to Wash Wine Distributors by Domestic Winery (LIQ 777) –

- A) This form is used to list only sales to Washington distributors.
- B) The report should only be filed when there are sales to such licensees.
- C) Complete ALL fields, especially the license numbers of the distributors.
- D) 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.
- E) 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.
- F) Detail instructions can be found on our web site (example provided).

Summary of Wine Returned to Winery by Washington Distributors –

- A) 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.)
- B) Please note that such returns (other than bad product exchanges or incorrect deliveries) must be for reconditioning, destruction, repossession, or change of distributor.
- C) 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 –

- A) 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.)



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- B) 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).
- C) The figures tabulated on the report should be added to the transactions that took place from the winery's location.
- D) 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.

Returns of Exported Wine/Cider Back into Washington – (allowed as of 2009)

- A) The bottled wine/cider must be of your own production and it must be returned directly to the winery or a licensed Washington bonded wine warehouse before being re-distributed (sold).
- B) Clear shipping records/documents must be created and retained at the winery for audit inspection.
- C) WSLCB's LIQ 021 form (Washington Domestic Winery Report) must be completed in full and filed with the winery's LIQ 774 form. The winery needs to retain a copy of the report with their records.

Wines with Different Alcohol Percentages on the State Reports [ONLY](#);

- A) 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). Their 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.)
- B) 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).
- C) On the Federal forms, you must report the wines in their appropriate tax categories.



***RECOMMENDATIONS FOR ACCEPTABLE ACCOUNTING RECORDS
(EXAMPLES INCLUDED)***

Invoices –

- A) 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](#).
- B) Adequate documentation on invoices would include the following information:
 - 1) Winery's name, address, phone number, and license number
 - 2) Customer's name and address
 - 3) A date (month, day, and year), normally the shipping date
 - 4) Shipping point (winery or another facility)
 - 5) Product description (vintage, variety, alcohol content, bottle size, and number of bottles per case)
 - 6) Quantity shipped (clearly showing whether cases or bottles)
 - 7) Prices charged per unit or "N/C" for samples
 - 8) Total gallons shipped divided between Cider, Non-Fortified wine, and Fortified wine
- C) Invoices should be filed in a manner that would permit 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.), or a combination of any of them when additional copies are available.
- D) 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 –

- A) Cash registers can be used to record and track sales.
- B) The Z readings and detail tapes should be retained to show how reported activities were determined.
- C) 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 –

- A) The winery should set up a perpetual inventory system.
- B) 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.
- C) 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.
- D) The winery is required by 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 –

- A) Monthly spreadsheets should be set up to summarize the daily activities.
- B) 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.).
- C) The summary records should be set up to help generate the information needed on the various tax reports (see the examples). Be sure to cut off the activities at the end of each month and at the end of the year.
- D) 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) –

- A) The licensee should use cash balancing reports. These reports should show the reconciliation between cash receipts, sales, cash payouts, and deposits.
- B) The balancing reports should be summarized on monthly spreadsheets.



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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. Basically, the 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.)

- B) 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).
- C) Excise taxes and state 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, or used for testing.
- D) The current tax rates on wine and cider are: (per gallon)
- 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 \$.90 per gallon tax credit on all their taxable wine except [sparkling](#) and a \$.056 per gallon tax credit on their taxable hard cider.
- E) Detail instructions should always be obtained from the Alcohol and Tobacco Tax and Trade Bureau, TTB.

Report of Wine Premises Operations (TTB F 5120.17) –

- A) 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).)
- B) The report summarizes the transactions of the wine and cider, from a raw product to a finished product to its distribution.
- C) 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.
- D) The removals listed on the state form (LIQ 774) field 2 are determined by adding together all columns of Section B, lines 8 and 12, and deducting line 4.



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- E) The ending inventory of each section becomes the beginning inventory in the following month.
- F) 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.
- G) 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.
- H) Detail instructions should always be obtained from the Alcohol and Tobacco Tax and Trade Bureau, TTB.

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

- A) 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.
- B) 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.
- C) 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.
- D) Corporations do NOT qualify for such removals.