

(other than interest) collected by reason of the information provided include both additional amounts collected because of the information provided and amounts collected prior to receipt of the information if the information leads to the denial of a claim for refund that otherwise would have been paid.

(b) *Eligibility to file claim for reward*—(1) *In general.* Any person, other than certain present or former federal employees described in paragraph (b)(2) of this section, that submits, in the manner described in paragraph (d) of this section, information relating to the violation of an internal revenue law is eligible to file a claim for reward under section 7623 and this section.

(2) *Federal employees.* No person who was an officer or employee of the Department of the Treasury at the time the individual came into possession of information relating to violations of the internal revenue laws, or at the time the individual divulged such information, is eligible for a reward under section 7623 and this section. Any other current or former federal employee is eligible to file a claim for reward if the information provided came to the individual's knowledge other than in the course of the individual's official duties.

(3) *Deceased informants.* A claim for reward may be filed by an executor, administrator, or other legal representative on behalf of a deceased informant if, prior to the informant's death, the informant was eligible to file a claim for such reward under section 7623 and this section. Certified copies of the letters testamentary, letters of administration, or other similar evidence must be attached to the claim for reward on behalf of a deceased informant in order to show the authority of the legal representative to file the claim.

(c) *Amount and payment of reward.* All relevant factors, including the value of the information furnished in relation to the facts developed by the investigation of the violation, will be taken into account by a district or service center director in determining whether a reward will be paid, and, if so, the amount of the reward. The amount of a reward will represent what the district or service center director deems to be adequate compensation in the particular case, generally not to exceed fifteen percent of the amounts (other than interest) collected by reason of the information. Payment of a reward will be made as promptly as the circumstances of the case permit, but not until the taxes, penalties, or fines involved have been collected. However, if the informant waives any claim for

reward with respect to an uncollected portion of the taxes, penalties, or fines involved, the claim may be immediately processed. Partial reward payments, without waiver of the uncollected portion of the taxes, penalties, or fines involved, may be made when a criminal fine has been collected prior to completion of the civil aspects of a case, and also when there are multiple tax years involved and the deficiency for one or more of the years has been paid in full. No person is authorized under this section to make any offer, or promise, or otherwise to bind a district or service center director with respect to the payment of any reward or the amount of the reward.

(d) *Submission of information.* A person that desires to claim a reward under section 7623 and this section may submit information relating to violations of the internal revenue laws, in person, to the office of a district director, preferably to a representative of the Criminal Investigation Division. Such information may also be submitted in writing to the Commissioner of Internal Revenue, Attention: Assistant Commissioner (Criminal Investigation), 1111 Constitution Avenue, NW., Washington, DC 20224, to any district director, Attention: Chief, Criminal Investigation Division, or to any service center director. If the information is submitted in person, either orally or in writing, the name and official title of the person to whom it is submitted and the date on which it is submitted must be included in the formal claim for reward.

(e) *Identification of informant.* No unauthorized person will be advised of the identity of an informant.

(f) *Filing claim for reward.* An informant that intends to claim a reward under section 7623 and this section should notify the person to whom the information is submitted of such intention, and must file a formal claim on Form 211, Application for Reward for Original Information, signed by the informant in the informant's true name, as soon as practicable after the submission of the information. If other than the informant's true name was used in furnishing the information, satisfactory proof of identity as that of the informant must be included with the claim for reward.

(g) *Effective date.* This section is applicable with respect to rewards paid after January 29, 1997.

#### **§ 301.7623-1T [Removed]**

**Par. 3.** Section 301.7623-1T is removed.

## **PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT**

**Par. 4.** The authority citation for part 602 continues to read as follows:

**Authority:** 26 U.S.C. 7805.

**Par. 5.** In § 602.101, paragraph (c) is amended by removing the entry for 301.7623-1T from the table and by revising the entry for 301.7623-1 to read as follows:

#### **§ 602.101 OMB Control numbers.**

* * * * *				
(c) * * *				
CFR part or section where identified and described				Current OMB control No.
* * * * *				*
301.7623-1	.....			1545-0409
* * * * *				1545-1534
				*

**Michael P. Dolan,**

*Deputy Commissioner of Internal Revenue.*

Approved: July 20, 1998.

**Donald C. Lubick,**

*Assistant Secretary of the Treasury.*

[FR Doc. 98-22464 Filed 8-20-98; 8:45 am]

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## **DEPARTMENT OF THE TREASURY**

### **Bureau of Alcohol, Tobacco and Firearms**

#### **27 CFR Parts 4, 19, 24, 194, 250 and 251**

[T.D. ATF-398]

RIN 1512-A71

#### **Implementation of Public Law 105-34, Sections 908, 910 and 1415, Related to Hard Cider, Semi-Generic Wine Designations, and Wholesale Liquor Dealers' Signs (97-2523)**

**AGENCY:** Bureau of Alcohol, Tobacco and Firearms (ATF), Department of the Treasury.

**ACTION:** Temporary rule (Treasury decision).

**SUMMARY:** This temporary rule implements some of the provisions of the Taxpayer Relief Act of 1997. The new law made changes in the excise tax on hard cider, clarified the authority to use semi-generic designations on wine labels, and repealed the requirement for wholesale dealers in liquors to post signs. The wine regulations are amended to incorporate the new hard cider tax rate and to recognize the

labeling changes relative to the description of hard cider. These regulations are also amended to incorporate the semi-generic wine designations, and the liquor dealers' regulations are amended to eliminate the requirement for posting a sign. Clarifying changes are made to parts 19, 250 and 251. In the Proposed Rules section of this **Federal Register**, ATF is also issuing a notice of proposed rulemaking inviting comments on this temporary rule for a 60 day period following the publication of this temporary rule.

**DATES:** *Effective dates:* Amendments to 27 CFR 4.24 and 4.257(c) (temporary regulations related to semi-generic wine designations) and the removal of 27 CFR 194.239 through 194.241 (temporary regulations related to wholesale liquor dealers' signs) are effective retroactive to August 5, 1997. Amendments to 27 CFR 4.21, 19.11, 24.10, 24.76, 24.257(a), 24.278, 250.11 and 251.11 (temporary regulations related to cider) are effective October 20, 1998.

*Compliance date:* Compliance with the amendments to 27 CFR 4.21 and 24.257(a) is not mandatory until February 17, 1999.

**FOR FURTHER INFORMATION CONTACT:** Marjorie D. Ruhf, Regulations Division, 650 Massachusetts Avenue, NW, Washington, DC 20226; (202) 927-8230; or [mdruh@atfhq.atf.treas.gov](mailto:mdruh@atfhq.atf.treas.gov).

**SUPPLEMENTARY INFORMATION:**

**Background**

This temporary rule implements some of the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34 ("the Act"). These provisions amended the Internal Revenue Code of 1986 (IRC) to create a new excise tax category for hard cider, clarify the authority to use semi-generic designations on wine labels, and repeal the requirement for wholesale dealers in liquors to post signs.

**Current Regulation of Fermented Cider**

The Bureau of Alcohol, Tobacco and Firearms (ATF) regulates production of all alcohol beverages under the IRC and the Federal Alcohol Administration Act (FAA Act). The IRC covers taxes and qualification requirements for producers, and the FAA Act regulates labeling, advertising, permits and trade practices. Before the enactment of the Act, fermented ("hard") cider was subject to some of the requirements of these laws, and exempt from others, depending on how it was made.

**Tax Exempt Cider**

In the IRC (26 U.S.C. 5042), Congress exempted fermented cider from Federal

excise tax and the strict qualification requirements imposed on producers of all other alcohol beverages, if it met the following description:

\* \* \* the noneffervescent product of the normal alcoholic fermentation of apple juice only, which is produced at a place other than a bonded wine cellar and without the use of preservative methods or materials, and which is sold or offered for sale as cider and not as wine or as a substitute for wine. \* \* \*

The restriction on ingredients and prohibition of preservative methods or materials effectively limit the sale of this product to farmstands or other small-scale local enterprises. The Act made no change in 26 U.S.C. 5042. Therefore, no change has been made to 27 CFR 24.76, relating to cider under 26 U.S.C. 5042, except to change the title of that section to "Tax exempt cider," to differentiate this cider from hard cider subject to the new tax rate.

**Taxable Cider**

Under the former law, taxable fermented cider was made at bonded wine premises and technically could be taxpaid as either still wine at \$1.07 per gallon (\$.17 for small producers), artificially carbonated wine at \$3.30 per gallon (\$2.40 for small producers), or sparkling wine at \$3.40 per gallon (no special rate for small producers). Still wine is wine which contains not more than 0.392 gram of carbon dioxide per hundred milliliters and the information available to ATF indicates that all domestic cider was produced as still wine, with few exceptions. If any wine contains 7 percent or more of alcohol by volume, it is subject to the full FAA Act wine labeling and basic permit requirements. Wine which is under 7 percent alcohol is only subject to the FAA Act requirement that a person who bottles any beverage which contains 0.5 percent or more alcohol by volume must place the Government Warning Statement on the bottle. Minimal ATF marking requirements under the IRC wine regulations, § 24.257(a), apply to wine under 7 percent alcohol and require the identification of the bottler and the brand, kind, alcohol content, and quantity of wine. Otherwise, labeling of wine (including fermented cider) under 7 percent alcohol by volume is within the jurisdiction of the Food and Drug Administration.

**Public Law 105-34**

The Taxpayer Relief Act of 1997, Pub. L. 105-34, was enacted on August 5, 1997. Section 908 of the Act added a new tax class for wine, called "hard cider," to 26 U.S.C. 5041 and imposed a new rate of tax on hard cider as follows:

On hard cider derived primarily from apples or apple concentrate and water, containing no other fruit product, and containing at least one-half of 1 percent and less than 7 percent alcohol by volume, 22.6 cents per wine gallon.

This new tax rate applies to hard cider removed from bond on or after October 1, 1997.

Small domestic producers of wine are entitled to a credit of up to 90 cents per wine gallon on wine that is within the first 100,000 gallons of wine (other than champagne and other sparkling wines) removed for consumption or sale during a calendar year. This credit may be taken by a bonded wine premises proprietor who does not produce more than 250,000 gallons of wine in a given calendar year. Since the full small producer's wine tax credit allowed by 26 U.S.C. 5041(c) reduces the rate of tax on still wine under 14 percent alcohol (a category which included domestic ciders) to 17 cents instead of 22.6 cents, the new hard cider tax rate would have resulted in an increase in the net tax paid by small domestic wineries who make fermented cider. Therefore, section 908 of the Act provides for a reduced amount of the small producer's wine tax credit to apply to the hard cider tax rate for eligible small producers. This reduced rate of credit, 5.6 cents instead of 90 cents, has the effect of reducing the net tax paid on hard cider by a small domestic producer to 17 cents, the equivalent of the lowest tax available to domestic producers of still wine under 14 percent alcohol by volume. As with the 90 cent credit, the full credit of 5.6 cents per gallon is reduced by 1 percent (\$.00056 per gallon) for each thousand gallons of wine over 150,000 gallons which are produced in a year, until the full tax rate is reached at the 250,000 gallon annual production level. In view of the above, conforming changes are made to 27 CFR 24.278, which implements the tax credit for small domestic producers.

**Definition of Hard Cider**

The statutory language describes "hard cider" eligible for the new tax rate as "derived primarily from apples or apple concentrate and water, containing no other fruit product, and containing at least one-half of 1 percent and less than 7 percent alcohol by volume."

In this temporary rule, ATF defines hard cider as wine derived primarily from apples or apple concentrate and water (apple juice, or the equivalent amount of concentrate reconstituted to the original brix of the juice prior to concentration, must represent more than 50 percent of the volume of the finished product); containing no other fruit

product nor any artificial product which imparts a fruit flavor other than apple; containing at least one-half of 1 percent and less than 7 percent alcohol by volume; having the taste, aroma, and characteristics generally attributed to hard cider, and sold or offered for sale as hard cider and not as a substitute for any other alcohol product.

First, this definition specifies that hard cider is a still wine, as required by a recent amendment to the IRC by section 6009 of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. 105-206.

Second, the Act specifically defines hard cider as "containing no other fruit product." We recognize that pear juice has been used as a natural source of additional tannin, and that other wine treating materials, such as citric acid, are derived from fruit. We also recognize that the U.S. cider industry has been experimenting with apple ciders flavored with other fruits. However, the statutory language expressly precludes the addition of any other fruit product. We interpret this prohibition to include natural and artificial flavors which give any fruit character other than apple to the product. Any such flavored ciders will be subject to the appropriate tax rate under 26 U.S.C. 5041(b) (1) through (5).

Third, we recognize that one traditional method of making hard cider involves diluting a higher-alcohol apple wine with juice, concentrate and water, or some other liquid. Wines made in this way are formula wines, in either the special natural wine or other than standard wine category. Formula wines may be classified as hard cider, provided they also meet the statutory definition of hard cider. In the temporary rule, we are interpreting the statutory phrase "derived primarily from apples or apple concentrate and water" to mean that apple juice, or the equivalent amount of concentrate reconstituted to the original brix of the juice prior to concentration, must represent more than 50 percent of the volume of the finished product.

Finally, we include in the definition the requirement that hard cider must have the taste, aroma and characteristics generally attributed to hard cider, and that it must be sold or offered for sale as hard cider. These requirements are added to insure that the tax class of hard cider is properly identified, so that it will not be confused with other types of beverages which are subject to different tax classifications.

#### Labeling of Hard Cider

Since the term "hard cider" now has tax significance, no wine may be

designated as "hard cider" unless it conforms to the definition of cider in § 24.10 and is eligible for the tax category of hard cider. The reference to cider in the FAA labeling regulations at § 4.21(e)(5) is amended to show that the term "hard cider" is reserved for use in wine eligible for the tax category of hard cider. A new § 24.257(a)(3)(iv) has been added to the IRC wine labeling requirements for wine under 7 percent alcohol by volume to show that wine eligible for the tax category of hard cider will be marked "hard cider" rather than simply "wine" under that section.

#### Forms Affected By New Tax Class for Hard Cider

The Report of Operations, ATF F 5120.17, has been revised to show a new column reflecting the new tax category of hard cider. If a Formula and Process for Wine, ATF F 5120.29, is submitted for a hard cider, the applicant should specify "hard cider" in addition to the designation "special natural wine" or "other than standard wine." The Excise Tax Return, ATF F 5000.24, requires only a total amount of wine tax, without any breakdown by tax class, so that form will not be affected by this change.

#### Conforming Changes on Hard Cider

We are amending the definition of "eligible wine" which appears in parts 19, 250 and 251 to clarify that wine in the new tax category of hard cider is not eligible for wine and flavor credit if used in a distilled spirits product. Section 5010 of the Internal Revenue Code, which gives the rules for wine and flavor credit, specifically limits the credit to "wine on which tax would be imposed by paragraph (1), (2), or (3) of section 5041(b) but for its removal to bonded premises" of a distilled spirits plant. These three categories are the still wines containing not more than 14 percent, more than 14 to not more than 21 percent, and more than 21 percent alcohol by volume, respectively. In the past, this meant the two remaining categories, both effervescent wines, were ineligible for credit, and the definitions of "eligible wine" in 27 CFR 19.11, 250.11 and 251.11 state simply that still wine is eligible for wine and flavor credit. Since 26 U.S.C. 5041(b)(6) was added to create a tax category of wine called hard cider, and 26 U.S.C. 5010 was not amended to include 5041(b)(6) in the list of wines eligible for wine credit when used in distilled spirits, the existing regulatory definition of eligible wine as still wine is no longer appropriate. We are amending the definition of eligible wine to reflect more closely the wording of the statute.

#### Transition to New Rules

Hard cider makers already qualified as wineries will not need to change any aspect of their qualification. Removals of eligible hard cider made after October 1, 1997, may be taxpaid at the new rate. Some hard cider producers may find that the new tax rate reduces their tax liability to the point where they could reduce their bond coverage if they choose to file a superseding bond. While no change was made to the recordkeeping regulations in subpart O of part 24, such records, when kept by tax class, should include records of hard cider after October 1, 1997. Small domestic producers will continue to count production of hard cider as part of their total production for purposes of establishing the level of eligibility for wine tax credit.

While the labeling changes requiring the use of the term "hard cider" on wine eligible for the hard cider tax rate, and prohibiting the use of the term "hard cider" on any wine not eligible for such rate, are effective October 20, 1998, we recognize that it is not practical to enforce the new requirements immediately. Therefore, while the labeling regulations are effective on October 20, 1998, we will allow a six-month period to change labels as necessary. The new requirements will become mandatory on February 17, 1999.

#### Request for Comments on Cider Regulations

ATF encourages comments, supported by historical or technical data, on the definition of hard cider established in this temporary rule. *The Technology of Winemaking*, Fourth Edition, Amerine et al., AVI Publishing Company, Inc., describes numerous traditional ways of making fermented cider, some of which may not fit the definition of hard cider provided in this temporary rule. We invite comments, including citations of standard references on cider making, on whether adjustments to the definition of hard cider are warranted. For example, is the requirement that more than 50 percent of the volume of the finished product be apple juice or reconstituted apple concentrate adequate to ensure the product has the characteristics of hard cider? Given the prohibition on fruit flavors other than apple, should wine treating and sweetening materials derived from other fruit products (such as citric acid or high fructose liquid sugars) be prohibited in cider?

The proposals discussed in this background material may be modified due to comments and suggestions received.

### Other Changes Made by the Taxpayer Relief Act of 1997

Section 910 of the Act amended 26 U.S.C. 5388 by adding a new subsection (c), Use of semigeneric designations, which generally parallels the language of 27 CFR 4.24 on the same subject, but places the existing list of semi-generic designations outside the discretion of the Secretary.

Since the IRC regulations concerning wine labeling appear in 27 CFR 24.257, already modified as discussed above, that regulation has been further modified to incorporate the wording of 26 U.S.C. 5388, concerning the use of semi-generic wine designations. Additionally, the standard of identity for wines under 27 U.S.C. 205 are incorporated by reference in this section. Finally, a cross reference has been placed in § 4.24.

We note that the placement of the rules for use of semi-generic designations in the IRC makes them applicable to wines which contain less than 7 percent alcohol by volume and to wines sold only in intrastate commerce. In this temporary rule, the rules governing the use of semi-generic designations are in both part 4 and part 24, but we request comments on whether there is a need to retain them in part 4 or, alternatively, whether any additional changes are needed to § 4.24 as a result of the amendment to the IRC.

Section 1415 of the Act repealed the requirement for wholesale dealers in liquor to post signs identifying their premises and made conforming changes to sections of the law which referenced that requirement. In this document, ATF is amending the Liquor Dealers' regulations by removing §§ 194.239 through 194.241, which relate to this requirement.

### Regulatory Flexibility Act

Because no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) do not apply. Moreover, any revenue effects of this rulemaking on small businesses flow directly from the underlying statute. Likewise, any secondary or incidental effects, and any reporting, recordkeeping, or other compliance burdens flow directly from the statute. Pursuant to 26 U.S.C. 7805(f), this temporary regulation will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

### Executive Order 12866

It has been determined that this temporary rule is not a significant

regulatory action as defined by Executive Order 12866. Therefore, a regulatory assessment is not required.

### Paperwork Reduction Act

The provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3507) and its implementing regulations, 5 CFR part 1320, do not apply to this final rule because no new collection of information is contained in these regulations. Some of the regulatory sections amended by this temporary rule contain collections of information which were previously approved by the Office of Management and Budget (OMB). Although these sections are being amended, the changes are not substantive or material.

### Administrative Procedure Act

Because this document merely implements sections of the law which are effective on August 5, 1997 and October 1, 1997, and because immediate guidance is necessary to implement the provisions of the law, it is found to be impracticable to issue this Treasury decision with notice and public procedure under 5 U.S.C. 553(b), or subject to the effective date limitation in section 553(d).

### Drafting Information

The principal author of this document is Marjorie Ruhf, of the Regulations Division, Bureau of Alcohol, Tobacco and Firearms. However, other personnel of ATF and the Treasury Department participated in developing the document.

### List of Subjects

#### 27 CFR Part 4

Advertising, Consumer protection, Customs duties and inspection, Imports, Labeling, Packaging and containers, Wine.

#### 27 CFR Part 19

Administrative practice and procedure, Alcohol and alcoholic beverages, Authority delegations, Chemicals, Claims, Customs duties and inspections, Electronic funds transfers, Excise taxes, Exports, Gasohol, Imports, Labeling, Liquors, Packaging and containers, Puerto Rico, Reporting and recordkeeping requirements, Research, Security measures, Spices and flavorings, Stills, Surety bonds, Transportation, Vinegar, Virgin Islands, Warehouses, Wine.

#### 27 CFR Part 24

Administrative practice and procedure, Authority delegations, Claims, Electronic fund transfers, Excise taxes, Exports, Food additives, Fruit

juices, Labeling, Liquors, Packaging and containers, Reporting and recordkeeping requirements, Research, Scientific equipment, Spices and flavoring, Surety bonds, Taxpaid wine bottling house, Transportation, Vinegar, Warehouses, Wine.

#### 27 CFR Part 194

Alcohol and alcoholic beverages, Authority delegations, Beer, Claims, Excise taxes, Exports, Labeling, Liquors, Packaging and containers, Penalties, Reporting requirements, Wine.

#### 27 CFR Part 250

Administrative practice and procedure, Alcohol and alcoholic beverages, Authority delegations (Government agencies), Beer, Claims, Customs duties and inspections, Drugs, Electronic funds transfers, Excise taxes, Foods, Liquors, Packaging and containers, Puerto Rico, Reporting and recordkeeping requirements, Spices and flavorings, Surety bonds, Transportation, Wine.

#### 27 CFR Part 251

Administrative practice and procedure, Alcohol and alcoholic beverages, Authority delegations, Beer, Customs duties and inspections, Excise taxes, Imports, Labeling, Liquors, Packaging and containers, Perfume, Reporting and recordkeeping requirements, Transportation, Wine.

### Authority and Issuance

Accordingly, chapter I of title 27, Code of Federal Regulations is amended as follows:

### PART 4—LABELING AND ADVERTISING OF WINE

**Paragraph 1.** The authority citation for 27 CFR part 4 continues to read as follows:

**Authority:** 27 U.S.C. 205, unless otherwise noted.

**Par. 2.** Section 4.21 is amended by revising the third sentence of paragraph (e)(5) to read as follows:

#### § 4.21 The standards of identity.

\* \* \* \* \*

(e) *Class 5; fruit wine.* \* \* \*

(5) \* \* \* Fruit wines which are derived wholly (except for sugar, water, or added alcohol) from apples or pears may be designated "cider" and "perry," respectively, and shall be so designated if lacking in vinous taste, aroma, and characteristics; however, the term "hard cider" may not be used to designate any fruit wine; it may only be used to

designate hard cider as defined in part 24 of this chapter. \* \* \*

**Par. 3.** Section 4.24 is amended by adding a new sentence to the end of paragraph (b)(1) to read as follows:

**§ 4.24 Generic, semi-generic, and nongeneric designations of geographic significance.**

(b)(1) \* \* \* See § 24.257(c) of this chapter for exceptions to the Director's authority to remove names from paragraph (b)(2) of this section.

**PART 19—DISTILLED SPIRITS PLANTS**

**Par. 4.** The authority citation for part 19 continues to read as follows:

**Authority:** 19 U.S.C. 81c, 1311; 26 U.S.C. 5001, 5002, 5004–5006, 5008, 5010, 5041, 5061, 5062, 5066, 5081, 5101, 5111–5113, 5142, 5143, 5146, 5171–5173, 5175, 5176, 5178–5181, 5201–5204, 5206, 5207, 5211–5215, 5221–5223, 5231, 5232, 5235, 5236, 5241–5243, 5271, 5273, 5301, 5311–5313, 5362, 5370, 5373, 5501–5505, 5551–5555, 5559, 5561, 5562, 5601, 5612, 5682, 6001, 6065, 6109, 6302, 6311, 6676, 6806, 7011, 7510, 7805; 31 U.S.C. 9301, 9303, 9304, 9306.

**Par. 5.** Section 19.11 is amended by revising the definition of *Eligible wine* to read as follows:

**§ 19.11 Meaning of terms.**

*Eligible wine.* Wine on which tax would be imposed by paragraph (1), (2), or (3) of 26 U.S.C. 5041(b) but for its removal to distilled spirits plant premises and which has not been subject to distillation at a distilled spirits plant after receipt in bond.

**PART 24—WINE**

**Par. 6.** The authority citation for 27 CFR part 24 continues to read as follows:

**Authority:** 5 U.S.C. 552(a); 26 U.S.C. 5001, 5008, 5041, 5042, 5044, 5061, 5062, 5081, 5111–5113, 5121, 5122, 5142, 5143, 5173, 5206, 5214, 5215, 5351, 5353, 5354, 5356, 5357, 5361, 5362, 5364–5373, 5381–5388, 5391, 5392, 5511, 5551, 5552, 5661, 5662, 5684, 6065, 6091, 6109, 6301, 6302, 6311, 6651, 6676, 7011, 7302, 7342, 7502, 7503, 7606, 7805, 7851; 31 U.S.C. 9301, 9303, 9304, 9306.

**Par. 7.** Section 24.10 is amended by adding definitions for *Cider*, *Hard cider*, and *Tax exempt cider*, to read as follows:

**§ 24.10 Meaning of terms.**

*Cider.* See definitions for hard cider and tax exempt cider. For a description of an additional product which may be called cider, see § 4.21(e)(5) of this chapter.

*Hard cider.* Still wine derived primarily from apples or apple concentrate and water (apple juice, or the equivalent amount of concentrate reconstituted to the original brix of the juice prior to concentration, must represent more than 50 percent of the volume of the finished product) containing no other fruit product nor any artificial product which imparts a fruit flavor other than apple; containing at least one-half of 1 percent and less than 7 percent alcohol by volume; having the taste, aroma, and characteristics generally attributed to hard cider; and sold or offered for sale as hard cider.

*Tax exempt cider.* Cider produced in accordance with § 24.76

**Par. 8.** The heading of § 24.76 is revised to read as follows:

**§ 24.76 Tax exempt cider.**

**Par. 9.** Section 24.257 is amended by revising paragraph (a)(3)(iii), adding a new paragraph (a)(3)(iv), and adding a new paragraph (c) to read as follows:

**§ 24.257 Labeling wine containers.**

- (a) \* \* \*
- (3) \* \* \*
- (iii) For any wine with less than 7 percent alcohol by volume (except hard cider as defined in § 24.10), the word "wine" or the words "carbonated wine" if the wine contains more than 0.392 grams of carbon dioxide per 100 milliliters, will appear as part of the brand name or in a phrase in direct conjunction with the brand name;
- (iv) For hard cider as defined in § 24.10, the words "hard cider";

(c) *Use of semi-generic designations.*—(1) *In general.* Semi-generic designations may be used to designate wines of an origin other than that indicated by such name only if—

(i) There appears in direct conjunction therewith an appropriate appellation of origin, as defined in part 4 of this chapter, disclosing the true place of origin of the wine, and

(ii) The wine so designated conforms to the standard of identity, if any, for such wine contained in part 4 of this chapter or, if there is no such standard, to the trade understanding of such class or type.

(2) *Determination of whether a name is semi-generic.*—(i) *In general.* Except as provided in paragraph (c)(2)(ii) of this section, a name of geographic significance, which is also the designation of a class or type of wine, shall be deemed to have become semi-generic only if so found by the Director.

(ii) *Certain names treated as semi-generic.* The following names shall be treated as semi-generic: Angelica, Burgundy, Claret, Chablis, Champagne, Chianti, Malaga, Marsala, Madeira, Moselle, Port, Rhine Wine or Hock, Sauterne, Haut Sauterne, Sherry, Tokay. (See: 26 U.S.C. 5368, 5388, 5662)

(Approved by the Office of Management and Budget under control number 1512–0503)

**Par. 10.** Section 24.278 is amended by revising paragraph (d) to read as follows:

**§ 24.278 Tax credit for certain small domestic producers.**

(d) *Computation of credit.* The credit which may be taken on the first 100,000 gallons of wine (other than champagne and other sparkling wine) removed for consumption or sale by an eligible person during a calendar year shall be computed as follows:

(1) For persons who produce 150,000 gallons or less of wine during the calendar year, the credit is \$0.90 per gallon for wine (\$0.056 for hard cider) eligible for such credit at the time it is removed for consumption or sale;

(2) For persons who produce more than 150,000 gallons but not more than 250,000 gallons during the calendar year, the credit shall be reduced by 1 percent for every 1,000 gallons produced in excess of 150,000 gallons. For example, the credit which would be taken by a person who produced 160,500 gallons of wine and hard cider during a calendar year would be reduced by 10 percent, for a net credit against the tax of \$0.81 per gallon for wine or \$0.0504 for hard cider, as long as the wine or hard cider was among the first 100,000 gallons removed for consumption or sale during the calendar year.

**PART 194—LIQUOR DEALERS**

**Par. 11.** The authority citation for 27 CFR part 194 is revised to read as follows:

**Authority:** 26 U.S.C. 5001, 5002, 5111–5114, 5116, 5117, 5121–5124, 5142, 5143, 5145, 5146, 5206, 5207, 5301, 5352, 5555, 5613, 5681, 5691, 6001, 6011, 6061, 6065, 6071, 6091, 6109, 6151, 6311, 6314, 6402, 6511, 6601, 6621, 6651, 6657, 7011, 7805.

**Undesignated Centerheading and §§ 194.239 through 194.241 [Removed and reserved]**

**Par. 12.** The undesignated centerheading preceding § 194.239 is removed, and §§ 194.239, 194.240 and 194.241 are removed and reserved.

**PART 250—LIQUOR AND ARTICLES FROM PUERTO RICO AND THE VIRGIN ISLANDS**

**Par. 13.** The authority citation for part 250 continues to read as follows:

**Authority:** 19 U.S.C. 81c; 26 U.S.C. 5001, 5007, 5008, 5010, 5041, 5051, 5061, 5081, 5111, 5112, 5114, 5121, 5122, 5124, 5131–5134, 5141, 5146, 5207, 5232, 5271, 5276, 5301, 5314, 5555, 6001, 6301, 6302, 6804, 7101, 7102, 7651, 7652, 7805; 27 U.S.C. 203, 205; 31 U.S.C. 9301, 9303, 9304, 9306.

**Par. 14.** Section 250.11 is amended by revising the definition of *eligible* wine to read as follows:

**§ 250.11 Meaning of terms.**

\* \* \* \* \*

*Eligible wine.* Wine on which tax would be imposed by paragraph (1), (2), or (3) of 26 U.S.C. 5041(b) but for its removal to distilled spirits plant premises and which has not been subject to distillation at a distilled spirits plant after receipt in bond.

\* \* \* \* \*

**PART 251—IMPORTATION OF DISTILLED SPIRITS, WINES, AND BEER**

**Par. 15.** The authority citation for part 251 continues to read as follows:

**Authority:** 5 U.S.C. 552(a), 19 U.S.C. 81c, 1202; 26 U.S.C. 5001, 5007, 5008, 5010, 5041, 5051, 5054, 5061, 5111, 5112, 5114, 5121, 5122, 5124, 5201, 5205, 5207, 5232, 5273, 5301, 5313, 5555, 6302, 7805.

**Par. 16.** Section 251.11 is amended by revising the definition of *eligible* wine to read as follows:

**§ 251.11 Meaning of terms.**

\* \* \* \* \*

*Eligible wine.* Wine on which tax would be imposed by paragraph (1), (2), or (3) of 26 U.S.C. 5041(b) but for its removal to distilled spirits plant premises and which has not been

subject to distillation at a distilled spirits plant after receipt in bond.

\* \* \* \* \*

Signed: July 23, 1998.

**John W. Magaw,**

*Director.*

Approved: July 23, 1998.

**John P. Simpson**

*Deputy Assistant Secretary (Regulatory, Tariff and Trade Enforcement).*

[FR Doc. 98–22503 Filed 8–20–98; 8:45 am]

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**DEPARTMENT OF DEFENSE**

**Department of the Navy**

**32 CFR Part 706**

**Certifications and Exemptions Under the International Regulations for Preventing Collisions at Sea, 1972; Amendment**

**AGENCY:** Department of the Navy, DoD.

**ACTION:** Final rule.

**SUMMARY:** The Department of the Navy is amending its certifications and exemptions under the International Regulations for Preventing Collisions at Sea, 1972 (72 COLREGS), to reflect that the Deputy Assistant Judge Advocate General (Admiralty) of the Navy has determined that USS CONNECTICUT (SSN 22) is a vessel of the Navy which, due to its special construction and purpose, cannot fully comply with certain provisions of the 72 COLREGS without interfering with its special functions as a naval ship. The intended effect of this rule is to warn mariners in waters where 72 COLREGS apply.

**EFFECTIVE DATE:** 10 August 1998.

**FOR FURTHER INFORMATION CONTACT:** Captain R.R. Pixa, JAGC, U.S. Navy Admiralty Counsel, Office of the Judge Advocate General, Washington Navy Yard, 1322 Patterson Avenue SE, Suite 3000, Washington DC 20374–5066, Telephone number: (202) 685–5040.

**SUPPLEMENTARY INFORMATION:** Pursuant to the authority granted in 33 U.S.C. 1605, the Department of the Navy amends 32 CFR Part 706. This amendment provides notice that the

Deputy Assistant Judge Advocate General (Admiralty) of the Navy, under authority delegated by the Secretary of the Navy, has certified that USS CONNECTICUT (SSN 22) is a vessel of the Navy which, due to its special construction and purpose, cannot fully comply with the following specific provisions of 72 COLREGS without interfering with its special function as a naval ship: Rule 21(b), pertaining to the arc of visibility of the sidelights; Rule 21(c), pertaining to the arc of visibility of the sternlight; Annex I, section 2(a)(i), pertaining to the height of the masthead light; Annex I, section 2(k), pertaining to the height and relative positions of the anchor lights; and Annex I, section 3(b), pertaining to the location of the sidelights. The Deputy Assistant Judge Advocate General (Admiralty) has also certified that the aforementioned lights are located in closest possible compliance with the applicable 72 COLREGS requirements.

Moreover, it has been determined, in accordance with 32 CFR Parts 296 and 701, that publication of this amendment for public comment prior to adoption is impracticable, unnecessary, and contrary to public interest since it is based on technical findings that the placement of lights on this vessel in a manner differently from that prescribed herein will adversely affect the vessel's ability to perform its military functions.

**List of Subjects in 32 CFR Part 706**

Marine safety, Navigation (water), Vessels.

**PART 706—[AMENDED]**

Accordingly, 32 CFR Part 706 is amended as follows:

1. The authority citation for 32 CFR Part 706 continues to read:

**Authority:** 33 U.S.C. 1605.

2. Table One of § 706.2 is amended by adding, in numerical order, the following entry for USS CONNECTICUT:

**§ 706.2 Certifications of the Secretary of the Navy under Executive Order 11964 and 33 U.S.C. 1605.**

\* \* \* \* \*