

FACILITATING THE PRODUCTION OF WINE

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Mr. LONG of Louisiana, from the Committee on Finance,
submitted the following

REPORT

[To accompany H.R. 14095]

The Committee on Finance, to which was referred the bill (H.R. 14095) to amend the Internal Revenue Code of 1954 so as to make certain changes to facilitate the production of wine, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. SUMMARY

H.R. 14095 amends provisions of the internal revenue laws relating to the treatment of wines under the internal revenue laws in order to facilitate the production of wines. In general, these amendments simplify and permit greater leeway in the use or application of certain treatment processes, both in terms of the nature of the processes and the geographic places where they are conducted. More specifically they:

(1) Permit the use of special natural wines (such as vermouth) in the production of wine spirits.

(2) Permit wine spirits to be added to natural wines produced by fermentation in any bonded wine cellars located within the same State.

(3) Simplify the production processes and the calculations of the limitation on the sweetening of high acid wines with pure dry sugar or liquid sugar (by basing it on the total solids content of the finished wine rather than on a volumetric limitation).

The bill also makes it clear that wine spirits may be added at more than one stage in the process of wine production.

The Treasury Department has indicated that it has no objections to the enactment of this bill.

II. GENERAL STATEMENT

A. *Wine spirits used in wine production (sec. 1 of the bill and sec. 5373(a) of the code)*

Present law provides that wine spirits authorized to be used in wine production must be brandy or wine spirits produced in a distilled spirits plant from only (1) fresh or dried fruit, or their residues or (2) wine or wine residues from such fruit or residues. However, where sugar has been used in the production of natural wine, the wine or its residue may not be used to produce wine spirits, if the unfermented sugars have been refermented.

This bill amends present law to include special natural wine, under conditions prescribed by regulations, as one of the materials from which such wine spirits may be produced. It also extends to special natural wine the present prohibition on the use of natural wine whose sugars have been refermented. "Special natural wine" includes vermouth and other aperitifs (it is defined in section 5386 of the code).

The committee understands that this amendment will enable wine producers to salvage, by distillation, the alcohol from special natural wine which has become unmarketable.

B. *Authorized cellar treatment for natural wine (sec. 2 of the bill and sec. 5382(b)(2) of the code)*

Present law provides that proper cellar treatment of natural wine constitutes those practices and procedures which "produce a finished product acceptable in good commercial practice." Certain specifically enumerated practices and procedures are defined by the statute as being proper cellar treatment. One of the enumerated treatments permits the addition, to natural wine (or to concentrated or unconcentrated juices or must) from one kind of fruit, of domestically distilled wine spirits from the same kind of fruit under certain circumstances. One of those circumstances is that, in the case of still wines, wine spirits may be added only to natural wines of the winemaker's own production. Present law defines a winemaker's "own production" to include wine produced in different bonded wine cellars owned or controlled by the same person only if they are located within the same State.

This bill permits wine spirits to be added to natural wine produced by fermentation in any bonded wine cellars located within the same State in which the addition is to take place. Consequently, the effect of this change is to liberalize to a significant extent the limitation of present law by permitting such additions by other winemakers in the same State.

This liberalization as to the wine to which wine spirits may be added will not impede proper enforcement of the alcohol tax laws.

C. *Amelioration and sweetening of, and addition of wine spirits to, high acid wines (sec. 3 of the bill and sec. 5383(b) of the code)*

Present law places limitations on the amelioration and sweetening of, and the addition of wine spirits to, high acid wines. In addition to a limitation on the total solids content of the finished wine, the law places a volumetric limitation on the additional increase in volume on the sweetening of high acid wine with pure dry sugar or liquid sugar.

This bill simplifies these production procedures and calculations. The limitation on sweetening high acid wine is to be based upon the total solids content of the finished wine. This change would permit winemakers to produce a wine, sweetened with pure dry sugar or liquid sugar, containing the maximum authorized total solids content. Liquid sugar may be used, but only to the extent that it does not increase the total volume of the finished wine above what it would be if the maximum authorized use had been made of dry sugar only.

The bill also amends present law to make it clear that wine spirits may be added at more than one stage in the process of wine production. The committee understands that during the production process of wine it is frequently necessary to add wine spirits at an early stage of production and then to add more wine spirits later.

A technical amendment conforms other provisions to the usage of "not more than 14 percent of alcohol" in section 5041(b), the rate provisions.

D. Cellar treatment of specially sweetened natural wines, special natural wines, and agricultural wines (secs. 4 and 5 of the bill and secs. 5385(b), 5386(b), and 5387(a) of the code)

These provisions authorize cellar treatment of specially sweetened natural wines, special natural wines, and agricultural wines by reference to section 5382(c). The bill corrects the reference by changing it, in each place, to section 5382 (a) and (c).

E. Effective date (sec. 6 of the bill)

The changes made by this bill are to be effective the first day of the first month which begins at least 90 days after the date of enactment of this bill.

III. CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Internal Revenue Code of 1954

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SEC. 5373. WINE SPIRITS.

(a) IN GENERAL.—**[**The wine spirits authorized to be used in wine production shall be brandy or wine spirits produced in a distilled spirits plant (with or without the use of water to facilitate extraction and distillation) exclusively from fresh or dried fruit, or their residues, or the wine or wine residue therefrom (except that where, in the production of natural wine, sugar has been used, the wine or the residuum thereof may not be used, if the unfermented sugars therein have been refermented).**]** *The wine spirits authorized to be used in wine production shall be brandy or wine spirits produced in a distilled spirits plant (with or without the use of water to facilitate extraction and distillation) exclusively from (1) fresh or dried fruit, or their residues, (2) the wine or wine residues therefrom, or (3) special natural wine under such conditions as*

the Secretary or his delegate may by regulations prescribe; except that where, in the production of natural wine or special natural wine, sugar has been used, the wine or the residuum thereof may not be used if the unfermented sugars therein have been re-fermented. Such wine spirits shall not be reduced with water from distillation proof, nor be distilled, unless regulations otherwise provide, at less than 140 degrees of proof (except that commercial brandy aged in wood for a period of not less than 2 years, and barreled at not less than 100 degrees of proof, shall be deemed wine spirits for the purpose of this subsection).

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SEC. 5382. CELLAR TREATMENT OF NATURAL WINE.

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(b) SPECIFICALLY AUTHORIZED TREATMENTS.—The practices and procedures specifically enumerated in this subsection shall be deemed proper cellar treatment for natural wine:

(1) The preparation and use of pure concentrated or unconcentrated juice or must. Concentrated juice or must reduced with water to its original density or to not less than 22 degrees Brix or unconcentrated juice or must reduced with water to not less than 22 degrees Brix shall be deemed to be juice or must, and shall include such amounts of water to clear crushing equipment as regulations prescribed by the Secretary or his delegate may provide.

(2) The addition to natural wine, or to concentrated or unconcentrated juice or must, from one kind of fruit, of wine spirits (whether or not taxpaid) distilled in the United States from the same kind of fruit; except that (A) the wine, juice, or concentrate shall not have an alcoholic content in excess of 24 percent by volume after the addition of wine spirits, and [(B) in the case of still wines, wine spirits may be added only to natural wines of the winemaker's own production] (B) *in the case of still wines, wine spirits may be added in any State only to natural wines produced by fermentation in bonded wine cellars located within the same State.*

(3) Amelioration and sweetening of natural grape wines in accordance with section 5383.

(4) Amelioration and sweetening of natural wines from fruits other than grapes in accordance with section 5384.

(5) In the case of effervescent wines, such preparations for re-fermentation and for dosage as may be acceptable in good commercial practice, but only if the alcoholic content of the finished product does not exceed 15 percent by volume.

(6) The natural darkening of the sugars or other elements in juice, must, or wine due to storage, concentration, heating processes, or natural oxidation.

(7) The blending of natural wines with each other or with heavy-bodied blending wine or with concentrated or unconcentrated juice, whether or not such juice contains wine spirits, if the wines, juice, or wine spirits are from the same kind of fruit.

(8) Such use of acids to correct natural deficiencies and stabilize the wine as may be acceptable in good commercial practice.

(9) The addition—

(A) to natural grape or berry wine of the winemaker's own production, of volatile fruit-flavor concentrate produced from the same kind and variety of grape or berry at a plant qualified under section 5511, or

(B) to natural fruit wine (other than grape or berry) of the winemaker's own production, of volatile fruit-flavor concentrate produced from the same kind of fruit at such a plant, so long as the proportion of the volatile fruit-flavor concentrate to the wine does not exceed the proportion of the volatile fruit-flavor concentrate to the original juice or must from which it was produced. The transfer of volatile fruit-flavor concentrate from a plant qualified under section 5511 to a bonded wine cellar and its storage and use in such a cellar shall be under such applications and bonds, and under such other requirements, as may be provided in regulations prescribed by the Secretary or his delegate.

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SEC. 5383. AMELIORATION AND SWEETENING LIMITATIONS FOR NATURAL GRAPE WINES.

(a) **SWEETENING OF GRAPE WINES.**—Any natural grape wine may be sweetened after fermentation and before taxpayment with pure dry sugar or liquid sugar if the total solids content of the finished wine does not exceed 12 percent of the weight of the wine and the alcoholic content of the finished wine after sweetening is **[less]** *not more* than 14 percent by volume; except that the use under this subsection of liquid sugar shall be limited so that the resultant volume will not exceed the volume which could result from the maximum authorized use of pure dry sugar only.

[(b) HIGH ACID WINES.—

[(1) IN GENERAL.—Before, during, and after fermentation, ameliorating material consisting of pure dry sugar or liquid sugar, water, or combination of sugar and water, may be added to natural grape wines of the winemaker's own production when such wines are made from juice having a natural fixed acid content of more than five parts per thousand (calculated before fermentation and as tartaric acid).

[(2) LIMITATIONS.—

[(A) Ameliorating material shall not reduce the natural fixed acid content of the juice to less than five parts per thousand.

[(B) The volume of authorized ameliorating material shall not exceed 35 percent of the volume of juice (calculated exclusive of pulp) and ameliorating material combined.

[(C) Sweetening material, consisting of pure dry sugar or liquid sugar, may be added to ameliorated wine in an amount which shall not increase its volume by more than 0.0675 gallon per gallon of juice and ameliorating material combined.

[(D) Wine spirits may be added only if the juice or wine contains less than 14 percent of alcohol by volume.

[(E) The total solids content of the finished wine shall not exceed 17 percent by weight if the alcoholic content is 14 percent or more by volume, nor more than 21 percent by weight if the alcoholic content is less than 14 percent by volume.]

(b) **HIGH ACID WINES.—**

(1) *AMELIORATION*.—Before, during, and after fermentation ameliorating materials consisting of pure dry sugar or liquid sugar, water, or a combination of sugar and water, may be added to natural grape wines of a winemaker's own production when such wines are made from juice having a natural fixed acid content of more than five parts per thousand (calculated before fermentation and as tartaric acid). Ameliorating material so added shall not reduce the natural fixed acid content of the juice to less than five parts per thousand, nor exceed 35 percent of the volume of juice (calculated exclusive of pulp) and ameliorating material combined.

(2) *SWEETENING*.—Any wine produced under this subsection may be sweetened by the producer thereof, after amelioration and fermentation, with pure dry sugar or liquid sugar if the total solids content of the finished wine does not exceed (A) 17 percent by weight if the alcoholic content is more than 14 percent by volume, or (B) 21 percent by weight if the alcoholic content is not more than 14 percent by volume. The use under this paragraph of liquid sugar shall be limited to cases where the resultant volume does not exceed the volume which could result from the maximum authorized use of pure dry sugar only.

(3) *WINE SPIRITS*.—Wine spirits may be added (whether or not wine spirits were previously added) to wine produced under this subsection only if the wine contains not more than 14 percent of alcohol by volume derived from fermentation.

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SEC. 5384. AMELIORATION AND SWEETENING LIMITATIONS FOR NATURAL FRUIT AND BERRY WINES.

(a) *IN GENERAL*.—To natural wine made from berries or fruit other than grapes, pure dry sugar or liquid sugar may be added to the juice in the fermenter, or to the wine after fermentation; but only if such wine has [less] not more than 14 percent alcohol by volume after complete fermentation, or after complete fermentation and sweetening; and a total solids content not in excess of 21 percent by weight; and except that the use under this subsection of liquid sugar shall be limited so that the resultant volume will not exceed the volume which could result from the maximum authorized use of pure dry sugar only.

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SEC. 5385. SPECIALLY SWEETENED NATURAL WINES.

(a) *DEFINITION*.—Specially sweetened natural wine is the product made by adding to natural wine of the winemaker's own production a sufficient quantity of pure dry sugar, or juice or concentrated juice from the same kind of fruit, separately or in combination, to produce a finished product having a total solids content in excess of 17 percent by weight and an alcoholic content of [less] not more than 14 percent by volume, and shall include extra sweet kosher wine and similarly heavily sweetened wines.

(b) *BLENDING, ETC.*—The winemaker may blend specially sweetened natural wine from the same kind of fruit either before or after the special sweetening, or with additional natural wine or heavy-bodied blending wine from the same kind of fruit in the further production of

pecially sweetened natural wine only, and may cellar treat any such wines as provided in section 5382(c). Wine spirits may not be added to specially sweetened natural wine, nor may such wine be blended except to produce a specially sweetened natural wine.】

(b) *CELLAR TREATMENT.*—*Specially sweetened natural wines may be blended with each other, or with natural wine or heavy bodied blending wine in the further production of specially sweetened natural wine only, if the wines so blended are made from the same kind of fruit. Wines produced under this section may be cellar treated under the provisions of section 5382 (a) and (c). Wine spirits may not be added to specially sweetened natural wine.*

SEC. 5386. SPECIAL NATURAL WINES.

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(b) *CELLAR TREATMENT.*—Special natural wines may be cellar treated 【as provided in section 5382 (c)】 *under the provisions of section 5382 (a) and (c).*

SEC. 5387. AGRICULTURAL WINES.

(a) *IN GENERAL.*—Wines made from agricultural products other than the juice of fruit shall be made in accordance with good commercial practice as may be prescribed by the Secretary or his delegate by regulations. Wines made in accordance with such regulations shall be classed as “standard agricultural wines”. Wines made under this section may be cellar treated 【as provided in section 5382(c)】 *under the provisions of section 5382 (a) and (c).*

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