

UC Davis Policy and Procedure Manual

Chapter 350, Supplies and Equipment

Section 20, Procurement and Use of Tax-Free Ethyl Alcohol

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Responsible Department: Materiel Management

Source Document: Business and Finance Bulletin BUS-2, Tax-Free Alcohol Permits, Records, and Operations

[Exhibit A, Conditions of Use of Tax Free Alcohol](#)

I. Purpose

This section outlines policy and procedures regarding the acquisition, use, storage, and control of tax-free ethyl alcohol on campus, in compliance with applicable regulations of the Internal Revenue Code. Procurement and use of tax-free ethyl alcohol at the UCD Medical Center are covered in UCDMC Pharmacy Procedure Manual Section 805.05.

II. Policy

A. Responsibility

1. The Central Storehouse is responsible for the acquisition and issuance of tax-free alcohol to campus departments.
2. The Controls and Accountability Division is responsible for conducting audits of user records to verify compliance with policy and procedures.
3. Each using department shall assign responsibility for control and issue of tax-free ethyl alcohol to no more than two persons. Department custodians shall maintain complete, accurate, up-to-date records of all tax-free alcohol received and issued.

B. Distribution

1. No issue shall be made of quantities that exceed the stated monthly requirement for a given user (using department), and in no case will more than 25 gallons be issued to a user at any one time unless a Permit to Purchase Tax-Free Alcohol in excess of 25 Gallons (form available at no cost from the Central Storehouse) has been submitted and approved.
2. Tax-free alcohol shall be used only on the premises and not be transported to any location other than a University building of the campus.

C. Storage

1. The using department shall provide locked storage space adequate in size and construction to provide adequate ventilation and in a suitable location.
 - a. Tax-free ethyl alcohol is a flammable liquid that must be stored in a flammable liquid storage cabinet as described in Section 290-65.
 - b. It must be secured by a cylinder-type lock or a substantial padlock.
 - c. The hinges must be recessed when the door is closed, or the hinge pins must be altered in such a manner that they cannot be removed.
 - d. The key of this storage area must be in the sole possession of authorized department custodians responsible for the control and issue of tax-free alcohol.
2. The Conditions of Use of Tax-Free Alcohol, Exhibit A, shall be posted in a conspicuous place within the locked storage area.
3. Departments shall consult the Fire Department on best practices and methods concerning

the storage of tax-free alcohol (see Section 290-20).

4. Tax-free alcohol not stored in its original container and all compounds produced by laboratory procedures must be identified and labeled (see Section 290-65).

D. Use

1. Tax-free alcohol shall be used only for scientific, medicinal, and mechanical purposes.
2. Under no circumstances may tax-free alcohol be used for beverage purposes, or in any food product, or in any preparation used in preparing beverage or food products.
3. Departments are also prohibited from:
 - a. selling tax-free alcohol to anyone, including another department,
 - b. using tax-free alcohol in the manufacture of any products for sale, or
 - c. selling any product resulting from the use of tax-free alcohol.
4. Specific sections from the Code of Federal Regulations regarding use of tax-free alcohol by eligible institutions are excerpted in Exhibit A.

III. Procedures

A. Authorization

1. To obtain authorization to purchase and use tax-free ethyl alcohol, the department head submits a written request to the Central Storehouse, stating the monthly requirement and the intended use, designating a department custodian, and including a sample signature of the designated custodian.
2. The Central Storehouse notifies the department in writing of its authorization to purchase ethyl alcohol.
3. To change custodial assignments, the department must email the request to the Central Storehouse at TaxFreeAlcohol@ucdavis.edu. The Central Storehouse will mail a form to the department to acknowledge assignment updates and obtain a sample signature of the new custodian and the department head's approval.

B. Purchase

1. Tax-free ethyl alcohol must be ordered from the Central Storehouse (see Section 350-16).
2. Designated department custodians are the only persons authorized to sign the Storehouse receipt for tax-free ethyl alcohol. For this reason, designated custodians must pick up their orders, in person, at the Central Storehouse or Supply Express.

C. Effacing and disposal of tax-free alcohol containers

Effacing of all tax-free alcohol containers immediately after emptying is required by Section 22.33 of the Code of Federal Regulations. Individuals responsible for the control of tax-free alcohol within the department must assure that each bottle, can, drum, and carton is effaced in such a manner as to remove all traces of information pertaining to the contents. Empty containers must be disposed of in accordance with Environmental Health and Safety hazardous disposal policy and procedure (see Section 290-65).

D. Record keeping

1. The designated department custodian must keep a record of receipts and disbursements on the Alcohol Stock Control Custodian's Inventory Records, available from the Central Storehouse at no charge.

2. Records shall specify quantity of tax-free alcohol received (documented by a Central Storehouse purchase); date of receipt; amount and date of withdrawals; the name of department employee to whom it was issued, and the balance on hand after each transaction.
3. Every transaction shall be recorded the same day it takes place.
4. This form is subject to audit twice each year by the Controls and Accountability Division.

IV. References and Related Policies

- A. Business & Finance Bulletin BUS-2, Tax-Free Alcohol Permits, Records, and Operations, 5/16/03 (<http://www.ucop.edu/ucophome/policies/bfb/bus2.pdf>).
- B. U.S. Code of Federal Regulations, Title 27, Part 22 (<http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR>).
- C. DA 0124, Delegation of Authority—To Sign Documents in Connection with the Procurement and Use of Tax-Free Alcohol (<http://manuals.ucdavis.edu/PublicSearch.aspx>).
- D. UCD Policy and Procedure Manual (<http://manuals.ucdavis.edu/PPM/about.htm>):
 1. Section 290-20, Fire Safety.
 2. Section 290-65, Hazardous Chemical Use, Storage, Transportation, and Disposal.
 3. Section 350-16, The Storehouses.