

Chapter Tax 8

INTOXICATING LIQUORS

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Tax 8.02 Revenue stamps—occupational tax. (s. 139.06 (5) and (8), Stats.) Liquor stamps are provided by the department of revenue in proper denominations and may be purchased by manufacturers, rectifiers, wholesalers and out-of-state permittees holding the proper permits. Stamps may be purchased only from the Wisconsin Department of Revenue, 4638 University Avenue, Madison, Wisconsin. Mail orders addressed to the department, P.O. Box 8905, Madison, Wisconsin 53708, will be accepted when made in the proper form and accompanied by the proper remittance.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75; renum. and am. (1), r. (2), Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.03 Affixing stamps. (ss. 139.06 (1) and (3) and 125.57 (9), Stats.) (1) (a) All intoxicating liquor, except wine containing not over 21% of alcohol by volume, shipped into the state of Wisconsin, must have a Wisconsin tax stamp of the correct denomination affixed to each original bottle before it enters the state, with the following exceptions being made:

1. Shipments in bulk to a rectifier.
2. Ethyl alcohol of 190 proof or more.
3. Foreign importations in customs bond purchased directly by and consigned directly to Wisconsin permittees from such foreign countries.

(b) On all intoxicating liquor, except wine containing not over 21% alcohol by volume, rectified or manufactured in Wisconsin, a stamp of the proper denomination shall be affixed to each bottle at the time such merchandise is placed in wholesale stock, except merchandise which is to be shipped outside the state of Wisconsin in interstate commerce.

(c) Stamps shall be affixed to the original bottle between the body and the neck on any smooth area on the label side in such a position that all or at least a substantial part of the stamp is immediately visible from the

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trade-label side of the bottle. Pharmacist liquor stamps must be affixed to the face of the bottle immediately above the label.

History: 1-2-56; am. (1) (c), Register, November, 1966, No. 131, eff. 12-1-66; am. (1) (6) and r. (2), Register, June, 1975, No. 234, eff. 7-1-75.

Tax 8.04 Refunds. (s. 139.10, Stats.) (1) Intoxicating liquor revenue stamps unfit for use or otherwise unused which are in the possession of a manufacturer, rectifier, wholesaler or out-of-state permittee properly authorized, may be returned to the department and a refund for the tax value of such stamps, less a stamp printing and service charge, will be issued to the manufacturer, rectifier, wholesaler or out-of-state permittee returning such stamps.

(2) A manufacturer, rectifier, wholesaler or out-of-state permittee properly authorized by this state, who possesses intoxicating liquor in sealed containers which is spoiled or has become unfit for beverage purposes may file a request for a tax refund with the department, and a refund for the amount of the tax applying to such merchandise may be made providing the mutilation of stamps affixed to such merchandise is witnessed by a representative of the department, and providing the applicant agrees to assume the expense and service charge of the state's representative.

(3) A manufacturer, rectifier or out-of-state permittee which has qualified for the tax credit under rule Tax 8.06 who possesses intoxicating liquor in sealed containers which is spoiled or has become unfit for beverage purposes may file a request for a tax refund with the department. A refund may be made if the mutilation of stamps affixed to such merchandise is witnessed by a representative of the department, and if the permittee agrees to assume the expense and service charge of the state representative. The refund to such permittee shall be based on the special tax rate of \$1 per gallon unless the permittee provides documentation that the merchandise was subject to tax at a higher rate.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75; am. (1) and (2) and cr. (3), Register, June, 1979, No. 282, eff. 7-1-79.

Tax 8.05 Special tax on intoxicating liquor. (ss. 139.03(2t) and 139.08(4), Stats.) (1) Any manufacturer, rectifier or out-of-state permittee which sells intoxicating liquor in this state which qualifies for the special tax rate in s. 139.03(2t), Stats., shall purchase special tax stamps in accordance with rule Tax 8.02 and affix the stamps in accordance with rule Tax 8.03.

(2) Any manufacturer, rectifier or out-of-state permittee which processes intoxicating liquor eligible for the special tax rate in s. 139.03(2t), Stats., shall file a "Bulk Summary Report" with the department each month. Such permittee shall make all premises where such intoxicating liquor is stored or processed and all records pertaining to such intoxicating liquor available for inspection by authorized employees of the department.

History: Cr. Register, December, 1978, No. 276, eff. 1-1-79.

Tax 8.06 Mixture of specially taxed and regularly taxed intoxicating liquors. (s. 139.03(2m) and (2t), Stats.) Any manufacturer, rectifier or out-of-state permittee which sells alcoholic beverages in this state containing both intoxicating liquor subject to the tax rate provided in s. Register, July, 1987, No. 379

139.03(2m), Stats., and intoxicating liquor subject to the tax rate provided in s. 139.03(2t), Stats., shall affix revenue stamps in the proper denominations based on the tax rate in s. 139.03(2m). Credit for the percentage of specially taxed intoxicating liquor included in the product shall be calculated on the monthly intoxicating liquor report filed by the permittee and, after verification by the department, may be applied to future revenue stamp purchases by the permittee. Such credits may be used only by the permittee which claimed it or, in the event of termination of business by that permittee, by a successor permittee.

Note: Examples of how the tax is to be computed are as follows:

Example #1: Whiskey is blended containing 70% specially taxed intoxicating liquor and 30% regularly taxed intoxicating liquor.

Computation:

70% × \$1.00	=	\$.70
30% × \$3.25	=	\$.98
Total tax per gallon		\$1.68

Regular tax per gallon		\$3.25
Calculation above		<u>-\$1.68</u>
Credit per gallon		<u>\$1.57</u>

Alternative computation method (short-cut method):

% of specially taxed intoxicating liquor	×	\$2.25 (difference between regular and special rate)	= credit
70%	×	\$2.25	= <u>\$1.57</u>

Example #2: Whiskey is blended containing 80% specially taxed intoxicating liquor and 20% regularly taxed intoxicating liquor.

Computation:

80% × \$1.00	=	\$.80
20% × \$3.25	=	+\$.65
Tax per gallon		\$1.45

Regular tax per gallon		\$3.25
Calculation above		<u>-\$1.45</u>
Credit per gallon		<u>\$1.80</u>

Alternative computation:

80% × \$2.25	=	<u>\$1.80</u>
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History: Cr. Register, June, 1979, No. 282, eff. 7-1-79.

Tax 8.11 Reports. (s. 139.11, Stats.) Monthly reports must be filed by all manufacturers, rectifiers, wholesalers, wineries and out-of-state permittees having a permit to ship into or do business within the state of Wisconsin, on forms furnished by the department of revenue. Such reports must be made in duplicate, the original to be mailed to the department on or before the 15th day of each month covering the preceding calendar month, and the duplicate to be retained by the firm submitting the report. Reports must be submitted on the basis of wine gallons, not proof gallons. In the event no transactions occur in any given month the report must be filed with a notation written across the face: "No transactions."

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Note: Blank forms may be obtained from the Department of Revenue, Box 8905, Madison, Wisconsin 53708.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75; am. Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.21 Purchases by the retailer. (ss. 139.11 (1), Stats.) (1) Every retail licensee shall retain invoices covering all purchases of intoxicating liquor for a period of 2 years from the date of the invoice. Such invoices shall be retained on the licensed premises in groups covering one month each and shall be open to inspection at all reasonable times by any representative of the department. The date of payment, if paid, must be recorded on each invoice.

History: 1-2-56; am. (2), Register, January, 1958, No. 25, eff. 2-1-58; am. Register, June, 1975, No. 234, eff. 7-1-75; r. (1), renum. (2) to be (1) and am., Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.22 Purchases made outside of state. (s. 125.52 (1), 125.54 (1) and 125.53, Stats.) (1) No Wisconsin manufacturer, rectifier, wholesaler or winery shall purchase or receive intoxicating liquor from outside the state except from a person holding an out-of-state permit issued pursuant to s. 125.58, Stats.

(2) Wisconsin manufacturers, rectifiers, wholesalers and wineries will be furnished a list of out-of-state permittees duly licensed to ship intoxicating liquor into the state. Purchases may be made and shipments received only from the permittees included on such lists.

(3) Out-of-state permittees will be furnished a complete list of Wisconsin manufacturers, rectifiers, wholesalers and wineries to whom sales and shipments of intoxicating liquor may be made.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75; am. (1), Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.31 Sales out of Wisconsin. (s. 139.04 (5), Stats.) (1) The occupational tax imposed upon the sale of intoxicating liquor within the state does not apply to merchandise which is shipped from within the state to a point outside the state. Manufacturers, rectifiers and wholesalers need not affix revenue stamps to the original containers of alcoholic liquors that are sold and shipped outside the state. The burden of proof, however, is at all times upon the Wisconsin manufacturer, rectifier or wholesaler to show that such merchandise actually went into interstate commerce.

(2) Wisconsin manufacturers, rectifiers, wholesalers and wineries claiming exemption from the occupational tax on intoxicating liquor on the ground that shipments or deliveries were made in interstate commerce shall certify, under oath:

(a) That the persons receiving such shipments or deliveries in a foreign state at the address stated are licensed to receive the same or

(b) That they are in possession of bills of lading, way bills, freight bills or other evidence of shipment issued by common carriers operating in this state, that such shipments or deliveries were made to persons having an actual licensed place of business in the foreign state.

(3) No Wisconsin manufacturer, rectifier, wholesaler or winery shall receive an exemption from the tax imposed on the sale of intoxicating Register, July, 1987, No. 379

liquor where such liquor is sold and shipped into any state or territory where the importation or sale of such liquor is prohibited by state or federal law; nor will an exemption be allowed on liquor sold and shipped into other states to a purchaser who, under the laws of the state in which such purchaser is located, cannot lawfully receive the same.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75.

Tax 8.35 Interstate shipments. (s. 125.58 (1) and 125.68 (10), Stats.) (1) Shipments of intoxicating liquor shall be delivered to the consignee by the carrier thereof within a period of 5 days after arrival at point of destination. If such merchandise is not delivered within such 5 day period, the consignor shall be notified by the carrier thereof and the merchandise shall be returned to him.

(2) A common carrier in this state which has in its possession intoxicating liquor which the consignee and consignor refuse to accept shall notify the Wisconsin department of revenue of the possession of such merchandise. Permission for disposal shall be granted upon proper application.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75; am. (5), Register, December, 1977, No. 264, eff. 1-1-78; r. (1), (2) and (3), renum. (4) and (5) to be (1) and (2), Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.41 Size of containers. (s. 125.03 (2), Stats.) (1) No manufacturer, rectifier, wholesaler, retailer or other person licensed for the sale of intoxicating liquor shall possess intoxicating liquor, not including wine, in a container of more than 1.75 liter (59.1752 fluid ounce) capacity, except alcohol intended for industrial, medicinal scientific or mechanical purposes.

(2) Manufacturers and rectifiers may have in their possession intoxicating liquor in containers greater than 1.75 liters in size for purposes of manufacturing or rectifying or for sale to other manufacturers or rectifiers in Wisconsin or in interstate commerce.

History: 1-2-56; am. Register, December, 1971, No. 192, eff. 1-1-72; am. Register, June, 1977, No. 258, eff. 7-31-77.

Tax 8.43 Empty containers. (s. 176.341, Stats.) (1) Any person possessing a bottle of intoxicating liquor, including wine, shall, as soon as such bottle is emptied, scratch, deface or mutilate any Wisconsin tax stamp and the label attached thereto in such a manner that the stamp and label cannot again be used. The requirement that labels be defaced shall not apply to ceramic commemorative bottles and other uniquely designed decanters but in every instance any Wisconsin liquor tax stamp must be defaced when a container is emptied.

(2) No person shall fill, or cause to be filled, any bottle which has previously been used for intoxicating liquors, not including wine. Such bottles, except ceramic commemorative bottles and other uniquely designed decanters and bottles retained for delivery or collection for recycling through a process which will result in rendering them unusable as bottles, shall be broken and destroyed immediately upon being emptied of their original contents.

(3) Empty liquor bottles retained for recycling purposes shall have all state and federal tax stamps and labels scratched, defaced or mutilated,

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and shall be stored in containers marked "For recycling only" and shall be removed from the premises within 10 days.

History: 1-2-56; am. (1) and (2), r. (3), Register, October, 1974; No. 226, eff. 11-1-74; cr. (3), am. (1) and (2), Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.51 Labels. (s. 125.68 (9), Stats.) (1) No person, firm or corporation shall sell within the state, or ship into the state, any intoxicating liquor unless prior to such sale or shipment 2 front and back labels and a chemical analysis or statement of analysis, whichever the case may be, applying to such merchandise, have been submitted to and approved by the department of revenue.

(2) The department of revenue shall review and make a determination on the items submitted for approval described in sub. (1) within 15 business days from the day the items are received by the department. For this purpose, a determination is made on the day whichever of the following events occurs first:

(a) The approval is mailed by the department to the applicant, or

(b) The department mails notification that the items submitted are incomplete, incorrect or more information is needed. The 15-day period shall reapply from the day all information necessary to make a determination is received by the department, or

(c) A notification of denial of the application with explanation for the denial is mailed by the department to the applicant.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75; renum. to be (1) and cr. (2), Register, August, 1985, No. 356, eff. 9-1-85.

Tax 8.52 Label requirements. (s. 125.68 (9), Stats.) (1) No person, firm or corporation shall sell intoxicating liquor within the state of Wisconsin unless the container thereof shall bear a clear and legible label setting forth the name and address of the manufacturer and the kind of liquor contained therein.

(2) (a) Intoxicating liquor sold within this state shall be labeled in conformance with the labeling requirements under the federal alcohol administration act now in effect or as subsequently amended.

(b) Either the words "Bottled By" and the name of the bottler and the place where bottled or the words "Bottled For" and the name of the wholesaler or retailer for whom such intoxicating liquors or wines were bottled must be stated on the container.

History: 1-2-56; am. (2) (a) and r. (3), Register, December, 1977, No. 264, eff. 1-1-78.

Tax 8.61 Advertising. (s. 125.51 (7), and 125.58, Stats.) (1) No person shall send or cause to be sent into this state a letter, post card, circular or pamphlet of any kind containing an advertisement or a solicitation of an order for intoxicating liquors unless such person shall be duly licensed to ship intoxicating liquors into Wisconsin.

(2) No person shall issue or publish or cause to be issued or published in this state a letter, post card, circular or pamphlet of any kind containing an advertisement or a solicitation of an order for intoxicating liquors unless such person shall be duly licensed to traffic in intoxicating liquors.

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(3) The department of revenue shall review and make a determination on an application for a license required by this section within 15 business days from the day the application is received by the department. For this purpose, a determination is made on the day whichever of the following events occurs first:

(a) The approved license is mailed by the department to the applicant, or

(b) The department mails notification to the applicant that the application for a license is incomplete, incorrect or more information is needed. The 15-day period shall reapply from the day all information necessary to make a determination, including payment of a required fee, is received by the department, or

(c) A notification of denial of the application with explanation for the denial is mailed by the department to the applicant.

History: 1-2-56; cr. (3), Register, August, 1985, No. 356, eff. 9-1-85.

Tax 8.66 Merchandise on collateral. (s. 139.06 (1), Stats.) No manufacturer, rectifier or wholesaler shall place unstamped intoxicating liquor except wine containing not over 21% alcohol by volume as collateral or security to a loan unless the unstamped liquor used for this purpose is placed in a licensed public warehouse.

History: 1-2-56; am. Register, June, 1976, No. 284, eff. 7-1-75; am. Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.71 Bitters. (s. 139.06 (1), Stats.) No person, firm or corporation shall sell or offer for sale in the state bitters bearing a federal strip stamp unless the container thereof bears the proper revenue stamp provided for by law.

Tax 8.76 Salesperson. (ss. 139.06 (1) and 125.65 (1) and (7), Stats.) (1) Any salesman soliciting orders or selling for future delivery for a person, firm or corporation licensed to operate in the state of Wisconsin shall have, at all times within his possession, a salesman's permit issued by the secretary of revenue.

(2) No Wisconsin manufacturer, rectifier, wholesaler or winery shall purchase or order intoxicating liquor except from a salesperson who is duly registered by the secretary of revenue.

(3) Samples of intoxicating liquor, except wine containing not over 21% alcohol by volume, carried by salesmen must bear Wisconsin revenue stamps.

(4) The department of revenue shall review and make a determination on an application for a permit or registration required by this section within 15 business days from the day the application is received by the department. For this purpose, a determination is made on the day whichever of the following events occurs first:

(a) The approved permit or registration is mailed by the department to the applicant, or

(b) The department mails notification to the applicant that the application is incomplete, incorrect or more information is needed. The 15-day period shall reapply from the day all information necessary to make

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a determination, including payment of a required fee, is received by the department, or

(c) A notification of denial of the application with explanation for the denial is mailed by the department to the applicant.

History: 1-2-56; am. Register, June, 1975, No. 234, eff. 7-1-75; am. (2), Register, June, 1983, No. 330, eff. 7-1-83; cr. (4), Register, August, 1985, No. 356, eff. 9-1-85.

Tax 8.81 Transfer of retail liquor stocks. (ss. 125.69 (6) and 125.10 (2), Stats.) (1) No licensed retail dealer shall transfer his or her liquor stock, upon selling or liquidating the business, without first filing an inventory of the entire stock with the department of revenue and obtaining approval of the transfer. The inventory must be submitted in triplicate listing quantities, brands, classifications, container sizes and such other information as the department of revenue may require and shall be signed by both the buyer and the seller. Upon approval the original will be sent to the buyer to be retained as an invoice and one copy will be returned to the seller.

(2) A licensed retail dealer may sell his or her entire liquor stock in a liquidating transaction to any other licensed retailer providing the above conditions are complied with.

(3) The department of revenue shall review and make a determination on an application for approval of inventory transfer required by this section within 15 business days from the day the application is received by the department. For this purpose, a determination is made on the day whichever of the following events occurs first:

(a) The approval is mailed by the department to the applicant, or

(b) The department mails notification to the applicant that the application is incomplete, incorrect or more information is needed. The 15-day period shall reapply from the day all information necessary to make a determination, including payment of a required fee, is received by the department, or

(c) A notification of denial of the application with explanation for the denial is mailed by the department to the applicant.

History: 1-2-56; am. Register, June, 1983, No. 330, eff. 7-1-83; cr. (3), Register, August, 1985, No. 356, eff. 9-1-85.

Tax 8.85 Procedure for apportionment of costs of administration of s. 125.69 (4), Stats. (s. 125.69 (4) (e), Stats.) (1) All direct and indirect costs of administering s. 125.69 (4), Stats., including costs of supplies, equipment, rent and clerical, investigational, administrative and supervisory help, shall be borne by the intoxicating liquor permittees. The aggregate of such costs shall be determined by the department semi-annually and shall be prorated by it among the permittees at any time licensed in each period covered. Each such permittee shall be billed its share of such aggregate costs, and such bill shall be paid within ten days of the billing date.

(2) The costs of administration for each 6-month period shall be prorated among the permittees licensed in such period on the basis of estimated dollar sales to retailers based upon reported gallons and liters of wine and liquor sold to retailers by each permittee. Whenever the sales of

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a permittee have not been reported to the department, the department shall estimate such sales for purposes of such proration.

History: Cr. Register, January, 1958, No. 25, eff. 2-1-58; am. Register, June, 1975, No. 234, eff. 7-1-75; am. Register, June, 1983, No. 330, eff. 7-1-83.

Tax 8.87 Intoxicating liquor tied-house prohibitions. (ss. 125.69 (1), Stats.) (1) **PURPOSE.** Section 125.69 (1)(a) and (b), Stats., prohibits "any interest directly or indirectly" in a retail establishment by a manufacturer, wholesaler or rectifier of intoxicating liquor or in a wholesaler by a retailer. Section 125.69 (1) (a), Stats., exempts from this prohibition any licenses and permits issued prior to October 3, 1963 and which have been renewed annually since that date. Section 125.69 (1) (b) prohibit a manufacturer, rectifier or wholesaler from holding an interest in any license or premises where intoxicating liquor is sold for consumption on the premises. The purpose of this section is to give examples of some direct and indirect interests prohibited by ch. 125.

(2) **DEFINITIONS.** In this section:

(a) "Agent" means a person who represents or acts, or who is empowered to represent or act, for another in conducting the other's business.

(b) "Corporation" includes all members of a controlled group of corporations, defined as a "parent-subsidiary controlled group", a "brother-sister controlled group", or a "combined group of controlled corporations".

1. A "parent-subsidiary controlled group" means one or more chains of corporations connected through stock ownership with a common parent corporation, if:

a. stock possessing at least 50% of all voting power of each of the corporations, except for the common parent corporation, is owned directly or indirectly by one or more of the other corporations, and

b. The common parent corporation owns directly or indirectly stock possessing 50% of the voting power of at least one of the other corporations, excluding, in computing such voting power, stock owned directly by such corporations other than the common parent corporation.

2. A "brother-sister controlled group" means 2 or more corporations where 10 or fewer persons (other than corporations) own at least 50% of all voting power of each of the corporations taking into account only stock ownership of such person to the extent it is identical with respect to each corporation.

3. A "combined group of controlled corporations" is a group of 3 or more corporations, each of which is a member of a parent-subsidiary group or a brother-sister group and one of which is both a common parent in a parent-subsidiary group as well as a member of the brother-sister group.

(c) "Effective control" means either the power to direct the affairs of the wholesale permittee or the retail licensee or the actual direction of the affairs of the wholesale permittee or the retail licensee.

(d) "Employee" means a natural person who performs services for wages or salary.

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(e) "Equity" means the money value of a property or of an interest in a property in excess of the claims or liens against it.

(f) "Immediate family member" means a spouse, a brother or sister (whole- or half-blood relationship) or spouse, ancestor or spouse, or lineal descendant or spouse.

(g) "License or permit" means an intoxicating liquor license or permit issued under ch. 125, Stats.

(h) "Person" means natural person, partnership, association or corporation.

(i) "Premises" means the property described on an application for a license or permit where alcoholic beverages are to be stored, sold or served.

(3) **EXAMPLES OF "DIRECT" INTERESTS.** Examples of "direct" interests prohibited by ch. 125 include, but are not limited to, the following:

(a) A person who holds both a wholesale permit and retail license.

(b) A person who holds a wholesale permit and owns any equity in a partnership, association or corporation holding a retail license.

(c) A person who holds a retail license and owns any equity in a partnership, association or corporation holding a wholesale permit.

(d) A person who holds a wholesale permit and leases premises to a retail licensee.

(e) A person who holds a retail license and leases premises to a wholesale permittee.

(4) **EXAMPLES OF "INDIRECT" INTERESTS.** Examples of "indirect" interests prohibited by ch. 125 include, but are not limited to, the following:

(a) A natural person who holds a wholesale permit and is an officer, director, employe or agent of a retail licensee.

(b) A natural person who holds a retail license and is an officer, director, employe or agent of a wholesale permittee.

(c) A natural person who is an officer, director, employe or agent of a wholesale permittee and an officer, director, employe or agent of a retail licensee.

(d) Two corporations, one holding a wholesale permit and the other holding a retail license, in which effective control of both corporations is held by the same person or group of 10 or less persons.

(e) A natural person who has effective control in a partnership, association or corporation which holds a wholesale permit and who leases premises to a retail licensee.

(f) A natural person who has effective control in a partnership, association or corporation holding a retail license and who leases premises to a wholesale permittee.

(g) A natural person who has effective control in a business operated under a wholesale permit and an immediate family member residing in the same household who has effective control in a business operated under a retail license.

(h) A natural person who has effective control in a partnership, association or corporation which holds a wholesale permit and who has effective control in a partnership, association or corporation which holds a retail license.

Note: The definition of "controlled group of corporations" is illustrated by examples which may be derived from Internal Revenue Code Regulations 1.1563-1 (a). Some examples follow:

1. P Corporation owns stock possessing 50% of the voting power of S Corporation. S owns stock possessing 50% of the voting power of T Corporation. P is the common parent of a parent-subsidary controlled group consisting of member corporations P, S and T. The result would be the same if P, rather than S, owned the T stock.

2. The outstanding stock of corporations P, Q, R and S is owned by the following individuals:

Individuals	Corporations				Identical Ownership
	P	Q	R	S	
A	50%	50%	50%	100%	50%
B	25%				
C	25%	25%			
D		25%			
E			25%		
F			25%		

Corporations P, Q, R and S are members of a brother-sister controlled group.

3. Smith, an individual, owns stock possessing 50% of the voting power of corporations X and Y. Y, in turn, owns stock possessing 50% of the total combined voting power of corporation Z. Since X, Y, and Z are each members of either a parent-subsidary or brother-sister controlled group of corporations, and Y is the common parent of a parent-subsidary controlled group of corporations consisting of Y and Z, and also is a member of a brother-sister controlled group of corporations consisting of X and Y, X, Y, and Z are members of the same combined group.

History: Cr. Register, May, 1981, No. 305, eff. 6-1-81; am. (1), (2) (g), (3) (intro.) and (4) (intro), Register, June, 1983, No. 330, eff. 7-1-83.