

## **Business tax tip #41**

### **What You Should Know about Retail Inspections**

We've all heard the old saying that you know you're having a bad day when you get to work and find the investigative news team on your doorstep. But is the same true for the retail beverage licensee who finds a Maryland **Field Enforcement Division** agent or inspector at the door? Not at all. Here are some answers to licensees' most frequently asked questions about the Field Enforcement Agent's or Inspector's visit.

#### **Why is the agent or inspector here?**

The Comptroller's Office enforces **Maryland alcohol and tobacco tax** laws and regulations. Under the retail dealer inspection program, agents and inspectors check retail licensees to make sure they are complying with record keeping regulations and to prevent and detect fraud. This is usually why the agent or inspector is checking your business.

#### **What will the agent or inspector want to see, and will I have it?**

They will ask to see your:

- Alcoholic beverage and cigarette licenses.
- Cigarette vending machine license.
- Sales and use tax license.
- Trader's license.
- Federal special tax stamp.
- Alcoholic beverage purchase invoices.
- Cigarette and Other Tobacco Products (OTP) purchase invoices.

Many licensees find it convenient to keep all these licenses together in one frame. That way, if the licensee or manager is not on the premises, it is easy for any employee to point the licenses out to the inspector.

#### **What is the "special tax stamp" you mentioned?**

It is a special occupational tax stamp issued by the federal **Alcohol and Tobacco Tax and Trade Bureau (TTB)**. For more information about this occupational tax, see **TTB's special announcement**.

#### **What else will the agent or inspector look for?**

The agent or inspector will ask to see your invoices from wholesalers. Because the law requires that these records be kept on the premises and be available for inspection during all business hours, the licensee or manager should make sure that records are available for inspection even if they are not present.

**Will the agent or inspector actually walk around and inspect the premises?**

Yes. The final phase of the visit is a physical inspection of your alcoholic beverage stockroom and bar, where the agent or inspector will check for evidence of refilling bottles, or other violations. It is against the law for any retail licensee to tamper with or alter the quantity or quality of any container of alcoholic beverage by adding to or changing the contents; for example: refilling top shelf bottle with less expensive liquor, or transferring product from a larger bottle to a smaller bottle of the same brand. The agent or inspector will also verify that any cigarettes or Other Tobacco Products (OTP) are properly stamped.

**How can you tell the difference?**

Agent and inspectors take suspicious bottles to a laboratory for chemical analysis. The penalty for tampering is up to two years in prison or a fine of up to \$1,000 or both. The local liquor board may also suspend or revoke the liquor license.

**Do the agents and inspectors find many violations during their inspections?**

Agents and inspectors conduct approximately 3,000 inspections per year. However, most violations are record keeping problems, and are resolved without any formal charges against the licensee.