

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Requirement

OMB Control Number 1513-0104

TTB REC 5120/11 Information Collected in Support of Small Producers' Wine Tax Credit

A. JUSTIFICATION

1. What are the circumstances that make this collection of information necessary and what legal or administrative requirements necessitate the collection?

We are responsible for the collection of the excise tax on wine. Certain small wine producers are eligible for a credit, which may be taken to reduce the tax they pay on wines they remove from their own premises. In addition, the wine tax credit law has been amended to allow small producers to authorize bonded warehouses, which store their wine and ship it on their instructions, to take the credit on their behalf. A copy of this amended statute (26 U.S.C. 5041(c)) is attached. One statutory condition of the producer's ability to transfer the credit is the producer must provide the warehouse ("transferee") with "such information as is necessary to properly determine the transferee's credit under this paragraph." 27 CFR 24.278(b)(2) implements this section, allowing the transferee to take the credit and clarifying what information must be provided. This collection of information is contained in 27 CFR 24.278(b)(2)(C) and (D).

2. How, by whom and for what purpose is this information used?

The transferee will use the information provided by the small producer under the regulations to take the appropriate credit on behalf of the small producer and the producer will use this information to monitor its own tax payments to insure it does not exceed the authorized annual credit of up to \$90,000. Our officers may periodically review this information (which is retained as part of both the producer's and the transferee's records). Without this information, the producer and transferee would not be able to take advantage of this statutory benefit, and we would be unable to verify that the correct amount of tax was paid. There would be increased jeopardy to the revenue.

The retention period for all wine premises records is three years, with a rarely exercised option for the Director, NRC to instruct a specific proprietor to retain records for an additional three years.

3. To what extent does this collection of information involve the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology? What consideration is given to use information technology to reduce burden?

The instructions from the producer to the taxpayer may be transmitted electronically by any means available to both parties. We will consider the further use of improved technology on a case-by-case basis, if requested.

4. What efforts are used to identity duplication? Why can't any similar information already available be used or modified for use for the purposes described in Item 2 above?

We terminated the Federal Information Locator System (FILS) Program for agency use. However, we search an agency subject classification system to identify duplication. Similar information is not available from any other source.

5. If this collection of information impacts small businesses or other small entities, what methods are used to minimize burden?

This record keeping/reporting requirement is considered to be the minimum necessary to ensure protection of the revenue. Only small producers are eligible for the benefit (tax credit) supported by this information collection.

6. What consequences to Federal program or policy activities and what, if any, technical or legal obstacles to reducing burden will occur if this collection is not conducted or is conducted less frequently?

The small producer's credit eligibility can change during the year, depending on many factors, such as level of production and removals from their own or other facilities, or even changes in corporate structure. The transferee's credit rate must be established as of the date of removal, using timely information provided by the small producer. Less frequent information collection would result in incorrect determination of credit and overpayment or underpayment of taxes by the transferee and would severely hinder our verification of tax payments during audits.

7. Are there any special circumstances associated with this information collection?

Respondents provide information only as often as necessary to comply with the statute and this recordkeeping requirement, which is consistent with the guidelines as specified in 5 CFR § 1320.6. No special information collection circumstances exist.

8. What effort was made to notify the general public about this collection of information?

A 60-day Federal Register notice was published for this information collection on Tuesday, May 2, 2006, 71 FR 25889. The notice solicited comments from the general public. TTB received no comments.

9. What decision was made to provide any payment or gift to respondents, other than reenumeration of contractors or grantees?

No payment or gift is associated with this collection.

10. What assurance of confidentiality was provided to respondents and what was the basis for the assurance in statute, regulations, or agency policy?

Titles 26 U.S.C. § 6103 and 5 U.S.C. § 552 protect the confidentiality of proprietary information obtained by the government from regulated individuals.

11. What justification is there for questions of a sensitive nature?

We do not ask questions of a sensitive nature in this collection.

12. What is the estimated hour burden of this collection of information?

The number of respondents (250 producers and 30 warehouses) and the number of annual information collections for each (an average of 10 per producer and warehousemen) is an estimate provided by field office personnel who work with these proprietors. Since the collection of information consists of usual and customary shipping instructions, which the owner of any merchandise must provide to the warehouse proprietor holding such merchandise, the estimated total annual hour burden is 1 hour.

$280 \text{ (respondents)} \times 10 \text{ (number of times filed annually)} = 2,800 \text{ (number of responses)} \times 1 \text{ hours (time it takes to complete the forms)} = 2,800 \text{ (total burden hours)}$.

13. What is the estimated total annual cost burden to respondents or recordkeepers resulting from this collection of information?

These usual and customary records impose no cost burden to the respondents under the provisions of 5 CFR 1320.7(b).

14. What is the annualized cost to the Federal Government?

There is no annualized cost to the Federal Government associated with this collection.

15. What is the reason for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I?

There is an adjustment associated with this collection due to an incorrect reporting of the burden hours. Rather than reporting the total burden hours, only 1 hour was reported which represented the burden hour for 1 response.

16. Outline plans for tabulation and publication for collections of information whose results will be published.

The results of this collection will not be published.

17. If seeking approval to not display the expiration date for OMB approval of this information collection, what are the reasons that the display would be inappropriate?

This does not apply. This is a recordkeeping requirement therefore there is no form on which to display the expiration date.

18. What are the exceptions to the certification statement?

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.