

DEPARTMENT OF THE TREASURY  
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement - Information Collection Requirement

OMB Control Number 1513-0012

TTB Form 5150.18 User's Report of Denatured Spirits

A. Justification

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

TTB Form 5150.18 is submitted by users of specially denatured spirits (SDS). The report is submitted annually and is an accounting of SDS used during the reporting period.

Under 26 U.S.C. 5275, the Secretary of the Treasury has the authority to prescribe regulations requiring persons procuring and dealing in denatured spirits to maintain records and file reports. This section of law is implemented in part by 27 CFR 20.264, which requires the filing of TTB F 5150.18.

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

The information on TTB F 5150.18 is used to pinpoint unusual activities in the use of SDS. The form shows SDS formula numbers with a code (this code identifies the final product; e.g., 141 - shampoo, 112 - bay rum, 720 - brake fluid). By examining this report, specialists can determine that the denatured alcohol is being used properly. For example, if a report showed Formula No. 12-A with a code of 141, the specialist would target this for further examination. The denaturant in Formula 12-A is benzene which is a harsh chemical that is used as a drying agent and thus cannot be coded as 141--shampoo. Benzene in a shampoo could be very dangerous.

This comparison will also reveal unusual increases in production. For example, previous years' reports might show only three formulas used, while the current report shows ten formulas used. TTB must then verify that these additional formulas have been approved. In addition to production of unapproved formulas, this comparison could also reveal if the permittee's annual allowance was exceeded (e.g., produced formulas total 10,000 wine gallons, but annual allowance is 5,000 wine gallons). This could necessitate the filing of a strengthening bond.

The information reported on TTB F 5150.18 is a summary of activities at permit premises. We examine and verify certain entries on these reports to identify unusual activities, errors, and omissions. Based on this examination, the proprietor can be contacted by office personnel at the National Revenue Center (NRC). This serves to protect the substantial potential jeopardy to the revenue, which could exist if the denatured spirits were misused or diverted.

The information will identify those permittees making articles which are most likely diverted to illegal use; i.e., articles most easily recovered and most recognizable as containing alcohol.

In the past, the review of this form has succeeded in stopping the counterfeiting of a hair tonic (Vitalis). A permittee obtained formula approval for a product similar to Vitalis hair tonic, manufactured the product, and then used counterfeit Vitalis labels, thereby deceiving the consumer.

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?

We have approved, and will continue to approve on a case-by-case basis, the use of improved technology for the maintenance of required records. TTB F 5150.18 is available on the TTB website. However, at this time the form cannot be submitted electronically.

4. What efforts are used to identify 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 elsewhere for this information collection requirement.

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

This collection of information is not susceptible to reduced requirements for small business.

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?

Illegal activities by persons filing this report could lead to jeopardy of the revenue, in which spirits could be cleaned up into potable substances. This would necessitate the assessment of taxes at the rate of \$27.00 per gallon. This could also lead to jeopardy to consumers if these potable substances were to find their way into the market place with any harmful denaturants remaining in the substance. Without this report, we would have no means of controlling these potential problems.

Since TTB F 5150.18 is filed only annually, collection of information any less frequently would significantly lessen its usefulness.

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

This collection of information does not --

require respondents to report more often than quarterly;

require respondents to prepare a response fewer than 30 days after receipt

require respondents to submit more than an original and two copies;

require respondents to maintain records more than 3 years;

involve a statistical survey;

require the use of any statistical data classification;

include a pledge of confidentiality that is not supported by statute, regulations, disclosure and data security policies consistent with the pledge, or that unnecessarily impedes sharing of data with other agencies; or require respondents to submit confidential information without TTB procedures in place to protect it to the extent permitted by law.

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 Thursday, June 8, 2006, 71 FR 33335. 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?

The confidentiality of this collection of information is protected by 26 U.S.C. 6103 and 5 U.S.C. 552.

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?

There is no change in burden from the previous submission.  $2,765$  (respondents)  $\times$   $1$  (number of times filed annually) =  $2,765$  (number of responses)  $\times$   $18$  minutes (processing time) =  $49,770/60 = 830$  (total burden hours).

The number of respondents is based on information in our files that contain the number of permittees authorized to operate.

The estimate of hours per response is based on information from field inspectors who are occasionally present at the permit premises when information is being collected.

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

There is no cost burden associated with the information collection.

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

Annual cost to the Federal Government is estimated as follows:

Printing	\$ 560.00
Distribution	3,000.00
Clerical & Administrative Cost	<u>2,880.00</u>
Total	\$6,440.00

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

There are no program changes or adjustments associated with this collection.

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?

We will display the expiration date of OMB approval for this collection.

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.