

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -Information Collection Requirement

OMB Control Number 1513 - 0039

TTB REC 5110/02 Distilled Spirits Plants Warehousing Records and
TTB F 5110.11 Monthly Report of Storage Operations

A. JUSTIFICATION:

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

Distilled spirits, other than those used for certain authorized nonbeverage purposes, are taxed at a rate of \$13.50 a proof gallon, a rate far exceeding production costs. To safeguard the revenue from this tax Congress prescribed, in 26 U.S.C. 5207, that the proprietor of a distilled spirits plant (DSP) must maintain records and submit reports of production activities, storage activities, denaturation activities, and processing activities and to render reports covering those operations. Regulations in 27 CFR 19.740 through 19.743, as amplified by other sections in Part 19, prescribe those records which are unique to warehousing (storage) activities, and § 19.792(b)(2) prescribes the reporting requirements for those operations. General provisions for the content, format, organization, maintenance and retention of these records are provided in § 19.721 through § 19.732. Records required by Part 19, which are unique to warehousing operations, are the summary records of distilled spirits in packages (§ 19.741), spirits of less than 190 degrees of proof stored in tanks (§ 19.742), and spirits of 190 or more degrees of proof stored in tanks (§ 19.743). The source records for these summaries are those transaction records discussed in TTB REC 5110/05 (OMB control number 1513-0056). The summary records and source documents, taken together, will reflect those data elements enumerated in § 19.740, and will include that information required to be recorded by § 19.320 (Identification of spirits), § 19.344 (Filling of packages from tanks), § 19.347 (Packages dumped from mingling), § 19.349 (Mingled spirits or wines held in tanks), and § 19.483 (Recording gauge). Spirits are deposited in accordance with § 19.342, and the required records are necessary for the determination of losses in accordance with § 19.562. These records are used by TTB personnel to verify the kind and quantity of spirits and wine in storage. Respondents are the DSP's qualified under 26 U.S.C. 5171 for the warehousing of distilled spirits.

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

Collections of information on DSP warehousing operations are used by TTB for the protection of the revenue and for the compilation of statistics for use by TTB, other government agencies and industry. Records required of warehousing operations by Part 19 are used by our field personnel to verify the quantity and kind of distilled spirits in storage at a DSP. Since provisions of 26 U.S.C. 5005(c) prescribe that the proprietor of a DSP is liable for the taxes on all spirits while stored on the premises of the DSP, the

verification of storage operations is essential in establishing a proprietor's tax liability and adequacy of bond coverage.

DSP proprietors are required by 27 CFR 19.792(b)(2) to submit a Monthly Report of Storage Operations on TTB F 5110.11, essentially a summary of various data elements from the proprietor's daily warehousing records. This report of warehousing operations is used by TTB management and specialists in district offices to monitor industry operations for compliance with the law and regulations, to analyze trends within the industry, to allocate field resources most effectively, to compile statistics, and by TTB personnel, as an audit tool in revenue protection inspections.

TTB Form 5110.11 is examined by our specialists for mathematical accuracy and indications of unusual activities. If discrepancies are found, the specialist may resolve them by contacting the permittee (either by letter or by telephone) or by initiating an investigation by TTB personnel.

Bureau management uses the monthly report of storage operations to analyze trends in the industry and to plan the most efficient allocation of field resources. The number of field personnel is quite small in relationship to the number of establishments over which we have jurisdiction. It is, therefore, absolutely essential that management personnel have some means of determining who most needs to be inspected. In the absence of specific problems at specific establishments, we generally attempt to inspect the high volume establishments first. Operational reports give that information and serve as a management tool for determining the inspection priorities.

If TTB were not to conduct this collection of information, it would have to rely solely on its field inspectors to monitor compliance with the laws and regulations governing storage operations. Given the few field personnel we have, this could only mean less overall scrutiny of these activities and, therefore, an increased jeopardy to the revenue.

In addition, our field personnel in conducting tax compliance examinations at DSPs use TTB F 5110.11. In conducting tax compliance examinations at such a plant, field personnel are typically faced with a volume of data far in excess of their ability to verify completely. The monthly summaries of operations, as reflected on the operational reports, therefore provide an essential tool in conducting examinations, by providing an overview of those operations to determine which areas deserve closest scrutiny due to the relative jeopardy to the revenue and by providing a basis upon which to plan a statistical sampling approach to verifying the data.

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?

Each report provides information that is unique to the individual plant. TTB has approved and will continue to approve, on a case-by-case basis, the use of improved information technology for the collection and maintenance of required records.

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?

Collections of information on warehousing operations consist of summary accounts of the transactions in the warehouse. While a small businessman may be expected to have a lesser number of transactions to enter into these accounts, TTB cannot reduce the requirement on the basis of the size of the entity.

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?

Warehousing records required by Part 19 are maintained on a continuing basis; they constitute a summary accounting for the storage of distilled spirits. Any less frequent collections would render the accounting meaningless.

Similarly, any less frequent submissions of Monthly Report of Storage Operations would severely restrict the utility of that form for the uses explained in item 2, above.

Less frequent submissions of the report would impair the specialist's ability to detect discrepancies and to respond to them on a timely basis. Regional TTB specialists examine TTB F 5110.11 looking for anomalies. It is these anomalies that trigger follow-up investigation. Less frequent reporting would have the effect of masking unusual transactions by combining them with a greater volume of data to cover a longer reporting period. Thus, any item appearing on the report could stand out as an anomaly when viewed as a percentage of the volume on a monthly report, but it would be dwarfed in insignificance in the larger volume of activity represented on a quarterly report.

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

There are no special circumstances associated with this information collection.

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?

These collections of information are maintained at our regional offices in secure file rooms with controlled public access. Moreover, 26 U.S.C. 6103 and 5 U.S.C. 552 protect the confidentiality of the information collected.

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. 230 (respondents) X 12 (number of times filed annually) = 2,760 (number of responses) X 2 hours (processing time) = 5,520 (total burden hours).

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

We do not associate any new cost with this collection.

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

The printing, distribution, clerical and administrative costs of TTB F 5110.11 is estimated at \$27,370.

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.