

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Requirement

OMB Control Number – 1513-0098

TTB F 5154.2 -- Supporting Data for Nonbeverage Drawback Claims

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 for beverage use are taxed at a rate far exceeding production costs. Therefore, diversion of untaxpaid distilled spirits to beverage use can result in substantial losses in tax revenue. In order to safeguard this revenue, spirits removed from distilled spirits plants, except for certain very restricted tax free removals, are first taxpaid or tax determined unless they have been denatured to make them nonpotable.

At the same time, however, there are legitimate nonbeverage manufacturing uses for pure alcohol, such as compounding medicines, manufacturing flavors, or in food preparation. The law (26 U.S.C. 5131-5134) provides that manufacturers of such nonbeverage products may receive drawback for the tax paid on the spirits used for these specified purposes. This drawback (i.e. essentially a refund) allows the manufacturer to recover all but \$1 per proof gallon of the tax imposed on distilled spirits. In order to receive drawback, manufacturers must file claims and establish documentation to substantiate their claims.

Regulations governing drawback of tax on alcohol used to manufacture nonbeverage products are codified in 27 CFR Part 17. The collections of information prescribed by these regulations, for the purpose of substantiating drawback claims, include source records kept at the manufacturing plant and reports (called "supporting data") submitted with drawback claims. The reporting requirements are covered under this submission, Control Number 1513-0098, which pertains to TTB Form 5154.2.

The reporting requirements included in TTB Form 5154.2 are part of the system that is necessary to prevent diversion of drawback spirits to beverage use. Substantial losses in tax revenues could occur if a manufacturer claimed drawback on tax free spirits, or if he received taxpaid spirits, used them for beverage purposes, and then claimed drawback of tax. The "supporting data" reports are necessary to maintain accountability over these spirits.

The preparation of the supporting data is required by regulations in 27 CFR 17.147 and 17.182.

TTB is prescribing these reports in 27 CFR Part 17, which relates to drawback claimed on distilled spirits that were used to make nonbeverage products, under the authority of 26 U.S.C. 5132. That section authorizes the Secretary of the Treasury to prescribe such regulations as are necessary to secure the Treasury against fraud.

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

The supporting data filed with claims for drawback are necessary for TTB to evaluate each claim. These reports are used by TTB personnel to verify the accuracy of the monthly or quarterly claims. This helps to verify that all distilled spirits can be accounted for, and that the drawback is paid only in the amount and for the purposes authorized by law. By ensuring that spirits have not been diverted to beverage use, tax revenues are protected.

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 information technology for the submission of required reports.

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 any duplication. No similar information is 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 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?

Respondents complete this information only as often as necessary to comply with the statute. Less frequent would reduce our ability to verify the information on a claim, thus causing jeopardy to the revenue and disrupting the audit trail.

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?

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 ask no questions of a sensitive nature.

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

There is a reduction in the burden hours reported in the previous submission.
590 (respondents) X 6 (number of times filed annually) = 3,540 (number of responses)
X .9666 hour (processing time) = 3,422 (total burden hours), 118 hours less than
previously reported.

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

There is no cost associated with this collection.

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

Estimates of annual cost to the Federal Government are as follows:

Printing	430.00
Distribution	189.00
Clerical Cost	250.00
Other Salary (review, supervisory, etc.)	<u>419.00</u>
TOTAL	\$ 1,288.00

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

There is a program change associated with this collection because we deleted Items 3 and 4 from the form, reducing the burden hours.

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

We will not publish the results of this collection.

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 of information does not employ statistical methods.