

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Requirement

OMB Control Number – 1513-0072

TTB REC 5530/1 Applications and Notices - Manufacturers of Nonbeverage Products

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 non-industrial use are taxed at a rate far exceeding the production costs of the commodity. Any diversion of distilled spirits to untaxpaid beverage use results in substantial losses in tax revenues. In order to safeguard these taxes, 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 unpotable.

There are, however, legitimate nonbeverage manufacturing uses for pure alcohol, such as compounding medicines, manufacturing flavors, or preparing foods. The law provides that the manufacturers of these nonbeverage products may receive drawback for the excise tax paid on the spirits used for those specified purposes. This drawback (essentially a "refund") allows the manufacturer to recover all but one dollar of the \$13.50 tax imposed per proof gallon on distilled spirits.

Obviously, if spirits on which drawback is claimed are diverted to beverage use, large losses in tax revenues result. To prevent this diversion, the law and implementing regulations have established a qualification, reporting, and recordkeeping system for these users of alcohol for nonbeverage purposes.

The reports in this submission are applications and notices, and include a bond requirement for claimants who file monthly claims (no bond is required for filing quarterly claims). The bond is submitted on TTB Form 5530.3. Applications are documents submitted to TTB for approval, while notices are submitted for notification purposes only, no approval is necessary. These applications and notices are qualifying or operating documents relating to specific regulated activities. They are necessary to identify the individual and to ensure that the intended activity will be conducted in compliance with the law.

In promulgating regulations requiring these types of reporting, TTB first determines if there is sufficient jeopardy to the revenue to necessitate a reporting requirement. Once this determination is made, it is TTB's policy that activities with a potentially greater jeopardy to the revenue should be regulated by an application which requires approval before the activity can begin, while activities presenting less jeopardy to the revenue can be adequately regulated by a notice requirement.

The following reporting requirements are consolidated in one submission covering applications and notices relating to the manufacture of nonbeverage products.

- 17.3 Alternate methods or procedures
- 17.54 Lost or destroyed stamps
- 17.101 General [bond requirement]
- 17.105(a) Filing of powers of attorney
- 17.111 General [termination of bond]
- 17.112 Notice by surety of termination of bond
- 17.122 Amended or revised formulas
- 17.123 Statement of process
- 17.124 Samples
- 17.125 Adoption of formulas and processes
- 17.143 Notice for monthly claims
- 17.144 Bond for monthly claims
- 17.168(a) Recovered spirits
- 17.183 Disposition of recovered alcohol and
material from which alcohol can be recovered
- 17.187 Discontinuance of business

The reports contain the minimum amount of information necessary to maintain accountability over the operations of manufacturers of nonbeverage products. Any less information would make the reports meaningless. TTB is prescribing this system in 27 CFR Part 17 under the authority of 26 U.S.C. 5132. That section requires the Secretary of the Treasury to prescribe, in regulations, recordkeeping and reporting requirements regarding drawback on distilled spirits used in manufacturing nonbeverage products.

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

These reports are used by TTB personnel to ensure that the regulated individuals will conduct operations in compliance with the law and regulations. The applications and notices serve to protect the revenue by helping TTB personnel in determining if spirits on which drawback has been claimed have been diverted to beverage use. Each report is examined and acted upon when it is submitted. Submission is on an irregular, as needed basis.

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.

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 have 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?

These reporting requirements are considered to be the minimum necessary to ensure compliance. The standards cannot be reduced on the basis of the size of respondent.

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?

Less frequent collection of this information would pose jeopardy to the revenue. Eliminating these reports would leave a significant gap in the regulatory system, making it difficult or impossible to audit the operations of manufacturers of nonbeverage products regarding transactions in distilled spirits.

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 National Revenue Center's 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 ask no questions of a sensitive nature.

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

TTB estimates that two applications or notices will be filed per annum by each of the 510 respondents. On the average, each report should require 0.5 hour to prepare, for a total burden of 510 hours. There is a change in burden from the previous submission. See response to question #15 below.

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?

There is no cost to the Federal government.

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 as a result of a reduction of 130 in the number of nonbeverage manufacturers.

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?

Displaying the expiration date for OMB approval would be inappropriate because unlike an approved form, there is no medium on which to display an 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 of information does not employ statistical methods.