

DEPARTMENT OF THE TREASURY  
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement

OMB Control Number – 1513-0108

Recordkeeping for Tobacco Products and Cigarette Papers and Tubes Brought From Puerto Rico to the U.S. 27 CFR 41.105, 41.106, 41.109, 41.110, 41.121.

**A. Justification**

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

Sections 7652(a)(1) and 5701 of the Internal Revenue Code (IRC) (26 U.S.C. 7652(a)(1) and 5701) prescribe the excise tax rates imposed upon tobacco products and cigarette papers and tubes upon importation into the United States. Persons to whom nontaxpaid tobacco products or cigarette papers or tubes are shipped or consigned in the United States from Puerto Rico are importers (see 26 U.S.C. 5702(k)). 26 U.S.C. 5741 gives the Secretary of the Treasury the authority to prescribe recordkeeping requirements for manufacturers, importers, and export warehouse proprietors. Under sections 41.105 and 41.109 of the TTB regulations (27 CFR 41.105 and 41.109), taxes owed may be either prepaid in Puerto Rico, or payment may be deferred, subject to bond.

The regulations that require persons in Puerto Rico who ship tobacco products or cigarette papers or tubes to maintain records are 27 CFR 41.106, 41.110, and 41.121.

This information is integral to TTB's ability to ensure proper payment of taxes and to enforce the internal revenue laws as they apply to persons in Puerto Rico who ship tobacco products or cigarette papers or tubes to the United States.

TTB personnel may require, in writing, a person maintaining records, to keep such records more than 3 years. This would only be done in very limited cases. For example, TTB learns just before the expiration of the normal 3 years records retention (see 27 CFR 41.208) that a person should have paid the tax but did not file a tax return or had underpaid by a substantial amount.

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

This information will be used by TTB personnel to verify that the correct amount of taxes have been paid, and if any required bond is in an amount less than the maximum penal sum, that the bond has been sufficient to cover unpaid tax liabilities.

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?

This recordkeeping may involve the use of automated, electronic, mechanical, or other collection techniques or other forms of information technology. TTB does not prohibit the use of these innovative forms of recordkeeping as long as TTB personnel have access to the records. Under the definition of records in 27 CFR 41.11, records can be maintained in automated or other formats, as long as they meet the stated requirements.

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 recordkeeping requirement is waived on noncommercial mail shipments of tobacco products or cigarette papers or tubes (see 27 CFR 41.106(b)). 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?

Without this information, TTB would be unable to make a determination of how much tax should have been paid and the sufficiency of bonds given for the deferred payment

of tax. If these records are not in place or required less frequently, TTB would not be able to ensure proper collection of all the revenue due to the Federal government and transfer part or all of these funds to the government of Puerto Rico (see 26 U.S.C. 7652). There would be adverse financial consequences for both the Federal and Puerto Rican governments.

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 Wednesday, November 8, 2006, 71 FR 65569. 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 information collection.

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

Generally, the records are maintained and are in the control of the taxpayer. Additionally, the confidentiality of information collected and maintained by TTB 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?

We estimate that this recordkeeping requirement will affect about four persons. The frequency of the recordkeeping requirement will vary depending upon the number of shipments made to the United States. We estimate the total burden for this collection to be 1 hour per year since these records are shipping documents that would be kept in the normal course of doing business.

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

No cost is associated with this collection.

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

Estimates of annual cost to the Federal government are based on prior experience, knowledge and scope of 3 similar regulations including salary costs involved with field investigations examining these particular records.

Salary	\$1,650
Overhead	<u>165</u>
Total	\$1,815

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?

It would be inappropriate to display the expiration date for OMB approval because this is a recordkeeping information collection and unlike a form, there is no medium on which to display the 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.