

**DEPARTMENT OF THE TREASURY**

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**

**Supporting Statement - Information Collection Requirement**

**OMB Control Number – 1513-0041**

TTB F 5110.28    Monthly Report of Processing Operations - TTB REC 5110/03

**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. Pursuant to 26 U.S.C. 5207, the proprietor of a distilled spirits plant (DSP) must maintain records of production, storage, denaturation, and processing activities and render reports covering those operations. Regulations in 27 CFR 19.746 through 19.751, as amplified by other sections of regulations, prescribe those records which are unique to processing operations. A monthly report of processing operations is provided for in 27 CFR 19.792(b). Respondents are the 239 DSPs qualified for bottling or processing spirits under 26 U.S.C. 5171.

Accordingly, 27 CFR 19.747 requires the maintenance of records that account for the manufacturing operations involving distilled spirits, wine, flavors, and liquor bottles (see also §§ 19.635, 19.636, and 19.639 for details of liquor bottle records), including records concerning rebottling, relabeling, and reclosing of bottled products.

General provisions for the format, organization, maintenance, and retention of these records are provided in §§ 19.721, 19.723, 19.731, and 19.732.

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

Collections of information on DSP processing 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 of processing operations required under § 19.746, are used by our field personnel to verify the quantity and kind of distilled spirits received for and used in the processing and bottling or packaging of distilled spirits products, and to account for the production and disposition of finished products. Since these operations are conducted prior to the payment of the distilled spirits tax, the verification of processing operations through records is essential to establishing a proprietor's tax liability and adequacy of bond coverage.

Records of any wholesale liquor dealer operations or taxpaid storeroom operations conducted by the proprietor, as required by § 19.773, are used by inspectors to verify removals of finished goods when no bona fide, arm's length transaction records are available (see also § 19.611 relabeling and reclosing off bonded premises).

DSP proprietors are required by 27 CFR 19.792(b) to submit a Monthly Report of Processing Operations on TTB F 5110.28, essentially a summary of various data elements from the proprietor's daily processing records. This report of processing operations is used by TTB management and specialists at the National Revenue Center to monitor proprietors' operations for compliance with the law and regulations, analyze trends within the industry, to allocate field resources most effectively, to compile statistics and, by TTB inspectors, as an audit tool in revenue protection inspections.

The monthly report of processing operations is also used by the Bureau to determine the amount of the revenue to be paid to the treasuries of Puerto Rico and the Virgin Islands under 26 U.S.C. 7652. Except for the "cover-over" of taxes on Virgin Islands spirits, payments made under this section of the law are made monthly and determined based on the information provided in the reports of processing operations. Without the monthly processing reports, TTB would not have the data necessary to determine those payments.

The National Revenue Center also summarizes the monthly report of processing operations for compilation of the Bureau's monthly statistical releases. Subscribers of the monthly statistical releases include other Federal agencies, state and local governments, academic institutions, members of the press, and trade associations. In addition, these statistics reach other users through republication by the media, trade associations, or other government agencies.

In addition, TTB F 5110.28 is used by our field inspectors in conducting tax compliance examinations at DSPs. The monthly summaries of operations, as reflected on the operational reports, provide an essential tool in conducting the examinations, because they provide an overview of those operations from which the areas in need of closest scrutiny may be determined. This provides a basis upon which the inspector can 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?

We have approved and will continue to approve, on a case-by-case basis, the use of improved information technology for the maintenance of required records and the completion of this report.

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?

The Federal Information System (FILS) Program has been terminated 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 businesses.

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?

Processing records required by Part 19 constitute a complete accounting for the processing of distilled spirits. Less frequency of these collections would pose jeopardy to the revenue.

Reporting is required on a monthly basis. 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 processing operations. Given the few inspectors we have, this could only mean less overall scrutiny of these activities and, therefore, an increased jeopardy to the revenue.

One element of the specialist's examination of monthly reports is the verification of adequate bond coverage under the regulations. For various reasons, however, bond coverage is not sufficient to cover accrued liabilities at the time monthly reports are monitored. If the operational reports were examined only quarterly, it would allow the accrual of even greater tax liabilities before bond coverage was monitored and would leave the government exposed to even greater risk.

Without the records and reports of processing operations, TTB would be severely handicapped in performing its principal function of protecting the revenue derived from the distilled spirits tax, and would not be able to provide government and industry with the statistics needed for effective economic planning and analysis.

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 notice was published in the Federal Register (72 FR 20176) on Monday, April 23, 2007. The notice solicited comments from the general public. TTB received no comments in response to this notice.

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 the proprietor's premises for 3 years, as well as at TTB's National Revenue Center in secure file rooms with controlled public access. Moreover, 26 U.S.C. 6103 and exemptions (b)(3) and (b)(4) to 5 U.S.C. 552 protect the confidentiality of the information collected.

11. What justification is there for questions of a sensitive nature?

No questions of a sensitive nature are asked.

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

We expect that the 239 distilled spirit plant proprietors will complete this form and keep accompanied records on a monthly basis each year. We estimate each form requires 2 hours to complete and the records associated with this form are normal business records that would not add a burden to the proprietor, so we estimate a total of 1 burden hour for recordkeeping covering all respondents.

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 information collection. There is an increase in the burden hours due to an increase in the number of respondents (from 134 to 239).

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

The results of this collection of information 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 of information does not use statistical methods.