

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Requirement

OMB Control Number 1513-0056

TTB REC 5110/05 Distilled Spirits Plants -Transaction and Supporting Records

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 \$13.50 per proof gallon, a rate far in excess of production costs. To safeguard the revenue that comes from this tax, Congress prescribed, in 26 U.S.C. 5207, that the proprietor of a distilled spirits plant (DSP) must maintain records of production activities, storage activities, denaturing activities, and processing activities, and must render reports covering those activities. The collection of information requirements covered by this submission, are those transaction records which a DSP proprietor must maintain as source documents for each of the activities listed above. Respondents are the DSP's qualified under the provisions of 26 U.S.C. 5171.

The following regulatory sections in 27 CFR parts 19, 26, and 27 detail transaction records which are common to all accounts.

Section 19.766 Record of samples. This section lists the elements of data required to be recorded of spirits removed from an operational account for use as a sample (ref. also §§ 19.540(c) and 19.701);

Section 19.767 Record of destruction. This section lists the elements of data required to be recorded of spirits voluntarily destroyed (ref. also § 19.691);

Section 19.768 Gauge record. This section lists the elements of data required to be recorded when a quantity determination is required to be made of bulk spirits such as enumerated in section 19.92 (ref. also §§ 19.319(d), 19.321, 19.344, 19.462, and 19.517);

Sections 19.769, 26.164a, 27.139 Package gauge record. These sections list the elements of data required to be made of spirits in packages (ref. also §§ 19.319(b), 19.390, 19.508, 19.509, 19.532, 19.537, 26.79, 26.80, 26.110,

26.199a, 26.199b, 26.199d, 26.199f, 27.172, 28.98, 28.107, 28.192, and 28.195b);

Sections 19.770, 26.273a, 27.138 Transfer record. These sections prescribe the elements of information required to be recorded when distilled spirits are transferred from a DSP (either in the United States or the Virgin Islands) to another DSP in the United States, from a DSP to a bonded winery, or from Customs custody to a DSP in the United States (ref. also §§ 19.502, 19.505, 19.508, 19.509, 19.510, 19.532, 24.226, 24.230, 24.231, 24.232, 26.301, and 27.172);

Section 19.774 Record of inventories. This section prescribes the recordkeeping requirements when inventories are to be conducted in each of the operational accounts of a DSP (ref. also §§ 19.329, 19.353, 19.401, 19.402, and 19.464).

Section 19.780 Record of distilled spirits shipped to manufacturers of nonbeverage products. This section requires the proprietor to provide additional elements of information to manufacturers of nonbeverage products to enable the manufacturer to determine the correct amount of tax subject to a claim for drawback.

In addition, §§ 19.318 and 19.343 require the proprietor to annotate each transaction record covering spirits to which oak chips have been added.

To support the accuracy of these transaction records, proprietors are also required by § 19.776 to maintain records of scale tests conducted in accordance with §§ 19.273 and 19.276. Records of securing devices, as required by § 19.775, are used by the proprietor and by our field personnel to verify the chain of custody of spirits which are transferred in bond.

Other regulations sections containing miscellaneous recordkeeping requirements covered by this submission are: §§ 19.91, 19.93, 19.320, 19.322, 19.342, 19.454, 19.484, 19.501, 19.503, 19.562, 19.565, 19.682-84, 19.686, 19.688, 19.702, 19.721, 19.723, 19.731, and 19.732. Copies are attached.

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

The transaction and supporting records are the source documents for each such account and are used by our field personnel to verify those accounts for tax compliance purposes.

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 transaction 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?

This information collection provides information that is pertinent to each respondent and applicable to his/her specific operation. As far as we can determine, similar information is not available elsewhere.

5. If this collection of information impacts small businesses or other small entities, what methods are used to minimize burden?

Transaction records are the source documents for a DSP's accounting of spirits in all operational accounts. While a small businessman may be expected to have a lesser number of transactions and a commensurately smaller recordkeeping burden, any lesser requirements would render the accounting incomplete. This requirement cannot be reduced 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?

Without these source transaction records, TTB would be unable to verify the accounting for spirits in production, warehousing, processing, or denaturing operations and would, therefore, be severely hindered in performing our principal function of protecting the revenue derived from distilled spirits taxes.

Transaction records are prepared on a continuing basis as the source documents for a DSP's accounting of spirits. Any less frequent collections would render the accounting incomplete.

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, July 29, 2009, 74 FR 37770. 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 records are maintained at DSP premises. If copies of these records are submitted to TTB, the confidentiality of these records is protected by 26 U.S.C. 6103.

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?

With three exceptions (see next paragraph), the transaction and supporting records discussed herein are usual and customary business records which a DSP proprietor would maintain for purposes of cost accounting and internal control. Such records therefore impose no burden as defined by 5 CFR 1320.7(b).

TTB estimates that each of the DSP proprietors will respond once each year to maintenance of these records. It will take each of the 620 DSP proprietors an average of 12 hours per year to maintain records of securing devices. TTB further estimates that the maintenance of information necessary to document credits for the wine or flavor content of distilled spirits will require an average of 8 hours a year for each of the 620 recordkeepers. Maintaining a logbook to record alternation of premises will require an average of 1.8 hours per year for the 620 DSPs, considering that only some of them will need to keep this record. These estimates are based on past experience and knowledge of the industry. The total burden hours for the 3 different records are 13,516. $620 \times 21.8 = 13,516$ total burden hours.

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?

There is no cost to the Federal Government for the maintenance of transaction records.

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 an increase, from 278 to 620, in the number of Distilled Spirits Plants proprietors that entered the market and are required to maintain these records.

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?

Displaying the expiration date for OMB approval would be inappropriate because this is a recordkeeping requirement. Unlike the form, it does not have a 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. These records must be maintained for 3 years.

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.