

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Request

OMB Control Number 1513-xxxx

TTB F 5250.2 Report of Sale or Transfer of Processed Tobacco

A. Justification.

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

On February 4, 2009, President Obama signed into law the Children's Health Insurance Program Reauthorization Act of 2009, Pub. L. 111-3, 123 Stat. 8 ("the Act"). Section 702 of the Act included amendments to the Internal Revenue Code of 1986 (IRC) to extend permit, inventory, reporting, and recordkeeping requirements to manufacturers and importers of processed tobacco even though such processed tobacco is not subject to excise tax under the IRC.

26 U.S.C. 5722 provides that every manufacturer or importer of tobacco products, processed tobacco, or cigarette papers and tubes, and every export warehouse proprietor, shall make reports containing such information, in such form, at such times, and for such periods as the Secretary shall by regulation prescribe. TTB believes that unregulated transfers or sales of processed tobacco to persons who do not hold TTB permits could lead to processed tobacco falling into the hands of persons who would be unknown and unaccountable to TTB, including illegal manufacturers. In order to better regulate processed tobacco and to minimize its transfer to unauthorized manufacturers, TTB temporary regulations, at 27 CFR §§ 40.72, 40.182, 40.202, 40.522, and 41.262, include a requirement of manufacturers of processed tobacco, manufacturers of tobacco products, and importers of tobacco products to file a report with TTB covering all such transfers or sales. This report is used to accomplish this goal, which protects the revenue.

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

TTB uses this report as an accounting tool to protect the revenue. Records of receipt and disposition are the basic source documents that describe the activities of manufacturers and importers of processed tobacco. When processed tobacco is sold or transferred to a non-regulated entity, TTB no longer has reports or records to review to determine if diversion has taken place and to protect the revenue. This report provides immediate information concerning these transfers to unregulated persons, allowing TTB to be aware of and take timely action against potential diversions. TTB also uses this report to ensure that holders of basic permits are engaging in the

operations stated on their basic permit.

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 will approve, on a case-by-case basis, the use of improved technology for the maintenance of required records used to generate 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?

This information collection request only requires reports that are pertinent to each manufacturer's or importer's 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?

Because sale or transfer to a non-regulated entity can occur without regard to whether a business is small, the threat to the revenue is not contingent on the size of transferor. Therefore, we cannot reduce this requirement on the basis of the size of the entity. However, smaller manufacturers and importers of processed tobacco should have less transactions that would require such reporting.

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 the information required in this collection of information, TTB would be severely hampered in determining whether these commodities were being illegally diverted because we would be unable to determine if individual importers and manufacturers of processed tobacco were accurately accounting for the receipt and the disposition of processed tobacco. Not collecting this information or less frequent collection of this information would pose jeopardy to the revenue.

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?

The general public will be notified of this information collection in a temporary rule and notice of proposed rulemaking published in the Federal Register. The notice will solicit

comments from the general public.

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?

No specific assurance of confidentiality is provided; however, TTB protects the confidentiality of tax information under 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?

TTB estimates that 779 respondents would be required to prepare and submit reports. Thus, the reporting burden is calculated as follows

779 respondents x 6 responses per respondent = 4,674 responses
@ .50 hour per response = 2,337 hours

Total Hours = 2,337

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

The total annual cost estimate associated with this paperwork requirement is allocated entirely to operations and maintenance. Annual costs are allocated as follows:

2,337 hours X \$6.55 = \$15,307.35
Postage: 4,674 reports @ \$0.44 = \$2,056.56

Total: \$17,363.91

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

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

Printing	\$ 2,000
Distribution	1,000
Clerical Cost	14,500
Other Salary (review by specialist, etc.)	80,000

Overhead	<u>9,500</u>
TOTAL	\$107,000

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

This is a new information collection request that is a result of the implementation of the Act.

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?

We are not seeking approval to not display the expiration date for OMB approval.

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.