

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE

Supporting Statement - Information Collection Requirement

OMB Control Number 1513-0062

TTB REC 5150/1 – Usual and Customary Business Records Relating to Denatured Spirits.

A. JUSTIFICATION

1. What are the circumstances that make this collection of information necessary and what legal or administrative requirements necessitate the collection? Also include the following: Align the information collection to Treasury's Strategic Goals, Line of Business/Sub-function, and IT Investment, if one is used.

A comprehensive system of controlling denatured spirits and articles made with denatured spirits is imposed by 26 U.S.C. 5271, 5272, 5273, 5274, 5275, and 5276. Implementing regulations in 27 CFR Part 20 allow denatured spirits to be used for industrial purposes free of tax.

The system of controlling denatured spirits was developed during Prohibition. Although beverage alcohol was illegal, there was still a need for alcohol for industrial processes, including the manufacture of products for personal and household use. By adding denaturants at the distillery, alcohol made unfit for beverage use can be removed free of tax for industrial use. After the repeal of Prohibition, the well-established use of denatured spirits in industrial processes continued.

Denatured spirits are regulated to prevent the illegal diversion of alcohol to taxable beverage use. It is possible to recover potable alcohol from denatured spirits and articles made with denatured spirits, therefore, the law and implementing regulations require an application and permit to withdraw and use specially denatured spirits. The law and implementing regulations also require surety bonds, formulas, recordkeeping, reporting, and other operational procedures.

Records included in this submission are usual and customary business records including purchase invoices and internal records controlling the flow of materials/ingredients through manufacturing, processing, packaging, storage, and shipping operations, and sales invoices. TTB believes that regulated individuals could not successfully operate in business without maintaining these kinds of records, which control the purchase and use of materials/ingredients and all of the steps of manufacture and sale of products. Accordingly, the following regulatory requirements are consolidated in one submission covering usual and customary business records relating to denatured spirits and articles made with denatured spirits:

- § 20.95 Developmental samples of articles.
- § 20.142 Records of bulk conveyances.
- § 20.149 Records.
- § 20.163 Receipt and storage of specially denatured spirits.
- § 20.170 Physical inventory.
- § 20.171 Record of shipment.
- § 20.172 Records.
- § 20.180 Record of packages filled.
- § 20.192 Manufacturing record.
- § 20.202 Losses in transit.
- § 20.203 Losses on premises.
- § 20.212 Deposit in receiving tanks.
- § 20.216 Record of shipment.
- § 20.222 Destruction.
- § 20.231 Return.
- § 20.232 Reconsignment in transit.
- § 20.235 Disposition to another user.
- § 20.251 General.
- § 20.261 Records of completely denatured alcohol.
- § 20.262 Dealer's records of specially denatured spirits.
- § 20.263 User's records of specially denatured spirits.
- § 20.264 User's records and report of products and processes.

These records must be maintained for not less than 3 years after filing the report covering the operation.

This information collection is aligned with:

Treasury Strategic Goal: U.S. & World Economies Perform at Full Performance Potential.

Line of Business/Sub-function: Law Enforcement/Substance Control.

IT Investment: Tax Major Application Systems.

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

These records are maintained at the premises of the regulated individual and are routinely inspected by TTB personnel during field tax compliance examinations. These examinations are necessary to verify that all denatured spirits can be accounted for and are being used only for purposes authorized by law and regulations. TTB uses these records to protect the tax revenue and public safety by ensuring that spirits have not been diverted to beverage use.

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?

TTB has approved and will continue to approve, on a case-by-case basis, the use of improved information technology for the maintenance of required 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?

To avoid duplication, TTB allows records maintained in the ordinary course of business to be used to comply with this recordkeeping requirement.

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

These recordkeeping requirements are considered to be the minimum necessary to ensure compliance and protect the revenue. The standards cannot be reduced on the basis of the size of the respondent however, the smaller the business the less records that will be maintained.

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?

If this collection was not conducted or conducted less frequently, there would be a significant gap in the audit trail and it would be difficult or impossible to trace spirits transactions. Denatured spirits could be illegally diverted to beverage spirits without documentation to alert us to such activity, since no recording of the data elements necessary to verify these transactions would be prescribed. This lack of records would pose jeopardy to the revenue.

7. Are there any special circumstances associated with this information collection that would require it to be conducted in a manner inconsistent with OMB guidelines?

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? Summarize the public comments that were received and describe the action taken by the agency in response to those comments.

A 60-day Federal Register notice was published for this information collection on Monday, March 7, 2011, 76 FR 12412. 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 records are maintained at the premises of the regulated individual. However, 26 U.S.C. 6103 protect the confidentiality of proprietary information obtained by the Government from regulated individuals.

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?

The number of respondents is 3,430 and the number of records filed annually by each is 1. The total burden hours, however, are 1 because these are records that the recordkeeper would normally maintain in the course of doing business.

13. What is the estimated total annual cost burden to respondents or recordkeepers resulting from this collection of information (excluding the value of the burden hours in Question 12 above)?

There is no cost burden to recordkeepers 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?

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 these are records that are maintained by the recordkeeper and unlike a form there is no medium for us to display the date.

18. What are the exceptions to the certification statement?

- (c) See item 5 above
- (i) No statistics involved
- (j) See item 3 above

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.