

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Requirement

OMB Control Number 1513-XXXX

Distilled Spirits Plant (DSP) Operations Records

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.

Federal law, 26 U.S.C. 5001(a)(1), imposes a tax of \$13.50 per proof gallon on all distilled spirits produced in or imported into the United States, a tax rate that is greater than the production cost of spirits. To safeguard the revenue from this tax, Congress prescribed, in 26 U.S.C. 5207, that DSP proprietors must maintain records relating to production, storage, denaturation, and processing operations. Regulations in 27 CFR part 19, subpart V, as amplified by other sections in part 19, prescribe the records proprietors must keep with respect to these operations.

With respect to production operations, regulations require that proprietors maintain records that account for fermenting materials (27 CFR 19.584(a), 19.293, and 19.294), distilling materials, including chemical by-products, recovered spirits, articles, and residues for redistillation (27 CFR 19.584(b)-(e) and 19.295), and spirits or byproducts produced or removed (27 CFR 19.585 and 19.586). Storage record requirements include those relating to general storage operations (27 CFR 19.590), summary records of distilled spirits in packages (27 CFR 19.591), spirits of less than 190 proof stored in tanks (27 CFR 19.592), and spirits of 190 proof or greater stored in tanks (27 CFR 19.593). Other regulations relating to these storage records include 27 CFR 19.305 (Identification of spirits), 19.324 (Filling of packages from tanks), 19.327 (Packages dumped from mingling), 19.329 (Mingled spirits or wines held in tanks), and 19.411 (Recording gauge). The regulations governing processing and denaturing operations are found in 27 CFR 19.596 through 19.607. These regulations govern records relating to general manufacturing, bottling, packaging, article manufacturing, and other processing and denaturing operations. Source records for summary records discussed above may include transaction and supporting records covered by the information collection associated with OMB control number 1513-0056. TTB regulations generally require that proprietors must retain records for not less than three years from the date of the record or the date of the last entry required to be made, whichever is later.

There are currently four collections of information covering both recordkeeping and reporting of DSP operations (OMB Control Numbers 1513-0047, 1513-0039, 1513-0041, and 1513-0049).

Consistent with the proposed regulatory changes, TTB is replacing the four existing collections of information with two new collections covering, respectively, these recordkeeping and reporting requirements.

The DSP reporting will be changed to reflect the collection requirements of the two new forms and recordkeeping requirement are those that occur in the course of normal business practices and have been updated accordingly.

Actions will be taken to discontinue OMB Control Numbers 1513-0047, 1513-0039, 1513-0041, and 1513-0049, once the final rule is published.

This information collection is aligned with:

Treasury Strategic Goal: Effectively Manage U.S. Government Finances.

Line of Business/Sub-function: General Government/Taxation Management.

IT Investment: Tax Major Application Systems.

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

TTB uses information from records relating to DSP production, storage, processing, and denaturing operations for the protection of the revenue. TTB field personnel use these records to verify the quantity of distilled spirits produced by DSP proprietors. Because 26 U.S.C. 5001(b) provides that tax liability attaches at the time of production, verification of production is essential in establishing a proprietor's tax liability and adequacy of bond coverage. In addition, because 26 U.S.C. 5005(c) provides that a proprietor is liable for taxes on all spirits stored on its premises, verification of storage operations is also essential for evaluating a proprietor's tax liability and bond coverage. Also, because processing operations are conducted prior to the payment of the distilled spirits tax, verification of processing operations through records is also important for these purposes as well. Finally, because denaturing operations are conducted under bond, before the release of tax liabilities, verification of denaturing activities is crucial to carrying out TTB's revenue protection mission.

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?

Under 27 CFR 19.572, proprietors may keep required records on a computer or other electronic medium as long as the records are readily retrievable in hardcopy format for TTB review. TTB has, and will continue, to approve the use of improved technology for recording information on a case-by-case basis as well.

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?

Records covered by this collection contain information summarizing DSP operations. This information is applicable only to each individual proprietor and is not available in this form elsewhere.

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

The recordkeeping requirements covered by this collection are necessary for TTB to monitor DSP operations and protect the revenue. Therefore, these requirements cannot be reduced based on the size of the entity. Small proprietors' recordkeeping burdens may be reduced to the extent that they have fewer and smaller transactions compared with larger entities.

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?

The records covered by this collection are maintained on a continuing basis and constitute a complete accounting of DSP operations for TTB purposes. Reductions in the amount of information recorded, or the frequency with which the information is recorded, would severely restrict TTB's ability to monitor DSP operations and protect the revenue. DSP records are crucial to conducting effective audits and investigations, and to verifying that proprietors are paying correct amounts of tax and operating in accordance with law and regulations.

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.

TTB will publish a notice of proposed rulemaking in the *Federal Register* describing the burdens associated with this information collection. The notice will solicit comments from the general public. After taking any comments into account, TTB will publish a final rule.

9. What decision was made to provide any payment or gift to respondents, other than remuneration 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 on these forms. However the information collected on the forms is tax information, and 26 U.S.C. 6103 protects the confidentiality of tax information collected.

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

We do not ask questions of a sensitive nature in this collection.

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

The records covered by this collection involve a proprietor's usual and customary records kept in the normal course of business. Therefore the total annual burden is estimated to be 1 hour for 692 respondents.

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)?

We do not associate any cost with this collection.

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

There is no cost to the Federal Government associated with this collection.

15. What is the reason for any program changes or adjustments reported?

There is a program change because this is a new 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?

- (c) See item 5 above
- (i) No statistical survey methodology is involved
- (j) See item 3 above

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.