

DEPARTMENT OF THE TREASURY

Alcohol and Tobacco Tax and Trade Bureau

Supporting Statement – Information Collection Requirement

OMB Control Number 1513-0057

TTB REC 5120/2 Letterhead Applications and Notices Relating to Wine

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.

Title 26 U.S.C. 5351 - 5373 provide for the establishment and operation of bonded wineries and taxpaid wine bottling houses. These sections of law specifically provide for filing applications and bonds, withdrawal and use of wine spirits from distilled spirits plants, and removal of wine upon payment of tax, free of tax, and without payment of tax. These provisions also specifically require the Secretary of the Treasury to promulgate regulations which establish standards for security of winery premises, segregation of winery operations from other operations, Government supervision, records and reports, gauging and marking, inventories, losses, voluntary destruction, and samples.

Certain aspects of the treatment of wine are regulated by law because they affect the volume of taxable wine produced. Therefore, taxpaid wine bottling houses are regulated by law to prevent the evasion of taxes by increasing the volume of taxpaid wine. Amelioration and sweetening are processes by which the taxable quantity of wine increases by the addition of sugar and water. These processes are regulated under the specific authority of 26 U.S.C. 5383 - 5385. However, the statutory standards for amelioration and sweetening also reflect Congress' concern for the product integrity of wine and the protection of consumers. In addition, 26 U.S.C. 5381, 5382, and 5386 - 5388 impose standards for natural wine, cellar treatment of natural wine, agricultural wine, and labeling of all wines. These provisions are intended to protect consumers and the product integrity of wine.

Other provisions in 26 U.S.C. 5391, 5392, and 5661 - 5663, relate to exemption from distilled spirits taxes, meanings of terms, and criminal penalties relating to unauthorized productions and misrepresentation of wine by labeling, packaging, and advertising.

Wineries and taxpaid wine bottling houses are required to keep records, which the Secretary of the Treasury may prescribe in regulations. Regulations in 27 CFR Part 24 establish an integrated system of records providing the fundamental controls necessary to protect the revenue and consumers. In the absence of this integrated system of records, we would not be able to verify payment of taxes or compliance with the consumer protection provisions of the law relating to the integrity of wine.

Included in this submission are letterhead applications and notices. Letterhead applications are documents submitted with approval necessary. Notices, however, are advisory documents submitted with no approval necessary. Letterhead applications and notices are qualifying documents relating to specific regulated activities.

In promulgating regulations requiring either of these types of reporting, we first determine if there is sufficient jeopardy to the revenue to necessitate a reporting requirement. Once this determination is made, our policy is that activities with greater jeopardy to the revenue should be regulated by letterhead application subject to approval before the activity can begin, and activities with less jeopardy to the revenue should be regulated by a notice requirement. Accordingly, the following letterhead application and notice requirements are consolidated in one submission relating to wine:

Letterhead applications 27 CFR:

24.21	24.25	24.77	24.249
24.22	24.26	24.235	24.250

Notices 27 CFR:

24.231	24.236	24.242	24.291
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This information collection is aligned with:

Treasury Strategic Goal: US & 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?

The applications and notices are necessary to ensure that the winemaker's proposed alternative method will provide equal protection to the revenue and will not pose a burden to our agency in administering part 24. These letterhead applications and notices help to protect the revenue and consumers while affording winemakers the maximum operational flexibility. Our personnel in the National Revenue Center (NRC) process these documents.

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 to submit applications and notices.

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 letterhead applications and notices provide 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 anywhere else.

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

The collection of information does not have a significant impact on a substantial number of small businesses or other small 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?

These reporting requirements are considered to be the minimum necessary to ensure compliance. Less frequent collection of this information 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 Friday, June 29, 2012, 77 FR 38886. 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 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?

These collections of information are maintained at the NRC in secure file rooms with controlled public access. Moreover, 26 U.S.C. 6103 protects the confidentiality of the 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?

There is no change in burden from the previous submission. We estimate that there are 1,650 respondents that file a letterhead application once annually. It is estimated that it takes .5 hour (30 minutes) to complete the application. The total estimated burden hours are 825. This collection has 2 obligations to respond (Mandatory and To obtain a benefit). The respondents and burden hours should be divided equally.

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

We do not associate any cost with this collection.

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

There is no annualized 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 of OMB approval because these are letterhead applications and notices that are generated by the applicant. Unlike the form, there is no medium on which to display the expiration date.

18. What are the exceptions to the certification statement?

- (c) See item 5 above.
- (f) This is not a recordkeeping requirement.
- (i) No statistics are involved.
- (j) See item 3 above.

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.