

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Requirement

OMB Control Number 1513-0060

TTB REC 5150/4 Letterhead Applications and Notices Relating to Tax-Free Alcohol

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.

Use of tax-free alcohol is regulated to prevent illegal diversion to taxable beverage use. A comprehensive system of controlling the use of tax-free alcohol is imposed by 26 U.S.C. 5271-5276. Alcohol may be withdrawn from a distiller free of tax for nonbeverage purposes as follows:

- a) By the United States or any governmental agency thereof, any State, any political subdivision of a State, or the District of Columbia [26 U.S.C. 5214(a)(2)];
- b) For use of any educational organization described in 26 U.S.C. 170(b)(1)(A)(ii) which is exempt from income tax under 26 U.S.C. 501(a), or for the use of any scientific university or college of learning [26 U.S.C. 5214(a)(3)(A)];
- c) For any laboratory for use exclusively in scientific research [26 U.S.C. 5214(a)(3)(B)];
- d) For use at any hospital, blood bank, or sanitarium (including use in making any analysis or test at such hospital, blood bank, or sanitarium), or at any pathological laboratory exclusively engaged in making analyses, or tests, for hospitals, or sanitariums [26 U.S.C. 5214(a)(3)(C)];
- e) For the use of any clinic operated for charity and not for profit (including use in the compounding of bona fide medicines for treatment outside of such clinics of patients thereof) [26 U.S.C. 5214(a)(3)(D)].

The system of controlling tax-free alcohol was developed during Prohibition. Although beverage alcohol was illegal, there was still a need for alcohol for scientific research and medical purposes. Implementing regulations in 27 CFR Part 22 allow tax-free alcohol to be used for nonbeverage purposes in scientific research and in certain medicinal uses described above.

Alcohol used by regulated individuals is potable. Therefore, the law and implementing regulations require an application and a permit to withdraw and use alcohol free of tax. The law and implementing regulations also require recordkeeping, reporting, and other operational procedures.

Reports included in this submission are letterhead applications and notices. Letterhead applications are documents submitted for TTB approval and notices are documents submitted with no approval necessary. Letterhead applications and notices are qualifying documents relating to specific regulated activities. A letterhead application or notice is an amendment to approved qualifying documents already on file.

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 we make this determination, our policy is that activities with greater jeopardy to the revenue should be regulated by a letterhead application, approved before the activity can begin, and activities with less jeopardy to the revenue should be regulated by a notice requirement.

The following reporting requirements are consolidated in one submission covering letterhead applications and notices relating to tax-free alcohol.

#### LETTERHEAD APPLICATIONS AND NOTICES

- § 22.22 Alternate Methods or Procedures; and Emergency Variations from Requirements.
- § 22.57 Changes Affecting Applications and Permits.
- § 22.58 Automatic Termination of Permits.
- § 22.61 Change in Name of Permittee.
- § 22.62 Change in Trade Name.
- § 22.63 Change in Location.
- § 22.68 Notice of Permanent Discontinuance.
- § 22.122 Losses in Transit.
- § 22.142 Destruction.
- § 22.154 Disposition on Permanent Discontinuance of Use.
- § 22.155 Emergency Disposition to Another Permittee.
- § 22.162 Inventories.

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?

These reports are maintained at the National Revenue Center and the premises of the regulated individual. The source records are maintained at the premises of the regulated individual and are routinely inspected by TTB personnel. These inspections are necessary to verify that all tax-free alcohol can be accounted for and is being used only for purposes authorized by law and regulations. By ensuring that alcohol has not been diverted to beverage use, tax revenue and public safety are protected.

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 source records. The required letterhead applications or notices must be written or typed and submitted. Advanced information technology may not be suitable for submitting such applications or 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?

These reporting requirements are considered to be the minimum necessary to ensure compliance. There are no methods to minimize the burden to small businesses since all entities, regardless of size, are required to submit these reports.

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 these reports were not maintained there would be a significant gap in the audit trail and it would be difficult or impossible to trace alcohol transactions. Without this requirement, no recording of the data elements necessary to verify these transactions would be prescribed. 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 notice was published in the Federal Register (74 FR 26920) on Friday, November 9, 2012. The notice solicited comments from the general public. TTB received no comments in response to this notice.

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?

Reports and records are maintained at the premises of the regulated individual and reports at our NRC in secure file cabinets. 26 U.S.C. 6103 protects the confidentiality of proprietary information obtained by the Government from regulated individuals.

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?

We estimate that letterhead applications and notices will be filed by 4,444 individuals (1,111 for each of the 4 affected publics) on an average of once per annum, with each report requiring 0.5 hours to prepare, for a total of 2,222 total burden hours (555 for 2 affected publics and 556 for the other 2). This estimate is based on the applications and notices received in the past.

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 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 for OMB approval of this information collection because these are letterhead applications and notices submitted from the individual, therefore, unlike the form, there is no medium for us to display the OMB expiration date.

18. What are the exceptions to the certification statement?

(c) See item 5 above.

(f) Although this collection mentions source records, it does not cover a recordkeeping requirement. The retention period for the source records mentioned in this collection is 3 years

(i) No statistics are involved.

(j) See item 3 above.

**B. Collection of Information Employing Statistical Methods**

This collection does not employ statistical methods.