

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement - Information Collection Requirement
OMB Control Number 1513-0049

TTB REC 5110/04 Distilled Spirits Plant Denaturation Records and
TTB F 5110.43 Monthly Report of Processing (Denaturing) Operations

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.

Distilled spirits, other than those used for certain authorized nonbeverage purposes, are taxed at the rate of \$13.50 a proof gallon, a rate that far exceeds production costs. To safeguard the revenue from this tax, (amounting to billions of dollars each year), Congress prescribed in 26 U.S.C. 5207 that the proprietor of a distilled spirits plant (DSP) must maintain records of production, storage, denaturation, and processing activities, and to render reports covering those operations. Although denatured spirits are normally not taxed, a full accounting for those spirits is necessary to ensure that they have not been unlawfully diverted for taxable purposes. Accordingly, regulations in 27 CFR 19.606 and 19.607 (see reference also in § 19.381), as amplified by other sections of regulations, prescribe those records which are unique to denaturation operations. Section 19.632(a)(4) requires the submission of a Monthly Report of Processing (Denaturing) Operations on TTB F 5110.43, essentially a summary of various data elements from the proprietor's daily denaturation records.

Additionally, § 19.606 requires the DSP proprietor to maintain records of data elements needed to account for spirits, denatured spirits, recovered denatured spirits, spirits residues and articles. This requirement is amplified by the requirements related to the testing of denaturants (§ 19.387), the neutralizing of denatured spirits (§ 19.386), and the redensation of recovered denatured spirits (§ 19.393). Source records for this accounting include various transaction records discussed in TTB REC 5110/05 (OMB control number 1513-0056), the records of denaturation prescribed in § 19.606 and, if the proprietor further processes the denatured spirits into finished articles, the record of articles manufactured, as prescribed by § 19.607. General requirements for daily records are prescribed by §§ 19.571, 19.572, 19.573, 19.574, 19.575, 19.576, 19.580, 19.581.

Changes in this supporting statement reflect changes to section numbers as recodified in the final rule (T.D. TTB-92, 76 FR 9080) for the revision of part 19 of the TTB regulations. (See also TTB Notice No. 83)

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?

Collections of information on DSP denaturation operations are used by TTB for the protection of the revenue and for the compilation of statistics for use by TTB and other government agencies. Records required of denaturation operations by 27 CFR part 19 are used by TTB field personnel

to verify the use of spirits in denaturing, the denaturation of those spirits in accordance with regulations, and the production and disposition of denatured spirits and articles. Since these operations are conducted under bond, before the release of tax liabilities, the verification of denaturation activities is essential in establishing a proprietor's tax liability and adequacy of bond coverage.

DSP proprietors are also required by 27 CFR 19.632(a)(4) to submit a monthly processing report. This report of denaturation operations, TTB F 5110.43, is used by TTB management and specialists to monitor industry operations for compliance with law and regulations, to analyze trends within the industry, to allocate field resources most effectively, to compile statistics, and by our field personnel as an audit tool in revenue protection inspections.

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 collection and maintenance of required records. This form is available on the TTB website and can be submitted electronically through Pay.gov.

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 provides 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 elsewhere.

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

Collections of information in the denaturation account constitute a complete accounting of the materials used and the denatured spirits produced. The information required is the minimum amount of information necessary for that accounting. Any less information would make the accounting incomplete and render it useless. Therefore, TTB cannot reduce the requirements on the basis of the size of the entity, however, a small DSP may be expected to have fewer and smaller transactions, and the recordkeeping burden would be commensurately less.

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 records and reports of denaturation operations or if such reports were filed less frequently, TTB would not be able to monitor proprietor's denaturation activities, and this would pose a jeopardy to the revenue. Nor would TTB be able to provide the government with statistics needed for effective economic planning and analysis.

Denaturation records required by part 19 are maintained on a continuing basis; they constitute a complete accounting for the production of denatured spirits. Any less frequent collections would render the accounting meaningless. Likewise, any less frequent submissions of the Monthly Report of Processing (Denaturing) Operations would severely restrict the utility of that form for the uses explained in paragraph 2, above.

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 NPRM for the revision to part 19 was published on May 8, 2008 (73 FR 26200). In response to Notice No. 83, TTB received 7 comments. Six of the comments expressed strong support for the revisions to part 19. No comments were opposed to changes that are affected by this information collection. A final rule (T.D. TTB-92, 76 FR 9080) was published to reflect the changes that were proposed in Notice No. 83, including a change to section numbers relevant to this collection.

A 60-day Federal Register notice was published for this information collection on Wednesday, November 9, 2012, 77 FR 67442. 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?

The records are maintained at the proprietor's premises. TTB F 5110.43 is maintained at TTB National Revenue Center 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 ask no questions of a sensitive nature.

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

The records required of denaturation operations and the manufacture of articles, are usual and customary commercial records which a DSP proprietor would maintain for purposes of cost accounting and internal controls. These records therefore impose no burden as defined by 5 CFR 1320.7(b).

Information obtained from our field personnel indicated that it takes 98 proprietors an average of one hour to complete TTB F 5110.43. Those 98 proprietors respond monthly for a total of 1,176 responses. The total burden hours are 1,176. The record retention requirement for this information collection is 3 years. There is no change in burden hours from the previous submission.

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?

Records required of denaturation operations are of no cost to the government. The cost to the government for TTB F 5110.43 is as follows:

| | |
|--|---------------|
| Printing..... | \$ 150 |
| Distribution..... | 150 |
| Clerical..... | 13,928 |
| Other (Salary, review, Supervision, etc.)..... | <u>28,028</u> |
| Total..... | \$ 42,256 |

Request for hard copies of forms have decreased with the availability of forms on TTB.gov and Pay.gov.

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

There are no program changes or adjustments associated with this collection. We are submitting this as a revision as advised by the OMB terms of clearance to incorporate final rule 27 CFR Parts 1, 17, 19, et al., *Revision of Distilled Spirits Plant Regulations* (February 16, 2011, at 75 FR 9080) with this information collection. The rule modernized requirement for operating distilled spirits plants and included a number of operational changes (renumbering) to improve the layout of the regulatory text.

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 will display the expiration date of OMB approval for this collection.

18. What are the exceptions to the certification statement?

- (c) See answer 5 above.
- (f) Records must be maintained for a period of not less than three years from the date of the record or the date of the last entry required to be made
- (i) No statistics are involved.

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.