

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Request
OMB Control Number 1513-0107

TTB F 5220.6 Monthly Report - Importer of Tobacco Products or Processed Tobacco

A. Justification.

1. What are the circumstances that make this collection of information necessary and what legal or administrative requirements necessitate the collection?

Title 26 U.S.C 5722 and 27 CFR 41.206 requires importers of tobacco products to submit the monthly report. This report is the least burdensome method of determining whether any activity not authorized by the permit is taking place. On February 4, 2009, President Obama signed into law the Children's Health Insurance Program Reauthorization Act of 2009, Pub. L. 111-3, 123 Stat. 8 ("the Act"). Section 702 of the Act included amendments to the Internal Revenue Code of 1986 (IRC) to extend permit, inventory, reporting, and recordkeeping requirements to manufacturers and importers of processed tobacco even though such processed tobacco is not subject to excise tax under the IRC. 26 U.S.C. 5722 and CFR 41.262 (adopted as part of a temporary rule implementing the Act) require importers of processed tobacco to submit a monthly report.

In addition, 26 U.S.C. 5722 and 27 CFR 41.208(a) provides authority for requiring the filing of reports and 26 U.S.C. 5741 and 27 CFR 41.208(b) imposes record retention and inspection requirements in respect to tobacco products. 26 U.S.C. 5722 and 27 CFR 41.263 (adopted as part of a temporary rule implementing the Act) provide authority for requiring the filing of reports and imposes record retention and inspection requirements in respect to processed tobacco.

Reports of the lawful importation and disposition of tobacco products and processed tobacco are necessary to determine whether those issued the permits required by 26 U.S.C. 5713 should be allowed to continue their operations or renew their permits. These reports are the only information collections regularly required of importers of tobacco products and processed tobacco.

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

TTB uses this report as an accounting tool to protect the revenue. Records of receipt and disposition are the basic source documents that describe the activities of importers of tobacco products and processed tobacco. They provide an audit trail of taxable commodities from point of importation to the point of sale. They are a tool to ensure that importers of tobacco products and processed tobacco are in compliance with regulations and have accurately accounted for all commodities received (including inventory gains) and disposed of (including inventory losses). This report summarizes those records.

TTB also uses this report to determine if tobacco products or processed tobacco are being diverted for illegal purposes and to ensure that holders of basic permits are engaging in the operations stated on their basic permit.

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 technology for the maintenance of required records used to generate this report.

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 information collection request requires reports that are pertinent to each importer's 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?

The preparation of reports of tobacco products and processed tobacco is required by statute; therefore, we cannot reduce this requirement on the basis of the size of the entity. Although no special provisions are made for the size of the entity, smaller importers of tobacco products or processed tobacco would have to gather less source records from which to provide the information required in this report.

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 information required in this collection of information, TTB would be severely hampered in determining whether these commodities were being illegally diverted because we would be unable to determine if individual importers of tobacco products or processed tobacco were accurately accounting for the receipt and the disposition of tobacco products or processed tobacco. Not collecting this information or less frequent collection of this information would pose jeopardy to the revenue.

7. Are there any special circumstances associated with this information collection?

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?

A 60-day notice was published in the *Federal Register* on December 17, 2012, at 77 FR 74740; soliciting comments from the public on the renewal of this information collection and no comments were received.

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?

The records for these reports are maintained at the premises of importers of tobacco products. Reports are submitted to TTB's National Revenue Center and are maintained in secure file rooms with controlled public access. Additionally, 26 U.S.C. 6103 protects the confidentiality of tax 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?

TTB estimates that 586 importers of tobacco products or processed tobacco would be required to prepare and submit monthly reports. Thus, the reporting burden is calculated as follows:

Monthly Summary Reports
 586 respondents x 12 months = 7,032 responses
 @ 56 mins.(or 0.93 of an hour) per response = 6,563 hours

 Total Hours = 6,563.

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

The total annual cost estimate associated with this paperwork requirement is allocated entirely to operations and maintenance. Annual costs are allocated as follows:

6,563 hours X \$6.55	\$ 42,987.65
Postage: 7,032 reports @ \$0.46 =	<u>\$ 3,234.72</u>
Total	\$ 46,222.37

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

Estimates of annual cost to the Federal government are as follows:

Printing.....	\$ 19.00
Distribution.....	\$ 6.00
Clerical Cost.....	\$ 55.00
Other Salary (review, supervisory, etc.)	<u>\$ 825.00</u>
Total	\$ 905.00

15. What is the reason for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I?

The burden per response has been correct to correspond to the burden identified in the PRA statement of the form; the reduction of 7,501 hours due to an adjustment. An adjustment has also been made to the annual cost burden to reflect the change.

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 are not seeking approval to not display the expiration date for OMB approval.

18. What are the exceptions to the certification statement?

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.