

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement - Information Collection Request

OMB Control Number 1513-0061

TTB REC 5150/2 - Letterhead Applications and Notices Relating to Denatured Spirits

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.

Denatured spirits are regulated to prevent illegal diversion to taxable beverage use. A comprehensive system of controlling denatured spirits and articles made with denatured spirits is imposed by 26 U.S.C. 5271-5276. Implementing regulations in 27 CFR Part 20 allow denatured spirits to be used for industrial purposes free of tax.

The system of controlling denatured spirits was developed during Prohibition. Although beverage alcohol was illegal, there was still a need for alcohol for industrial processes, including the manufacture of products for personal and household use.

It is possible to recover potable alcohol from denatured spirits and articles made with denatured spirits. Therefore, the law and implementing regulations require an application and permit to withdraw and use specially denatured spirits. The law and implementing regulations also require formulas, recordkeeping, reporting, and other operational procedures.

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

Letterhead applications or notices are the only qualifying documents necessary for persons who are not required to obtain a permit under the law. Letterhead applications and notices from non-permittees relate to trafficking in large quantities of completely denatured alcohol or articles and to the procurement of samples of specially denatured spirits (exceeding 5 gallons per annum). These applications or notices are necessary to identify the person and to ensure that the intended activity will be conducted in compliance with the law.

In promulgating regulations requiring either of these types of reporting, TTB first determines if there is sufficient jeopardy to the revenue to necessitate a reporting requirement. Once this determination is made, TTB's 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 denatured spirits. Also included in this collection are requirements for the retention of invoices and labeling of articles.

LETTERHEAD APPLICATIONS AND NOTICES

- 20.22 Alternate Methods or Procedures, and Emergency Variations From Requirements.
- 20.56 Changes Affecting Applications and Permits.
- 20.57 Automatic Termination of Permits.
- 20.60 Change in Name of Permittee.
- 20.61 Change in Trade Name.
- 20.62 Change in Location
- 20.63 Adoption of Formulas and Statement of Process.
- 20.68 Notice of Permanent Discontinuance.
- 20.111 General (General Use Formulas).
- 20.117 Reagent Alcohol General Use Formula.
- 20.133 Registration of Persons Trafficking in Articles.
- 20.134 Labeling (Articles).
- 20.202 Losses in Transit.
- 20.234 Disposition on Permanent Discontinuance of Use.
- 20.252 Samples Larger Than Five Gallons.
- 20.265 Retention of Invoices.

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?

Letterhead application and notice requirements are used by TTB officials to ensure that lawful and appropriate actions are taken with regard to denatured alcohol. Additionally, a record of these reports is maintained for 3 years at the premises of the regulated individual and is routinely inspected by TTB personnel during field tax compliance examinations. These examinations are necessary to verify that all specially denatured spirits can be accounted for and are being used only for purposes authorized by law and regulations.

By ensuring that spirits have 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 these information collections.

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 collections contained in this request are pertinent to the specific operations of the respondent. 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?

These information collection requirements are considered to be the minimum necessary to ensure compliance. This request is not susceptible to reduced requirements for small business.

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?

Not collecting this information or less frequent collection of this information would result in a significant gap in the audit trail and it would be difficult or impossible to trace alcohol transactions which 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? 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 (78 FR 4589) on Tuesday, January 22, 2013. 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 are maintained at our National Revenue Center in secure file rooms with

controlled public access. Records are maintained at the premises of the regulated individual. Moreover, 26 U.S.C. 6103 and 5 U.S.C. 552 protect the confidentiality of proprietary 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?

We estimated that 3,778 individuals will respond once annually and each response will take 30 minutes. The total annual estimated burden is 1,890.

	# Respondents	# Responses Per Respondent	Annual Responses	Hours Per Response	Total Burden
Businesses or other for-profit	1,260	1	1,260	.5	630
Not-for-profit institutions	1,259	1	1,259	.5	620.5
Totals Private Sector	2,519	1	2,519	.5	1,260

Total State, Local or Tribal Government	1,259	1	1,259	.5	630
TOTAL	3,778	1	3,778	.5	1,890

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)?

No cost is associated with this collection.

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

There is no cost to the Federal government.

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

Previous submissions separated the categories of affected public for private sector's (1) businesses or other for-profits and (2) Not-for-profit institutions as individual information collections (IC). We are combining these private sectors under one single IC. There is no change to the burden.

Private Sector information collections (ICs) have been combined There is no program change or adjustment 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 because these reporting requirements do not mandate any specific form on which to display the date. These reports are generated by the individual.

18. What are the exceptions to the certification statement?

- (c) See item 5 above.
- (f) See 27 CFR 20.265
- (i) No statistics are involved.
- (j) See item 3 above.

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.