

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement –Information Collection Requirement

OMB Control Number 1513-0110

Recordkeeping for Tobacco Products Removed in Bond from a Manufacturer's Premises for Experimental Purposes - 27 CFR 40.232(e)

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.

In general, when a manufacturer of tobacco products removes tobacco products from its premises, the Federal excise tax is determined and subsequently paid by return. However, 26 U.S.C. 5704(a) and the regulations at 27 CFR 40.232 implementing the provision at section 5704(a) allow manufacturers of tobacco products to remove tobacco products in bond, without payment of tax, for experimental purposes.

Without the minimal collection of information required under 27 CFR 40.232(e), TTB would not be able to determine the kind, amount, and description of packaging, if any, of tobacco products removed from a manufacturer's premises in bond, without payment of tax, for experimental purposes, and TTB would not be able to determine the disposition of those products. This would jeopardize TTB's ability to collect the revenue rightfully due .

This information collection is aligned with:

Treasury Strategic Goal: Effectively Manage US Government Finances.

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?

TTB personnel use this information to verify the kind and amount of tobacco products removed in bond, without payment of tax, from the premises of manufacturers. In addition, TTB personnel can determine if the persons to whom such removals are sent are using the tobacco products for legitimate experimental purposes or for potential taxable uses.

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?

This recordkeeping may involve information that uses automated, electronic, mechanical, or other collection techniques or other forms of information technology. TTB does not prohibit the use of these forms of recordkeeping as long as TTB personnel has access to the records. Under the general recordkeeping requirements of 27 CFR 40.181, no specific form or format is required. Records must be maintained for 3 years.

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?

Each shipment of tobacco products is unique in its identity, quantity, and purpose. Since the shipments of tobacco products for experimental purposes are removed from manufacturers' premises without payment of tax, TTB requires that manufacturers record the details of each shipment. There are no comparable records already prescribed that TTB could use. TTB believes that manufacturers maintain such records for their own customary and ordinary business needs.

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

Recordkeeping for shipments removed in bond from a manufacturer's premises for experimental purposes is required to protect the revenue, and cannot be waived simply because the respondent's business is small. TTB believes that this recordkeeping is minimal and that it cannot further minimize the burden to small businesses because each shipment is unique.

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 records were not required or were required less frequently, TTB would not be able to determine and collect all the revenue due to the Federal Government. Also, TTB would not be able to determine if the reasons for such removals were for legitimate experimental purposes or for potential taxable uses.

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 Federal Register notice was published for this information collection on Friday, January 31, 2014, at 79 FR 5526. 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 information collection.

10. What assurance of confidentiality was provided to respondents and what was the basis for the assurance in statute, regulations, or agency policy?

Manufacturers' business records are maintained at their premises, and are not made available to the public. The confidentiality of tax information obtained by the Government from regulated individuals is protected by 26 U.S.C. 6103.

11. What justification is there for questions of a sensitive nature? If personally identifiable information (PII) is being collected in an electronic system, identify the Privacy Impact Assessment (PIA) that has been conducted for the information collected under this request and/or Privacy Act System of Records notice (SORN) that has been issued for the electronic system in which the PII is being stored.

We ask no questions of a sensitive nature. This collection is not associated with a PIA or SORN. This is a recordkeeping information collection and the requested information is maintained at the industry member's premises rather than by TTB in an electronic system.

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

We estimate that this recordkeeping requirement may affect about 210 manufacturers. The frequency of the recordkeeping requirement will vary depending upon the number of shipments made in bond for experimental purposes from a manufacturer's premises. Because a TTB form is not prescribed, and such records are understood to be kept in the normal course of business, we estimate the total burden to be 1 hour per year for all such shipments. The one burden hour does not represent the burden for each respondent but is the total for all and is used rather than a zero. We estimated this burden from our experience with the regulated industry and in discussions with manufacturers that are affected by this regulation.

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?

| | |
|---------------------------------------|------------|
| Salary based on processing and audits | \$ 1,650 |
| Overhead | <u>165</u> |
| Total | \$1,815 |

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

There is an adjustment associated with this information collection. The number of respondents and responses have changed due to an increase in the number of manufacturers. These changes do not affect the burden hours, which remain at one, because these are usual and customary business records that are normally maintained by the manufacturer. The one burden hour does not represent the burden for each respondent but is the total for all and is used rather than a zero.

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 this is a recordkeeping information collection and unlike a form, there is no medium on which TTB can display the expiration date.

18. What are the exceptions to the certification statement?

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

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.