

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement - Information Collection Request

OMB Control Number 1513-0033

TTB F 5210.5 Report – Manufacturer of Tobacco Products or Cigarette Papers and Tubes and
TTB F 5250.1 Report – Manufacturer of 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? 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.

The Internal Revenue Code of 1986 (IRC) at 26 U.S.C. 5722 requires that every manufacturer of tobacco products, processed tobacco, or cigarette paper and tubes make reports containing such information, in such form, at such times, and for such periods as the Secretary shall by regulation prescribe. The regulations in 27 CFR Part 40 prescribe the reports to be made by the manufacturers and are found under 27 CFR 40.202, 40.422, and 40.522. TTB F 5210.5 and 5250.1 are the forms used to collect the information required to be reported under those provisions.

This information collection is aligned with:

Treasury Strategic Goal: Effectively Managed 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?

TTB uses the information collected on TTB F 5210.5 and TTB F 5250.1 to ensure that manufacturers conduct their operations in a manner that protects the revenue and is in compliance with the law and regulations. TTB F 5210.5 is compared with manufacturers' tax returns to ensure proper payment of tax. TTB examines and verifies entries so that unusual activities, errors, and omissions may be identified. For example, TTB personnel verify the on-hand inventory figures, the accuracy of additions and computations, and that the bond required of all manufacturers is sufficient. TTB F 5250.1 applies to manufacturers of processed tobacco and is used to prevent the diversion of materials used for making tobacco products to illegal manufacturers.

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 provides an electronic means for submitting TTB F 5210.5 and TTB F 5250.1, 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?

TTB F 5210.5 and TTB F 5250.1 collect information that is pertinent to each respondent and applicable to their specific operations. 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?

All businesses, regardless of size, complete this report because reporting protects the revenue. We believe it is the minimum information necessary to ensure protection of the revenue and compliance with statutory requirements. .

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 TTB were not able to collect this information, then TTB would not fulfill its obligation to protect the revenue. In addition, a less frequent information collection jeopardizes TTB's ability to take accurate and timely action when potential diversion occurs.

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 temporary rule (74 FR 29401) and notice of proposed rulemaking (74 FR 29433) was published in the *Federal Register* on Monday, June 22, 2009. The temporary rule solicited comments from the general public regarding this collection of information, as well as other collections of information.

A 60-day *Federal Register* notice was published for this information collection on Friday, September 18, 2009, 74 FR 47990. The notice solicited comments from the general public. TTB received no comments.

On June 21, 2012, TTB published a final rule in the *Federal Register* (77 FR 37287) T.D. TTB-104, which addressed 19 comments received concerning the temporary rule and collection of information by TTB. Three comments were received regarding this collection of information.

The first comment recommended that in order for TTB to improve its accounting of processed tobacco removals, TTB should modify the TTB F 5250.1 to provide a specific line for reporting removals of processed tobacco shipped to an importer of processed tobacco. The commenter believes that the failure to account for these removals would result in substantial quantities of processed tobacco not being reported. In response to this suggestion, TTB indicates that we intend to amend TTB F 5250.1 to specifically provide for the reporting of removals of processed tobacco shipped to an importer of processed tobacco.

Two additional comments were received that requested TTB consider excluding reporting requirements for certain specific removals of processed tobacco that related to important business practices, such as, removals of processed tobacco to a prospective buyers and removals for experimental purposes. TTB believes that the basic point made by these commenters regarding the removal of processed tobacco related to the business of a manufacturer of tobacco products is valid. Accordingly, in the final rule TTB has amended §§ 40.47(b), 40.202(b), and 40.491 to conform to the changes made in § 40.72(b). With regard to TTB F 5250.1 specifically, TTB stated that issues relating to the use of this form have been addressed with individual industry members, on a case-by-case basis, since the publication of T.D. TTB-78, and TTB does not believe that any further regulatory action is necessary here.

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

TTB published a 60-day notice in the *Federal Register* on Friday, April 11, 2014, at 79 FR 20305; soliciting comments from the public for the renewal of this information collection. We received one comment from Dennis J. Fixler, Economics and Statistics Administration, U.S. Department of Commerce, supporting the information we collect on TTB F 5210.5 and explaining their use and the importance of that information.

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?

No specific assurance of confidentiality is provided; however, TTB protects the confidentiality of tax information under 26 U.S.C. 6103.

11. What justification is there for questions of a sensitive nature? If personal 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.

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

TTB estimates that 250 manufacturers of tobacco products, processed tobacco, or cigarette papers and tubes would be required to prepare and submit monthly reports. Thus, the reporting burden is calculated as follows:

Monthly Summary Reports

250 respondents x 12 months = 3,000 responses
@ 2 hours per response = 6,000 hours

Total Burden Hours = 6,000 hours

	RESPONDENTS	NO. RESPONSES PER RESPONDENT PER YEAR	NO. ANNUAL RESPONSES	AMOUNT OF HOUR(S) REQUIRED TO RESPOND	ESTIMATED ANNUAL BURDEN HOURS
TTB F 5210.5	250	12	3,000	1	3,000
TTB F 5250.1	250	12	3,000	1	3,000
TOTAL	500	12	6,000	1	6,000

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?)

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

Wage \$7.25/hour	Preparation 6,000 hours @ \$7.25	= \$43,500
Postage:	3,000 annual reports @ \$0.49	= \$ 1,470
Total:		\$44,970

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

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

Clerical Cost	\$14,500
Other Salary (review by specialist, etc.)	80,000
Overhead	<u>9,500</u>
TOTAL	\$104,000

Printing and distribution cost has either significantly decreased or no longer exist due to the availability of TTB forms on TTB.gov and in our electronic systems (PONL, FONL, COLA Online, and/or Pay.gov) and. As a result, there is no longer printing and distribution cost for this collection.

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

There is an adjustment associated with this information collection. The burden hours have increased because of an increase in the number of manufacturers required to complete these forms.

16. Outline plans for tabulation and publication for collections of information whose results will be published.

We will not publish the results of this collection.

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 item 5 for explanation regarding burden to small businesses.
- (f) This is not a recordkeeping collection so there is no retention period.
- (i) There is no statistical method used for this collection.
- (j) See item 3 for explanation regarding the use of information technology.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.