

DEPARTMENT OF THE TREASURY  
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Request

OMB Control Number – 1513-0005

TTB REC 5130/2 - Letterhead applications and notices filed by brewers  
TTB F 5130.10 - Brewer's Notice

**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 requires brewers to file a notice of intent to operate a brewery. The Brewer's Notice, TTB Form 5130.10, is similar to a permit to operate. Brewers also file letterhead applications and notices as needed to identify specific activities and to provide information to protect revenue, as TTB regulations require. Brewers must keep general required records for ongoing brewery operations for a period of 3 years. However, the brewer must keep certain documents for an indefinite period. Qualifying documents are the permission to operate. So, as long as the brewery is in operation, the brewer must keep the pertinent qualifying documents, including the Brewer's Notice and other notices and applications.

The Internal Revenue Code taxes beer removed for consumption or sale at the rate of \$18 per barrel (31 gallons). Certain small brewers pay at a reduced rate of \$7 per barrel. To safeguard the revenue from this tax, Congress provided in Title 26 U.S.C., Subtitle E a comprehensive system of regulating breweries and collecting excise taxes on beer.

Specific statutes authorizing information collection:

- 26 U.S.C. 5051-5056 imposes taxes on beer, provides for specific exemptions from beer taxes, and provides for payment and refund of beer taxes.
- 26 U.S.C. 5401 requires all brewers to furnish qualifying documents to TTB before they start business. These documents include a notice with specific information about the intended business, as well as a bond to ensure the protection of the tax revenue.
- 26 U.S.C. 5092, 5042, and 5416 define brewery, brewer, package, and packaging.

- 26 U.S.C. 5411 lists authorized uses of brewery premises and stipulate that with regulations the Secretary may allow other uses that do not jeopardize the revenue.
- 26 U.S.C. 5412 requires that brewers may remove beer only in containers as required by regulations. This section permits pipeline transfers of beer to a contiguous distilled spirits plant.
- 26 U.S.C. 5414 permits removals of beer from one brewery to another brewery owned by the same brewer.
- 26 U.S.C. 5415 requires brewers to keep records in the form and manner we prescribe by regulations. To protect revenue, these records must be available during business hours for TTB examination. The records must be maintained according to regulations.
- 26 U.S.C. 5417 authorizes pilot brewing plants for research, analytical, experimental, or developmental purposes. These pilot breweries must comply with regulations.

#### Letterhead Applications and Notices

This information collection submission includes letterhead applications and notices and one form, the Brewer's Notice, TTB Form 5130.10.

Letterhead applications and notices are documents that qualify the brewer to conduct certain operations and specific regulated activity. When we issue regulations that require letterhead treatment, we first determine if there is sufficient jeopardy to the revenue to require a letterhead notice or application. If we determine there is sufficient cause, it is our policy to regulate those activities with the greatest jeopardy to the revenue through letterhead applications. In order for a brewer to conduct these activities, they must submit a letterhead application for prior approval. Activities with lesser jeopardy require only a letterhead notice be submitted to TTB.

#### Brewer's Notice, TTB Form 5130.10

Section 5401 of the Internal Revenue Code requires a brewer to file a Brewer's Notice prior to starting business. Under TTB regulations:

- 27 CFR 25.61 requires brewers to file a Brewer's Notice, TTB Form 5130.10, prior to starting business as a brewer.
- 27 CFR 25.25 requires brewers to file a Brewer's Notice, TTB Form 5130.10, to operate a tavern on brewery premises. This requirement regulates smaller brewers known popularly as "brewpubs"—essentially breweries with restaurants on the brewery premises.

#### Specific Regulatory Requirements

The following are the information collection requirements in this submission.

- Brewer's Notice, TTB Form 5130.10 [27 CFR part 25]
  - § 25.25 operation of a tavern on brewery premises
  - § 25.61 general requirements for notice

- § 25.62 data for notice
  - § 25.63 notice of registration
  - § 25.64 maintenance of notice file
  - § 25.66 organizational documents
  - § 25.68 description of brewery
  - § 25.71 amended or superseding notice
  - § 25.72 changes in proprietorship
  - § 25.73 change in partnership
  - § 25.75 change in officers and directors
  - § 25.77 change in location
  - § 25.78 change in premises
  - § 25.85 notice of permanent discontinuance
- Letterhead applications [27 CFR part 25]
    - § 25.23 restrictions on use
    - § 25.52 variations from requirements
    - § 25.55 filling of formula
    - § 25.58 new and superseding formulas § 25.222
    - § 25.272 application (pilot brewing plants)
    - § 25.273 action on application
    - § 25.299 execution under penalties of perjury
    - § 25.300 retention and preservation of records
  - Letterhead notices [27 CFR part 25]
    - § 25.74 change in stockholders
    - § 25.81 alternation of brewery and wine premises
    - § 25.141 barrels and kegs (label coding system)
    - § 25.142 bottles (label coding system)
    - § 25.144 rebranding barrels and kegs
    - § 25.158 tax computation for bottled beer
    - § 25.167 notice of brewer to pay reduced rate of tax
    - § 25.184 losses in transit
    - § 25.213 beer returned to brewery other than that from which removed
    - § 25.225 destruction of taxpaid beer which was never removed from brewery premises
    - § 25.277 discontinuance of pilot brewing plant
    - § 25.282 beer lost by fire, theft, casualty, or act of God
    - § 25.300 retention and preservation of records

This information collection is aligned with:

Treasury Strategic Goal: U.S. & 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?

We examine the information in the Brewer's Notice, TTB Form 5130.10, to:

- Ensure that we have sufficient details concerning business operations to judge qualifications for operations and to protect revenue;
- Ensure that the business and operations are allowed under law and regulations;
- Ensure that the revenue is protected by operations; and
- Ensure that the brewer has an accurate method to determine the amount of tax due.

The complete Brewer's Notice provides a permanent record of the brewery operation and serves as the application and approval document. A brewer may periodically update the Brewer's Notice as changes affect the accuracy of the document. Without this document, we are not able to assess compliance with law and regulations or to determine if there is jeopardy to the revenue. Without the information in this document, we are not able to determine whether a brewery is authorized under the law.

We examine the information on letterhead applications to:

- Evaluate operations that are not covered under the Brewer's Notice (§§ 25.23 and 25.52);
- Establish pilot brewing plants (§ 25.272); and
- Evaluate destruction of taxpaid beer off of brewery premises (§ 25.222).

This information permits us to determine whether these particular operations conform with law and regulations and to determine if the destruction of taxpaid beer is in accordance with law and does not jeopardize revenue.

We examine the information on letterhead notices to:

- Determine if the brewer is conforming with law and regulations;
- Determine if a brewer is properly and sufficiently:
  - Determining and paying proper taxes,
  - Properly marking and labeling packages of beer, and
  - Reporting changes in the status of brewery qualifications.

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?

The Brewer's Notice can now be filed through Permits Online by some, though not all customers. We are estimating that half of the Brewer's Notices will be filed through PONL. TTB has approved and will continue to approve, on a case-by-case basis, the use of improved

technology for the submission of this form and will consider the same for the submission of letterhead applications and notices, until all can be submit electronically.

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 collected is pertinent to each respondent and applicable to the specific issue of filing applications and notices at a brewer. 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?

We consider the burden to be the minimum necessary to ensure compliance with existing laws and regulations. Where possible we have reduced requirements based on the size of the respondent.

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?

No similar information is available from any source which we can use to fully describe the brewery's:

- operation,
- construction and security, or
- method to determine Federal taxes on beer production.

Without this information there would be jeopardy to the revenue.

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 60-day Federal Register notice was published for this information collection on Monday, June 21, 2013, at 78 FR 37662. 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?

We maintain these notices and applications in secure file rooms with controlled public access. This information is also subject to protection under 26 U.S.C. 6103 and 5 U.S.C. 552.

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.

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the Regulatory Enforcement Records System and a Privacy Act System of Records notice (SORN) has been issued for this system under TTB .001-Regulatory Enforcement Record System (80 FR 4637). The Department of Treasury PIAs can be found at <http://www.treasury.gov/privacy/PIAs/Pages/default.aspx>

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

Brewers file the majority of the letterhead applications and notices as are necessary to conduct their business. Most applications or notices may be filed only once in the course of the business lifetime. Some applications or notices are filed more frequently, particularly those relating to revenue protection. Examples include formulas, destruction of beer, and beer returned to the brewery. Letterhead notices relating to the status of the brewery may be filed several times a year, such as alternation of premises—only a few brewers file these notices.

We estimate that each of the 2,974 brewers will file an average of 5 letterhead applications and notices per year. Each letterhead application or notice requires 0.5 hour to prepare.

We expect that brewers will file the Brewer's Notice, TTB Form 5130.10 once each year. We estimate each notice requires 3 hours to complete on paper, and 2 hours to complete using our electronic system Permits Online.

	# Respondents	# Responses Per Respondent	Annual Responses	Hours Per Response	Total Annual Burden
5130.10 papers	1,487	1	1,487	3.0	4,461
5130.10 Electronic	1,487	1	1,487	2.0	2,974
Letterhead Notices & Applications	2,974	5	14,870	0.50	7,435
Total	2,974	6.00	17,844	0.83333334	14,870

Since the last information collection submission, the number of brewers has increased from 1,926 to 2,974. TTB also employed an electronic submission system Permits Online to file TTB Form 5130.10.

The total annual cost estimate associated with this information collection is allocated entirely to operations and maintenance. Annual cost is \$107,807.50.

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?)

There are no capital/start-up or ongoing operation/maintenance costs associated with this information collection.

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

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

There is no cost to the Government for preparation of letterhead applications and notices by the brewer.

Costs for the Brewer's Notice, TTB Form 5130.10, are as follows:

Distribution	\$ 150.00
Clerical costs	2,926.42
Other salary (review, supervisory)	<u>2,807.83</u>
Total	\$5,884.25

The distribution cost has decreased because of the availability of PONL but the cost for TTB has increased because of an increase in the number of response and resulting submissions.

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

In response to the OMB term of clearance, this submission is being made as a reinstatement with change to identify each element of the collection as a separate information collection instrument. Also, an adjustment to the cost burden was made to correct an error in the previous submission.

The number of Brewers increased and as a result, the number of submissions and burden hours also increased. At the same time, 50% of the Brewers used PONL (Permits OnLine), our electronic method of submitting information. Also, distribution cost for TTB has decreased because of the electronic methods of obtaining the form when needed and the cost, to the same, has increased because of the increase in the number of submissions.

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 item 5 above
- (f) This is not a recordkeeping requirement
- (i) No statistics are involved

**B. Collection of Information Employing Statistical Methods**

This collection does not employ statistical methods.