

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0060

Information Collection Request Title:

Letterhead Applications and Notices Relating to Tax Free Alcohol, TTB REC 5150/4.

A. Justification

1. What are the circumstances that make this collection of information necessary, and what legal or administrative requirements necessitate the collection? Also align the information collection to TTB's Line of Business/Sub-function and IT Investment, if one is used.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers chapter 51 (distilled spirits, wine, and beer), chapter 52 (tobacco products, processed tobacco, and cigarette papers and tubes), and sections 4181-4182 (firearms and ammunition excise taxes) of the Internal Revenue Code of 1986, as amended, (IRC, 26 U.S.C.) pursuant to section 1111(d) of the Homeland Security Act of 2002, as codified at 6 U.S.C. 531(d). In addition, the Secretary of the Treasury has delegated certain IRC administrative and enforcement authorities to TTB through Treasury Department Order 120-01.

In general, the Internal Revenue Code (IRC), at 26 U.S.C. 5001, imposes a Federal excise tax on alcohol withdrawn from a distilled spirits plant. However, the IRC at 26 U.S.C. 5214 allows for the tax-free withdrawal of alcohol from a distilled spirits plant for specific non-beverage purposes. Those purposes include: for use by the United States or any governmental agency thereof, any State, any political subdivision of a state; for use by any scientific university or college of learning; by any laboratory for use exclusively in scientific research; and for use at any hospital, blood bank, sanitarium, or non-profit clinic.

The IRC, at 26 U.S.C. 5271-5275, also establishes a comprehensive system of control over the use of tax-free alcohol in order to prevent illegal diversion of that alcohol to taxable beverage use. These IRC provisions also provide the Secretary with authority to issue implementing regulations. The control system established by the IRC and its implementing regulations includes provisions requiring applications and permits for the withdrawal of tax-free alcohol, as well as recordkeeping, reporting, and other requirements.

The TTB regulations regarding the use of tax-free alcohol are contained in 27 CFR Part 22, Distribution and Use of Tax-Free Alcohol. Included in those regulations are letterhead applications and notices relating to tax-free alcohol permit holders and users. Letterhead applications and notices are qualifying documents relating to specific regulated activities, or amendments to qualifying documents already on file with TTB. Letterhead applications are documents submitted for TTB approval, and notices are documents submitted to TTB with no approval necessary.

In general, activities posing a greater jeopardy to the revenue require a letterhead application and TTB approval before the respondent begins the activity; activities posing less jeopardy to the revenue require a letterhead notice stating that the activity will be undertaken.

The following 27 CFR part 22 regulations contain letterhead application or notice requirements regarding tax-free alcohol, and are covered under this information collection control number, 1513-0060:

- § 22.22 Alternate methods or procedures; and emergency variations from requirements.
- § 22.57 Changes affecting applications and permits.
- § 22.58 Automatic termination of permits.
- § 22.61 Change in name of permittee.
- § 22.62 Change in trade name.
- § 22.63 Change in location.
- § 22.68 Notice of permanent discontinuance.
- § 22.122 Losses in transit.
- § 22.142 Destruction.
- § 22.154 Disposition on permanent discontinuance of use.
- § 22.155 Emergency disposition to another permittee.
- § 22.162 Inventories.

This information collection is aligned with —

- 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?

By requiring approval from the appropriate TTB officer that the alternate methods or procedures would not result in a jeopardy to the revenue and is not contrary to law, TTB can detect and prevent illegal diversion of tax-free alcohol to beverage use, which is taxable, and to ensure the regulated entities operate in conformity to the law and regulations. Copies of these documents are maintained at the premises of the regulated entity, and may be inspected by TTB personnel for the reasons previously noted.

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 has approved and will continue to approve, on a case by case basis, the use of improved information technology for the collection and maintenance of required information.

4. *What efforts are used to identify duplication? Can similar information already available be used or modified for use for the purposes described in Item 2 above?*

The letterhead applications and notices required under this information collection submission contain information pertinent to each respondent and applicable to their specific activities relating to the use of tax-free alcohol. As far as TTB is 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 entities, regardless of size, are required by 27 CFR part 22 to submit letterhead applications or notices before they begin certain activities related to tax-free alcohol or to amend their qualifying documents. Waiver or reduction of this requirement, simply because an entity is small, could jeopardize the revenue. TTB considers these reporting requirements to be the minimum necessary to ensure compliance with the IRC and the TTB regulations related to tax-free alcohol.

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 did not require respondents to submit these letterhead applications and notices, and to maintain copies of them, there would be a significant gap in the audit trail, which would make it difficult or impossible for TTB to trace transactions involving tax-free alcohol. Not conducting this information collection, or conducting it less frequently, would pose a jeopardy to the revenue since tax-free alcohol is potable and could be diverted to beverage use, which is taxable. TTB also would be unable to verify that tax-free alcohol users are conducting their operations in conformity with the law and regulations.

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.*

To solicit comments from the general public, TTB published a "60-day" comment request notice for this information collection in the Federal Register on Wednesday, January 13, 2015, at 81 FR 1679. TTB received no comments on this information collection in response.

9. *Was any payment or gift given to respondents, other than remuneration of contractors or grantees? If so, why?*

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 for the letterhead applications and notices required under this information collection requirement. However, 5 U.S.C. 522 protects proprietary information from disclosure, while 26 U.S.C. 6103 protects taxpayer information from disclosure.

11. *What is the justification 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 the Privacy Act System of Records notice (SORN) issued for the electronic system in which the PII is being stored.*

This information collection does not contain any questions of a sensitive nature.

A Privacy Impact Assessment (PIA) has been conducted for information collected under this request as part of the Tax Major Application System, and a Privacy Act System of Records notice (SORN) has been issued for this system under TTB .001–Regulatory Enforcement Record System and published in the Federal Register on January 28, 2015, at 80 FR 4637. TTB's PIAs are available on the TTB website at <http://www.ttb.gov/foia/pia.shtml>.

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

Based on recent experience, TTB estimates 400 tax-free alcohol permittees will file one letterhead application or notice annually, for a total of 400 responses. TTB estimates each response will require 0.5 hours (30 minutes) to complete. This results in a total annual burden of 200 hours.

(400 respondents x 1 response per year = 400 responses x 0.5 hours per response = 200 total annual burden hours.)

13. *What is the estimated annual cost burden to respondents or record keepers resulting from this information collection request (excluding the value of the hour burden in Question 12 above)?*

There is no annual cost to respondents associated with this collection.

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

The estimated annual cost to the Federal Government for this collection is \$3,000.00.

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

There are no program changes associated with this collection.

As for adjustments, TTB is decreasing the burden estimate for this information collection. In the past, TTB has reported the burden for this collection based on the assumption that all or the great majority of tax-free alcohol user permit holders would file one letterhead application or notice per year. These permit holders currently number 4,986. However, recent experience and a computer inquiry show that only a small portion of such permit holders annually file a letterhead application or notice required under information collection. Therefore, TTB is decreasing the estimated number of annual respondents and responses to 400 and the resulting annual burden hours to 200.

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

TTB 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?

This information collection consists of letterhead applications and notices filed by certain users of tax-free alcohol. There is no prescribed TTB form for this collection, and, as such, there is no medium for TTB to display the OMB approval expiration date.

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.
- (j) See item 3 above.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.