

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0039

Information Collection Request Title:

Distilled Spirits Plants Warehousing Records, TTB REC 5110/02.

Information Collections Issued under this Title:

- TTB REC 5110/02, Distilled Spirits Plants Warehousing Records.
- TTB F 5110.11, Monthly Report of Storage Operations.

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 IRC at 26 U.S.C. 5001 imposes a Federal excise tax of \$13.50 per gallon on distilled spirits produced in the United States for beverage purposes, a tax rate far exceeding the spirits' production costs. The IRC at 26 U.S.C. 5005(c) states, among other things, that a proprietor is liable for the Federal excise tax on all distilled spirits stored on the bonded premises of their distilled spirits plant (DSP). As such, the verification of storage operations is necessary to establish a proprietor's tax liability and adequacy of their bond coverage. To safeguard this revenue, the IRC at 26 U.S.C. 5207 requires DSP proprietors to maintain records and submit reports in such form and manner "as the Secretary shall by regulations prescribe" of their production, storage, denaturation, and processing activities.

The TTB regulations regarding these matters are contained in 27 CFR Part 19, Distilled Spirits Plants. Specifically, the regulations in 27 CFR 19.590 through 19.593 prescribe those records which are unique to DSP storage activities: § 19.590 requires daily records of the spirits received into or withdrawn from a DSP's storage account and records of the activities and operations within the storage account; § 19.591 requires summary records for each kind of spirits or wine in packages deposited in, withdrawn from, and remaining in, the

storage account; § 19.592 requires records of deposits into, withdrawals from, and the balance remaining in each storage tank containing wine or spirits under 190° proof; and § 19.593 requires similar records for storage tanks containing wines or spirits at or above 190° proof. (Some data elements for these storage account records are sourced from the DSP transaction records required under TTB REC 5110/05, approved under OMB control number 1513–0056.)

The regulations at 27 CFR 19.571 through 19.576 and §§ 19.580 through 19.581 specify the general requirements for the content, format, organization, maintenance, and retention of DSP account records, including those related to storage activities.

As required by 27 CFR 19.632, DSP proprietors must report their storage activities to TTB on a monthly basis using form TTB F 5110.11, Monthly Report of Storage Operations. Compiled from the storage account record requirements noted above, DSP proprietors use this report to summarize their daily storage and warehousing activities during the monthly reporting period.

This information collection is aligned with —

- 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?

The records and the monthly reports required under this information collection are necessary to protect the revenue, ensure industry compliance with Federal law and regulations, analyze industry trends, effectively allocate TTB field resources, and compile industry statistics.

As noted above, DSP proprietors are liable for the Federal excise tax on all distilled spirits stored on their premises. Therefore, to protect the revenue, accounting for and reporting on DSP storage operations is necessary to establish a proprietor's tax liability and adequacy of their bond coverage. To do so, TTB personnel examine TTB F 5110.11 for mathematical accuracy and indications of unusual activities. If discrepancies are found, a TTB specialist may resolve them by contacting the respondent or by initiating an investigation by TTB personnel. TTB field personnel may examine a proprietor's TTB F 5110.11 reports and the required supporting records, and may verify the quantity and kind of distilled spirits and wine in storage at a DSP, during tax audits and compliance inspections.

TTB also use the information provided on TTB F 5110.11 to analyze trends within the distilled spirits industry and to effectively allocate TTB field personnel. Given the limited number of TTB field personnel in relation to the number of regulated industry members, information allowing Bureau managers to determine tax audit and compliance inspection priorities is essential to effective tax administration and revenue protection. In addition, TTB personnel use the information provided on TTB F 5110.11 to compile statistical reports for use by TTB and by industry and other members of the public.

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.

Currently, in regards to the required storage operations records and reports (as well as other records and operations reports required under part 19), the TTB regulations at 27 CFR 19.572 and 19.573 provide that proprietors may keep the required information electronically and that proprietors may maintain this information at the DSP or at a central recordkeeping location. The TTB regulations at 27 CFR 19.634 allow proprietors to provide TTB with computer-generated reports of operations, such as TTB F 5110.11, without TTB's preapproval if the resulting document approximates the physical layout, matches each line, and contains the penalty of perjury statement of the corresponding TTB report or form.

Proprietors also may complete and submit TTB F 5110.11 to TTB electronically via the Pay.gov online system. In addition, TTB F 5110.11 is available on the TTB website at <http://www.ttb.gov> as a fillable/printable form. The TTB website also includes a separate posting of a tutorial about, and detailed instructions for, TTB F 5110.11.

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?

This information collection contains information pertinent to each respondent and applicable to the specific issue of the respondent's DSP storage and warehousing operations. As far as TTB is able to 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?

TTB has determined that this information collected is the minimum necessary to protect the revenue. Collections of information regarding DSP storage operations consist of summary accounts of the transactions in the warehouse. As such, TTB expects a small business to have a lesser number of transactions to enter into these accounts. In addition, the TTB regulations in 27 CFR part 19 allow for the use of electronic recordkeeping systems at the respondent's discretion.

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?

DSP proprietors maintain the storage and warehouse records required by 27 CFR part 19 on a continuing basis, and these records constitute a summary accounting for the storage of distilled spirits. Any less frequent collection of these records would render the accounting meaningless.

Similarly, any less frequent submission of the Monthly Report of Storage Operations on TTB F 5110.11 would severely restrict the utility of that form to TTB for the uses explained above in Question 2. Particularly, less frequent submission of this report would jeopardize the revenue and impair TTB's ability to detect discrepancies and to respond to them in a timely manner. If TTB did not conduct this collection of information, it would have to rely solely on field inspectors to monitor compliance with the laws and regulations governing storage operations. This would require a larger number of inspectors, placing greater costs on TTB and creating a greater burden for industry members.

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?

OMB guidelines consider requiring reporting on more than a quarterly basis to be a special circumstance. This information collection requires DSP proprietors to submit TTB F 5110.11 on a monthly basis. TTB believes that less frequent submission of this report would jeopardize the revenue and impair its ability to detect discrepancies and to respond to them in a timely manner.

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, 2016, 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 required DSP storage records, which proprietors maintain at their premises, or for the monthly storage operations report form. However, Federal law at 5 U.S.C. 552 protects the confidentiality of proprietary information obtained by the Government from regulated businesses and individuals, and 26 U.S.C. 6103 prohibits disclosure of tax returns and related information unless disclosure is specifically authorized by law. TTB maintains these forms in secure file rooms with controlled access and in password-protected computer systems.

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 contains no questions of a sensitive nature. In addition, this information collection does not collect personally identifiable information (PII) in an electronic system. Therefore, no Privacy Impact Assessment (PIA) or System of Records Notice (SORN) is required for this collection.

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

TTB has issued permits to 2,198 distilled spirits plants, all of which are required to respond to this information collection requirement on a monthly basis, resulting in 26,376 annual responses. TTB estimates that each monthly response to this information collection takes 2 hours to complete (1 hour for recordkeeping and 1 hour for reporting), resulting in 52,752 estimated annual burden hours.

1513-0039	Respondents	Responses Per Year	Annual Responses	Hours per Response	Total Annual Burden Hours
TTB REC 5110/02 (recordkeeping)	2,198	12 (1 per month)	26,376	1 hour	26,376
TTB F 5110.11 (reporting)				1 hour	26,376
TOTALS	2,198	12	26,376	2 hours	52,752

The retention requirement for this information collection is 3 years.

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)?*

We do not believe respondents bear any additional capital or start-up costs or any increased operation or maintenance costs as a result of this information collection requirement.

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

Estimates of annual cost to the Federal Government are:

Printing & Distribution	\$ 0
Clerical costs	21,100
Other Salary costs (review, supervisory, etc.)	0
TOTAL COSTS	\$ 21,100

Printing and distribution costs to the Federal government have decreased to \$0.00 in TTB's cost estimate due to the availability of TTB forms to the public on the TTB website (www.ttb.gov).

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

There are no program changes associated with this collection.

As adjustments, we are reporting an increase in the number of respondents, responses, and annual burden hours due to significant growth in the number of distilled spirits plants, all of which are required by the TTB regulations to respond to this information collection. For this information collection, we are reporting an increase of 1,968 respondents, 23,616 annual responses, and 47,232 annual burden hours.

On the TTB F 5110.11, we are updating the TTB headquarters address mailing address shown in the form's Paperwork Reduction Act statement.

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?*

As a cost saving measure for both TTB and the general public, TTB is seeking approval not to display the expiration date for OMB approval of this information collection. By not displaying the expiration date of this collection on the related form, TTB will not have to update the form's expiration date on its electronic systems and website pages or on the form's paper version each time the information collection is approved. Similarly, TTB-regulated businesses will not have to update their stocks of paper forms or alter electronic copies of the form, including any marginally-punched continuous printed versions of the form produced by some businesses, at their own expense, for use with their electronic systems or for sale to other businesses or individuals. Additionally, not displaying the OMB approval expiration date on this form will avoid confusion among members of the public who may

have identical forms with different expiration dates in their possession. By not displaying the expiration date, supplies of the form could continue in use regardless of when OMB's approval has expired.

18. *What are the exceptions to the certification statement?*

(c) See item 5 above.

(i) No statistics are involved.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.