

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0072

Information Collection Request Title:

Applications and Notices—Manufacturers of Nonbeverage Products (TTB REC 5530/1).

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.

Under the IRC at 26 U.S.C. 5001, distilled spirits for non-industrial use are taxed at a rate of \$13.50 per gallon, and spirits removed from distilled spirits plants, except for certain very restricted tax-free removals, are first taxpaid or tax determined unless they are denatured to make them unpotable.

However, because there are legitimate nonbeverage manufacturing uses for distilled spirits, the IRC at 26 U.S.C. 5111 provides that manufacturers of nonbeverage products may receive drawback for the excise tax paid on spirits used in the making of medicines, medicinal preparations, food products, flavors, flavoring extracts, and perfume. Among other things, the IRC at 26 U.S.C. 5112 requires all persons making such drawback claims to keep such books and records as necessary to establish that the spirits for which drawback claims are made were in fact used in the manufacture of drawback-eligible nonbeverage products, and it also makes all persons claiming such drawback “subject to such rules and regulations” as the Secretary shall prescribe to protect the revenue. Under the IRC at 26 U.S.C. 5114, this drawback allows manufacturers to recover all but \$1.00 per gallon of the \$13.50 per gallon excise tax imposed on distilled spirits, and it authorizes the Secretary to require a bond or other security for such drawback claims.

If spirits on which drawback is claimed are diverted to beverage use, large Federal excise tax revenue losses would result. To prevent diversion and protect the revenue, the IRC and its implementing regulations have established a qualification, reporting, and recordkeeping system for users of nonbeverage alcohol. The reports in this information collection are applications and notices. Applications and notices are qualifying or operating documents

that relate to specific regulated activities. Nonbeverage alcohol manufacturers must submit applications, which require TTB approval, for activities that present the most significant jeopardy to the revenue. Nonbeverage alcohol manufacturers must submit notices, which do not require TTB approval, for activities that present less jeopardy to the revenue. Applications and notices are necessary to identify the individual and ensure that the intended activity is conducted in compliance with the law.

The following reporting requirements in 27 CFR Part 17, Drawback on Taxpaid Distilled Spirits Used in Manufacturing Nonbeverage Products, are consolidated in one submission covering applications and notices relating to the manufacture of nonbeverage products:

17.3	17.111	17.112	17.122	17.123	17.124
17.125	17.126	17.127	17.143	17.167	17.168
17.183	17.187.				

This information collection is aligned with —

- Line of Business/Sub-function: General Government/Taxation Management.
- IT Investment: Tax Major Application System.

2. How, by whom, and for what purpose is this information used?

TTB uses these reports to ensure that regulated individuals conduct operations in compliance with the law and regulations. The applications and notices serve to protect the revenue by helping TTB to determine if spirits on which drawback has been claimed have been diverted to beverage use. TTB examines and acts on each report when it is submitted. Submission is on an irregular, as needed basis.

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?

These applications and notices contain information pertinent to each respondent and applicable to the specific issue of claiming drawback for manufacturing nonbeverage alcohol products. 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?

All entities claiming drawback, regardless of size, are required by 27 CFR part 17 to submit the required applications and notices regarding the manufacture of nonbeverage alcohol

products. Waiver or reduction of this requirement, simply because the respondent's business is small, would jeopardize the revenue.

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?*

These reporting requirements are considered to be the minimum necessary to ensure compliance with the IRC and the TTB regulations related to nonbeverage alcohol products. Less frequent collection of this information would pose 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.*

To solicit comments from the general public, TTB published a "60-day" comment request notice for this information collection in the Federal Register on February 24, 2016, at 81 FR 9245. 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 this information collection. However, TTB maintains these applications and notices in secure file rooms and password-protected computer systems. Moreover, 26 U.S.C. 6103 and 5 U.S.C. 552, protect the confidentiality of the information collected.

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?*

Based on recent experience, TTB estimates that 515 respondents will file two applications or notices each year, for a total of 1,030 responses, and that each response will require 0.5 hours (30 minutes). Therefore, the estimated total annual burden for this information collection is 515 hours.

(515 respondents X 2 responses/year = 1,030 responses/year X 0.5 hours/response = 515 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 cost to respondents associated with this collection.

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

There is no annualized cost to the Federal Government associated with this collection.

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

There are no program changes associated with this collection. As for adjustments, we are increasing the number of respondents from 510 to 515, an increase of 5 respondents, due to an increase in the number of manufacturers of nonbeverage products regulated by TTB. In turn, this results in an increase in the total number of annual responses from 1,020 to 1,030, an increase of 10 responses, as well as an increase in the annual burden hours from 510 to 515, an increase of 5 hours.

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?*

There is no prescribed TTB form for this collection. Therefore, 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.
- (i) No statistics are involved.
- (j) See item 3 above.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.