

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0098

Information Collection Request Title: Supporting Data for Nonbeverage Drawback Claims.

Information Collections Issued under this Title: TTB F 5154.2, Supporting Data for Nonbeverage Drawback Claims.

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.

The IRC at 26 U.S.C. 5001(a)(1) imposes a Federal excise tax of \$13.50 per proof gallon on distilled spirits produced in or imported into the United States. In order to safeguard this revenue, spirits removed from distilled spirits plants, except for certain very restricted tax-free removals, are first taxpaid or tax determined unless the spirits have been denatured to make them nonpotable. However, under the IRC at 26 U.S.C. 5111-5114, any person using spirits on which the tax has been determined in the manufacture of medicines, medicinal preparations, food products, flavors, flavoring extracts, or perfume, shall be eligible for drawback at the time when such spirits are used in the manufacture of such products. This drawback (similar to a refund) allows the manufacturer to recover all but \$1.00 per proof gallon of the Federal excise tax paid or determined on the distilled spirits. Under 26 U.S.C. 5112, all persons claiming drawback are subject to the regulations issued by the Secretary "to secure the Treasury against frauds."

The regulations issued under this authority are contained in 27 CFR Part 17, Drawback on Taxpaid Distilled Spirits Used in Manufacturing Nonbeverage Products, and in 27 CFR Part 26, Liquors and Articles from Puerto Rico and the Virgin Islands. In order to receive drawback of the excise taxes paid on distilled spirits used in the manufacture of eligible nonbeverage products, the relevant regulations require a person claiming drawback to file a drawback claim on form TTB F 5620.8, Claim-Alcohol and Tobacco Taxes, approved under OMB Control No. 1513-0030.

Under this OMB control number, 1513–0098, the TTB regulations require nonbeverage product drawback claims to be accompanied by supporting data, which may be reported on TTB F 5154.2, Supporting Data for Nonbeverage Drawback Claims, or by using another suitable format that supplies the same information. Specifically, 27 CFR 17.147 requires supporting data for nonbeverage drawback claims, while 27 CFR 17.182 requires supporting data for nonbeverage product drawback claims involving taxpaid distilled spirits used by druggists in compounding prescriptions. In addition, 27 CFR 26.173(c) and 26.309(c) require supporting data for drawback claims involving eligible products brought into the United States from Puerto Rico and the Virgin Islands, respectively.

The supporting data for nonbeverage product drawback claims required under these regulations are part of TTB's system for maintaining accountability over distilled spirits and are necessary to protect the revenue. Substantial losses in tax revenues could occur if a manufacturer claimed drawback on tax free spirits, or if a manufacturer received taxpaid spirits, used them for beverage purposes, and then claimed drawback on those spirits.

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?

To submit the data required to support their monthly or quarterly drawback claims, manufacturers of nonbeverage products use TTB F 5154.2 or another suitable format that supplies the same information as required on the form. TTB personnel use this supporting data to verify the accuracy of these nonbeverage product drawback claims. The required supporting data ensures that all distilled spirits contained or used in the production of such products is accounted for, and that the drawback is paid only in the amount and for the purposes authorized by law. By ensuring that distilled spirits have not been diverted to beverage use, tax revenues are protected.

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, TTB F 5154.2.4 is available as a fillable-printable form on the TTB Web site at <http://www.ttb.gov/forms/index.shtml>.

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 required supporting data for nonbeverage drawback claims provides information that is pertinent to each respondent and applicable to his/her specific claim. 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?*

In order to protect the revenue, all nonbeverage drawback claimants, regardless of size, are required by TTB to submit the required supporting data for their claims. This requirement cannot be waived or reduced simply because the respondent's business is small.

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?*

Not collecting the required supporting data for nonbeverage drawback claims, or requiring less frequent collection of the information, would reduce TTB's ability to verify the information on such claims by disrupting the audit trail required to maintain accountability over distilled spirits, which would jeopardize 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?*

No special circumstances are 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, Federal law at 26 U.S.C. 6103 prohibits disclosure of tax related information unless disclosure is specifically authorized by that section. TTB maintains its copy of this form in secure office space 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?*

Based on recent experience, TTB estimates that 392 respondents will file an average of 6 nonbeverage product drawback claims annually, for a total of 2,352 such claims filed per year, each of which requires the submission of supporting data on TTB F 5154.2 (or by using another suitable format that supplies the same information as required on the form). TTB estimates that respondents require an average of 58 minutes to complete each supporting data response, resulting in a total estimated annual burden of 2,274 hours for this information collection requirement.

(392 respondents x 6 annual responses = 2,352 annual responses x 58 minutes per response = 136,416 minutes/60 minutes per hour = 2,274 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)?*

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. The required supporting data for nonbeverage product drawback claims is compiled from usual and customary receipt, inventory, production, and similar records kept by nonbeverage product manufacturers during the normal course of business.

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

Estimates of annual cost to the Federal Government are:

Printing & distribution costs	\$ 0
Contractor (clerks)	1,411.20
Specialist	38,055.36
Other Salary costs (review, supervisory, etc.)	7,291.20
TOTAL COSTS	\$46,757.76

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 Web site at <http://www.ttb.gov/forms/index.shtml>.

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 estimated burden associated with this information collection, from 3,540 annual responses and 3,422 hours of burden to 2,353 annual responses and 2,274 hours of burden, due to a decrease in the number of nonbeverage drawback claims received by TTB.

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.
- (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.