

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0061

Information Collection Request Title:

Letterhead Applications and Notices Relating to Denatured Spirits, TTB REC 5150/2.

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.

Denatured distilled spirits and articles containing denatured spirits are regulated under a comprehensive system of laws, codified in the IRC at 26 U.S.C 5271-5275, which are intended to prevent illegal diversion of such spirits to taxable beverage use. The TTB regulations that implement these laws include 27 CFR Part 20, Distribution and Use of Denatured Alcohol and Rum. Among other things, the part 20 regulations allow denatured spirits to be used for industrial purposes free of tax, including the manufacture of products for personal and household use. These regulations require an application and permit to withdraw and use specially denatured spirits to prevent the recovery of potable alcohol from denatured spirits and articles made with denatured spirits. Additional requirements under 27 CFR part 20 include submitting formulas, recordkeeping, reporting, and other operational procedures.

Reports included in this information collection submission are letterhead applications and notices. Letterhead applications are documents submitted for approval by TTB, and notices are documents submitted to TTB for which no approval is required. Letterhead applications and notices are qualifying documents relating to specific regulated activities. If the applicant is a permittee, the letterhead application or notice is an amendment to approved qualifying documents already on file. Generally, under the TTB regulations specified below, activities with greater jeopardy to the revenue require the submission and approval of a letterhead application, and activities with less jeopardy to the revenue require the submission of a notice.

Letterhead applications or notices are the only qualifying documents necessary for persons who are not required to obtain a permit under the law. Letterhead applications and notices from non-permittees relate to trafficking in large quantities of completely denatured alcohol or articles and to the procurement of samples of specially denatured spirits (exceeding 5 gallons per annum; see 27 CFR 20.117 and 20.252, respectively). These applications or notices are necessary to identify the person and to ensure that the intended activity is conducted in compliance with the law. Also included in this collection are application for alternate methods, requirements for the retention of invoices, and labeling of articles.

The following TTB regulations in 27 CFR part 20 contain letterhead application or notice reporting requirements relating to denatured distilled spirits approved under this information collection:

- 20.22 Alternate Methods or Procedures, and Emergency Variations From Requirements.
- 20.56 Changes Affecting Applications and Permits.
- 20.57 Automatic Termination of Permits.
- 20.60 Change in Name of Permittee.
- 20.61 Change in Trade Name.
- 20.62 Change in Location.
- 20.63 Adoption of Formulas and Statement of Process.
- 20.68 Notice of Permanent Discontinuance.
- 20.111 General (General Use Formulas).
- 20.117 Reagent Alcohol General Use Formula.
- 20.133 Registration of Persons Trafficking in Articles.
- 20.134 Labeling (Articles).
- 20.202 Losses in Transit.
- 20.234 Disposition on Permanent Discontinuance of Use.
- 20.252 Samples Larger Than Five Gallons.
- 20.265 Retention of Invoices.

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?

TTB officials use the letterhead application and notice requirements contained in this information collection to ensure that lawful and appropriate actions are taken with regard to denatured alcohol. Additionally, the regulated individual maintains a record of these reports for 3 years at the premises and TTB routinely inspects them during field tax compliance examinations. These examinations are necessary to verify that all specially denatured spirits can be accounted for and are being used only for purposes authorized by law and regulations.

By ensuring that spirits have not been diverted to beverage use, TTB protects tax revenue and public safety.

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 the applicant's specific activity. As far as TTB 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 20 to submit letterhead applications or notices before they can begin certain activities related to denatured spirits. Waiver or reduction of this requirement, simply because the respondent's business is small, could pose jeopardy to 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 denatured spirits operations. 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 May 13, 2016, at 81 FR 29950. 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?*

These letterhead applications and notices are maintained at TTB Headquarters or at TTB's National Revenue Center in secure file rooms with controlled public access. Moreover, 26 U.S.C. 6103 protects the confidentiality of the taxpayer 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?*

We estimate that 3,778 respondents will respond once annually and each response will take 30 minutes. Therefore, the total annual estimated burden for this information collection is 1,890 hours.

(3,778 respondents X 1 annual response = 3,778 responses per year X 0.5 hours per response (30 minutes) = 1,890 total estimated 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 or adjustments associated with this collection.

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.