

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0056

Information Collection Request Title:

Distilled Spirits Plants – Transaction and Supporting Records (TTB REC 5110/05).

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 or imported into the United States, a tax rate far exceeding the spirits' production costs. To safeguard the revenue generated by this tax, the IRC at 26 U.S.C. 5207 provides that proprietors of distilled spirits plants (DSPs) must maintain records of their production, storage, denaturing, and processing activities, and must render reports covering those activities, in such form and manner as the Secretary shall by regulations prescribe.

In general, the TTB regulations in 27 CFR parts 19, 26, 27, and 28 require DSP proprietors to keep transaction and supporting records regarding their production, storage, denaturing, and processing activities, and to render monthly operations reports regarding these activities. This collection of information, 1513-0056, consists of the transaction and supporting records that are common to all four activities, which DSP proprietors must maintain to account for those activities, as applicable. These records then serve, in part, to document the data provided by DSP proprietors in the applicable monthly operations reports submitted to TTB, as required under the regulations. The four reports are covered by OMB control numbers 1513-0047 (production activities), 1513-0039 (storage activities), 1513-0049 (denaturing activities), and 1513-0041 (processing activities).

Many of the required transaction records are usual and customary records kept during the normal course of business. These include records of samples, records of destruction, gauge records, package gauge records, inventories, records of oak chip additions, and records regarding shipments of distilled spirits to manufacturers of nonbeverage products.

In addition to these usual and customary records, proprietors also must keep certain security records, records regarding wine tax credits, and records concerning alternation of premises.

Currently, the following regulatory sections in 27 CFR contain requirements related to the transaction and supporting records approved under this information collection:

19.226	19.283	19.284	19.286	19.287	19.288	19.289	19.303
19.306	19.307	19.312	19.322	19.324	19.331	19.333	19.360
19.371	19.372	19.383	19.389	19.394	19.402	19.405	19.406
19.414	19.419	19.425	19.427	19.431	19.434	19.435	19.452
19.454	19.457	19.459	19.462	19.465	19.571	19.573	19.574
19.575	19.576	19.577	19.616	19.617	19.618	19.619	19.620
19.621	19.623	19.626;					
26.79	26.80	26.164a	26.199a	26.199b	26.199d	26.199f	26.204
26.273a	26.273b	26.301	26.302;				
27.138	27.139	27.172; and					
28.98	28.107	28.192.					

Proposed Rule

On June 21, 2016, TTB issued a proposed rule titled “Amendments to Streamline Importation of Distilled Spirits, Wine, Beer, Malt Beverages, Tobacco Products, Processed Tobacco, and Cigarette Papers and Tubes and Facilitate Use of the International Trade Data System” (Notice No. 159), which will amend the TTB regulations governing the importation of distilled spirits, wine, beer and malt beverages, tobacco products, processed tobacco, and cigarette papers and tubes. The proposed amendments are intended to clarify and streamline import procedures, and support the implementation of the International Trade Data System and, specifically, the filing of import information electronically in conjunction with an electronic import filing with U.S. Customs and Border Protection (CBP). The proposed amendments include providing the option for importers to file import-related data electronically when filing entry or entry summary data electronically with CBP, as an alternative to the current TTB requirements that importers submit paper documents to CBP upon importation. Under the proposed rule, the information collection approval for many of these electronic submissions will be placed under OMB control number 1513–0064, Importer’s Records and Reports (TTB REC 5170/1).

Currently, 27 CFR 26.273a, 26.301, 27.138, and 27.172 require the preparation of transfer records for distilled spirits. TTB proposed to amend §§ 26.301 and 27.172, which currently require the preparation of the transfer record and package gauge record for distilled spirits, to include the transfer record requirements for wine and beer, and both sections would require that the transfer records be maintained by the person importing the products or bringing them in from the U.S. Virgin Islands. For importers filing TTB data electronically, certain information from each transfer record would be submitted to CBP with the filing of

the entry or entry summary, as appropriate. In addition, TTB proposed to amend §§ 26.273a and 27.138 to add the specific information that is required to be captured in the transfer record regarding transfers of wine and beer in bulk from customs custody to the premises of the applicable TTB-bonded premises.

TTB also proposed to add the customs entry number and amount of duty paid to the specific information that is required to be captured in the transfer record regarding transfers of distilled spirits in bulk from customs custody to the premises of the distilled spirits plant. TTB believes that this information is important to track shipments of distilled spirits transferred without payment of tax. However, TTB also proposed to no longer require submission of the remaining data elements currently required as part of the transfer record or package gauge record, as TTB believes that they are either no longer necessary to be submitted or that they can be requested of an industry member as needed on a case-by-case basis, if not otherwise available through data the industry member submits to CBP for purposes of meeting CBP requirements. A full discussion of the proposed amendments to these regulatory sections is contained in the proposed rule document.

Due to these amendments, under the proposed rule, the information collection requirements contained in those TTB regulatory sections would be removed from OMB control number 1513–0056 and placed instead under control number 1513–0064.

Final Rule

TTB is issuing a Final Rule titled “Amendments to Streamline Importation of Distilled Spirits, Wine, Beer, Malt Beverages, Tobacco Products, Processed Tobacco, and Cigarette Papers and Tubes and Facilitate Use of the International Trade Data System,” which will finalize, with minor clarifying changes not relevant to this information collection, the amendments proposed in Notice No. 159.

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 transaction and supporting records required under this information collection serve as the source documents for the monthly operations reports covering production, storage, denaturing, and processing activities at DSPs. DSP proprietors use these records to compile their required monthly operations reports. TTB field personnel may examine these records to verify a DSP proprietor’s monthly operations reports in order to protect the revenue and ensure compliance with regulatory requirements.

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. This information collection involves transaction and other supporting records that DSP

proprietors keep at their premises, which they may do so using information technologies of their choice, provided the required information is readily available to TTB personnel conducting on-site audits and inspections.

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 their specific DSP production, storage, denaturing, and processing 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?

Transaction records are the source documents for a DSP's accounting of spirits in all operational accounts—production, storage, denaturing, and processing. While a small business may be expected to have a lesser number of transactions and a commensurately smaller recordkeeping burden, any lesser recordkeeping requirements would render the accounting incomplete, which would jeopardize the revenue. Therefore, this requirement cannot be reduced on the basis of an entity's size.

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?

Without these transaction records to document monthly DSP operations reports, TTB would be unable to verify the accounting for spirits used or in a DSP's production, warehousing, processing, or denaturing activities. If not collected or if collected less frequently, TTB would be severely would unable, or would be hindered in, protecting the revenue derived from distilled spirits excise taxes.

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 proposed rule titled "Amendments to Streamline Importation of Distilled Spirits, Wine, Beer, Malt Beverages, Tobacco Products, Processed Tobacco, and Cigarette Papers and Tubes and Facilitate Use of the International Trade Data System" (Notice No. 159), in the Federal Register on Tuesday, June 21, 2016, at 81 FR 40404.

TTB received seven comments in response to the proposed rule. None of the comments specifically addressed this collection of information.

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, which consists of records kept at DSP premises. 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.

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?*

Excepting for the three exceptions noted below, the transaction and supporting records included in this information collection are usual and customary records kept by DSP proprietors during the normal course of business for the purposes of cost accounting and inventory control. Such records, therefore, impose no burden as defined by 5 CFR 1320.7(b) on the 2,198 DSP proprietors currently regulated by TTB.

As for the three types of records included in this information collection that are not usual and customary, TTB estimates that it annually takes each of the 2,198 DSP respondent an average of 12 hours to maintain records of securing devices, 8 hours to document credits for the wine or flavor content of distilled spirits, and 1.8 hours to maintain a logbook record of the alternation of premises, considering that only some DSPs will need to keep this last record. Therefore, the total annual burden these 3 records is 47,916.4 hours. These estimates are based on past experience and the TTB staff's knowledge of the industry.

	Respondents	Responses/ Respondent	Annual Responses	Hours Per Response	Total Burden
Security Records	2,198	1	2,198	12	26,376
Wine Credit Records	2,198	1	2,198	8	17,584
Alternation of Premises Records	2,198	1	2,198	1.8	3,956.4
Totals	2,198	1	2,198	21.8	47,916.4

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 cost to the Federal Government for the maintenance of transaction records.

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

Under the final rule noted in Question 1, we are amending 27 CFR 26.273a, 26.301, 27.138, and 27.172, which concern transfer records. These amendments include removing the information collection approvals contained in those sections from this OMB control number (1513-0056) to control number 1513-0064, Importer's Records and Reports (TTB REC 5170/1), which better accounts for the information collected under the amended regulatory sections. However, since these changes will not affect the number of respondents to 1513-0056, and since the type of records effected by the changes are usual and customary records, there are no adjustments to the number of respondents, responses, or burden hours associated with this information 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?*

This information collection consists of records kept by DSP proprietors at their premises. As such, there is no prescribed medium for TTB to display the OMB approval expiration date.

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

- (c) See item 5 above.
- (g) This information collection consists of records kept by DSP proprietors at their premises. As such, there is no prescribed medium for TTB to inform respondents of the information called for under 5 CFR 1320.8 (b)(3).
- (i) No statistics are involved.
- (j) See item 3 above.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.