

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)

Supporting Statement – Information Collection Request

OMB Control Number – 1513-0125

Information Collection Request Title:

Distilled Spirits Bond.

Information Collections Issued under this Title:

TTB F 5110.56 Distilled Spirits Bond.

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.

On December 18, 2015, the President signed into law the Consolidated Appropriations Act, 2016 (Public Law 114–113). Division Q of this Act is titled the Protecting Americans from Tax Hikes Act of 2015 (PATH Act). Section 332 of the PATH Act amends the IRC to change tax return due dates and remove bond requirements for certain taxpayers with respect to the taxes on distilled spirits, wine, and beer. This law includes amendments to the IRC at 26 U.S.C. 5061(d)(4) (providing for a new annual tax return period) and 26 U.S.C. 5551(d) (providing for a new exemption from bond requirements). This law has an effective date of January 1, 2017.

Subject to the exemptions under the IRC at 26 U.S.C. 5551(d) and 5181(c)(3), the IRC provisions at 26 U.S.C. 5173 and 5181 require distilled spirits plants (DSPs) and alcohol fuel plants (AFPs) to furnish a bond. This bond is a contract between the proprietor and the surety company, ensuring that tax liability covered by the bond will be paid in full. The IRC at 26 U.S.C. 7101 also permits a proprietor to submit United States Treasury securities or notes as collateral instead of obtaining bond coverage from a surety. Alternatively, TTB also accepts cash (or cash equivalent) as a collateral bond using this form.

Regulations prescribing the use of this bond are found in 27 CFR 19.151, 19.162, 19.163, 19.164, 19.165, and 19.167, and 19.699. These provisions require that a bond must be received and approved by TTB before production can start, unless the proprietor is exempt from bond requirements. Under the IRC at 26 U.S.C. 5551(d), as amended by the PATH Act, certain DSPs are exempt from bond requirements if they are eligible to pay excise taxes quarterly or annually under the IRC at 26 U.S.C. 5061(d)(4).

This information collection is aligned with:

Treasury Strategic Goal: Effectively Manage U.S. Government Finances.

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 information collected on TTB F 5110.56 includes the amount of the bond, type of bond, method of payment, name of the proprietor, identity of the entities executing the bond, and the signatures of authorized representatives. TTB F 5110.56 is used by DSPs and AFPs to file the bond with TTB. TTB uses this bond to ensure that taxes owed to the Federal government and covered by the bond are paid should the principal fail to do so. Bonds are provided through a surety company agreement, cash, or Treasury securities.

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?

Currently, TTB F 5110.56 is available as a fillable/printable paper form on the TTB website at <https://www.ttb.gov>. Respondents also may file the information collected on the form electronically through TTB's Permits Online (PONL) system (see <https://www.ttbonline.gov/permitsonline>).

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 information collected is pertinent to each respondent and applicable to the specific issues of filing the bond. 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?

Unless exempt from bond requirements under the IRC at 26 U.S.C. 5181(c)(3) or 5551(d), all applicants regardless of size are required by law to submit this form. The information collected is the minimum necessary to implement the statutory requirement. The minimal information required by the form cannot be waived or reduced simply because the respondent's business is small, unless the respondent qualifies for one of the aforementioned statutory exemptions.

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?*

If this collection was not conducted, taxpayers would have no means to comply with the statutory requirement and would potentially not be covered by an adequate bond. This 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.*

The general public will be notified of this information collection in a temporary rule and notice of proposed rulemaking that will be published shortly in the Federal Register. The notice will solicit comments from the general public.

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 on TTB F 5130.10. However, 5 U.S.C. 552 protects proprietary information from disclosure, while 26 U.S.C. 6103 protects taxpayer information from disclosure.

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.

A Privacy Impact Assessment (PIA) has been conducted for information collected under this request as part of the Tax Major Application System, and a Privacy Act System of Records notice (SORN) has been issued for this system under TTB .001–Regulatory Enforcement Record System and published in the Federal Register on January 28, 2015, at 80 FR 4637. TTB's PIAs are available on the TTB website at <http://www.ttb.gov/foia/pia.shtml>.

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

It is estimated that 328 applicants will file 2 original TTB F 5110.56 forms, but there likely will be approximately 30 current industry members that file 2 original copies of this form each year as well. The average time to prepare the form is 1 hour per form.

The estimated total burden hours are 716, and respondents are 358.

	Respondents	# Responses Per Respondent	Responses	Hours Per Response	ESTIMATED BURDEN HOURS
DSP and AFP Permit Applicants	328	1 (2 Originals)	656	1	656
Current DSP and AFP Industry Members	30	1 (2 Originals)	60	1	60
TOTAL	358	2	716	1	716

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 are no capital/start-up or ongoing operation/maintenance costs associated with this information collection.

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

Costs to the Government associated with the filing of TTB F 5130.10 are as follows:

Printing.....	\$ 20.00
Distribution.....	25.00
Clerical Cost.....	30.00
Other Salary (review, supervisory, etc)...	<u>3,500.00</u>
	\$3,575.00

These estimates are based on experience with prior submissions.

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

TTB is adjusting the burden hours as described in #12 above to reflect a decrease in the number of submissions of TTB F 5110.56 as a result of the new bond exemption under the IRC at 26 U.S.C. 5551(d), as amended by the PATH Act.

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 on these forms. By not displaying the expiration date of this collection on the related forms, TTB will not have to update the forms' expiration dates on its electronic systems and website pages or on the forms' paper versions 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 forms, including any marginally punched continuous printed versions of the forms 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 these forms 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 forms 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. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.