

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0094

Information Collection Request Title:

Federal Firearms and Ammunition Quarterly Excise Tax Return.

Collection Instrument:

TTB F 5300.26, Federal Firearms and Ammunition Quarterly Excise Tax Return.

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 Internal Revenue Code of 1986, as amended (IRC), at 26 U.S.C. 4181 imposes Federal excise tax on the sale of pistols, revolvers, and other firearms, and on shells and cartridges (ammunition), sold by manufacturers, producers, and importers of such articles. The IRC, at 26 U.S.C. 6001, 6011, and 6302, also authorizes the Secretary of the Treasury to issue regulations regarding IRC-based taxes, returns, and records, including the mode and time for collecting taxes due.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers and collects the firearms and ammunition excise tax (FAET) 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 has delegated certain IRC administrative, enforcement, and regulatory authorities to TTB through Treasury Department Order 120-01.

The TTB regulations regarding FAET are contained in 27 CFR Part 53, Manufacturers Excise Taxes—Firearms and Ammunition. Specifically, 27 CFR 53.151 requires persons who have FAET liability to submit a quarterly tax return using form TTB F 5300.26, Federal Firearms and Ammunition Quarterly Excise Tax Return. Also under that section, persons without any FAET liability in a given calendar quarter are not required to file a quarterly return, but those without any such liability for an entire calendar year are required to file an annual return. In addition, § 53.152 requires a final return for proprietors who cease operations, § 53.153 specifies the time for filing FAET returns, and § 53.154 prescribes the manner for filing FAET returns.

The information collected on TTB F 5300.26 is necessary to protect the revenue and is essential to TTB's administration of its FAET collection responsibilities. The required use of TTB F 5300.26 supports timely collection of FAET. The collected information identifies the

taxpayer, ensures proper calculation of FAET liability, and ensures crediting of the collected funds to the taxpayer's account.

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 use of TTB F 5300.26 is necessary to protect the revenue, and the collected information is essential to TTB's ability to administer its excise tax collection responsibilities regarding firearms and ammunition. TTB uses the information collected on TTB F 5300.26 to identify the taxpayer, the amount and type of taxes due, and the amount of payments made. TTB also uses the information collected on the FAET return to determine whether the taxpayer has paid the correct amount of tax and to take additional action, such as assessment or refund, as necessary.

In addition, Federal law at 16 U.S.C. chapter 5B requires the Department of the Interior to distribute the excise tax collected on ammunition and on each type of firearm (pistols, revolvers, and other firearms) to the States to fund particular wildlife conservation and outdoor recreation programs. The specific amount of tax paid on ammunition and each type of firearm is required information on TTB F 5300.26. TTB uses this information to calculate how much funding is available to the Department of the Interior for distribution to each State and program.

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, respondents who have registered with TTB to use the Federal Government's Pay.gov system (<https://www.pay.gov/public/home>) may electronically complete and submit TTB F 5300.26, and pay any FAET liability, via the Pay.gov online system (see <https://www.pay.gov/public/home>). In addition, TTB F 5300.26 is available on the TTB website at <https://www.ttb.gov> as a fillable-printable form.

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?

TTB is the only Federal government agency that administers FAET, and the information collected on TTB F 5300.26 is pertinent and unique to each respondent's Federal excise tax-related activities and liabilities. Therefore, information similar to that collected on TTB F 5300.26 is not available elsewhere to the Federal government or TTB, and there is no duplication of this collection among TTB's other approved information collections.

5. If this collection of information impacts small businesses or other small entities, what methods are used to minimize burden?

This information collection does not have a significant impact on a substantial number of small businesses or other small entities. Persons and businesses who manufacture, produce, or import less than 50 firearms in a given calendar year are exempt from the Federal excise tax on those firearms per 26 U.S.C. 4182(c). All other entities, regardless of size, that manufacture, produce, or import firearms and/or ammunition for sale, and are liable for FAET, are required by regulation to file an FAET return on a quarterly basis. Industry members without any FAET liability in a given calendar quarter are not required to file a return. Those industry members with no FAET liability for an entire calendar year are only required to file a return showing they have no such liability.

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?

TTB F 5300.26 is essential to TTB's FAET collection responsibilities. The absence of the FAET return's information would jeopardize the revenue since TTB would not be able to identify taxpayers liable for the tax, identify the amount of the taxpayer's liability for this tax, or determine if proper payments were made. Respondents with FAET tax liability are required by TTB regulation to file a return on TTB F 5300.26 on a quarterly basis. TTB believes that less frequent collection of this return would jeopardize the revenue.

In addition, Federal law at 16 U.S.C. chapter 5B requires the Department of the Interior to distribute the excise tax collected on ammunition and on each type of firearm (pistols, revolvers, and other firearms) to the States to fund particular wildlife conservation and outdoor recreation programs. The specific amount of tax paid on each ammunition and each type of firearm is required information on TTB F 5300.26. TTB uses this information to calculate how much funding is available to the Department of the Interior for distribution to each State and each program. Without this information, the Department of the Interior would be unable to correctly allocate these funds as directed by law.

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 public, TTB published a "60-day" comment request notice for this information collection in the Federal Register on Tuesday, February 14, 2017, at 82 FR 10630. TTB received no comments on this information collection in response to that notice.

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?

TTB F 5300.26 contains a general Privacy Act Statement and a Privacy Act Statement regarding TTB's use of information provided by respondents who pay taxes by paper check. No other specific assurance of confidentiality is provided on this form. However, Federal law at 5 U.S.C. 552 protects the confidentiality of proprietary information obtained by the Government from respondents, and 26 U.S.C. 6103 prohibits disclosure of tax returns and return information unless specifically authorized by that section. TTB maintains FAET returns and the collected information in secure file rooms 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. TTB has completed a Privacy Impact Assessment (PIA) for information collected under this request as part of the Tax Major Application Systems, and has issued a Privacy Act System of Records notice (SORN) for this system under TTB .001—Regulatory Enforcement Record System, published in the Federal Register on January 28, 2015, at 80 FR 4637. TTB's PIAs are available on the TTB website at <https://www.ttb.gov/foia/pia.shtml>.

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

Based on TTB personnel's knowledge of the firearms and ammunition industry, we currently estimate that 675 respondents (660 private sector businesses and 15 individuals or households) are required to file FAET returns on a quarterly basis, resulting in 2,700 annual responses (2,640 for private sector businesses and 60 for individuals or households).

The amount of time necessary to complete the FAET return, TTB F 5300.26, varies widely due to differences in the number of taxable sales and uses subject to tax among taxpayers, and due to the complexity of how FAET is determined for each sale or use by a taxpayer. Depending on circumstances, TTB estimates that the amount of time necessary for a respondent to complete a FAET return varies from a few minutes for a no liability tax return to a maximum of 7 hours for a taxpayer with numerous and complex transactions. Based on the maximum 7 hour burden for this collection, TTB estimates the total annual burden for this information collection to be 18,900 hours (18,480 hours for private sector businesses and 420 hours for individuals or households).

Summary: 675 respondents x 4 responses per year = 2,700 annual responses at 7 hours per response = 18,900 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)?*

Estimates of average annual cost to respondents, based on knowledge of the form's burden hours and average costs per hour, are as follows:

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|---|----------------|
| Clerical costs (filing, mailing, etc.) | \$ 560 |
| Other Salary (assembling records, making calculations, and completing the return) | 2,800 |
| Overhead | 1,800 |
| TOTAL COSTS | \$5,160 |

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

Estimates of annual cost to the Federal Government are:

| | |
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| Clerical costs | \$ 5,595 |
| Overhead | 5,000 |
| Other Salary costs (review, supervisory, etc.) | 65,570 |
| TOTAL COSTS | \$ 76,165 |

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

There are no program changes associated with this information collection.

As for adjustments, TTB is increasing the estimated number of respondents, responses, and estimated total annual burden hours associated with this collection by 25 respondents due to an increase in the number of firearms and ammunition excise taxpayers.

In addition, TTB is revising the FAET return form, F 5300.26, to clarify certain data fields and instructions to improve the accuracy of the information reported, which will allow TTB to more accurately verify the respondent's tax liability. The revisions to F 5300.26 include reorganizing data fields in Part II, Calculation of Taxes on Sale or Uses During this Tax Period, adding instructional language to Schedules A and B to clarify that they are used to claim adjustments for prior quarter activity, and adding a "printed" name field to the signature area of the form. TTB also has updated the form's instructions to remove obsolete language and improve clarity. TTB also has made other format, grammatical, and typographic corrections to the form. In addition, to support future automation efforts, TTB has added a bar code to each page of the form that identifies the form number and the page number of the form.

16. *Outline plans for tabulation and publication for collections of information whose results will be published.*

TTB uses portions of the information gathered by this collection to compile a generalized quarterly report regarding the total amount of FAET collected. However, no individual taxpayer or amount of FAET paid by an individual taxpayer is identifiable in these reports (see https://www.ttb.gov/tax_audit/tax_collections.shtml).

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 statistical survey methodology is involved.
- (j) See item 3 above.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.