

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0032

Information Collection Request Title:

Inventory – Manufacturer of Tobacco Products or Processed Tobacco.

Information Collections Issued under this Title:

TTB F 5210.9, Inventory – Manufacturer of Tobacco Products or Processed Tobacco.

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 Internal Revenue Code of 1986 at 26 U.S.C. 5721 requires that every manufacturer of tobacco products or processed tobacco make a true and accurate inventory at the commencement of business, conclusion of business, and at any other time as the Secretary prescribes by regulation. Under this authority, the TTB tobacco regulations at 27 CFR 40.201 and 40.523 require, respectively, manufacturers of tobacco products and manufacturers of process tobacco to take an inventory when commencing business, transferring ownership, changing factory location, concluding business, or when otherwise required to by TTB. These regulations require such inventories to be reported to TTB on form TTB F 5210.9, Inventory—Manufacturer of Tobacco Products or Processed Tobacco.

TTB uses the physical inventories reported on TTB F 5210.9 to verify the operational records that are prescribed by regulation pursuant to the IRC at 26 U.S.C. 5741, to ensure that the appropriate amount of tax is paid.

This information collection is aligned with —

- Line of Business/Sub-function: General Government/Taxation Management.
- IT Investment: None.

2. How, by whom, and for what purpose is this information used?

TTB F 5210.9 provides manufacturers a uniform format for recording inventories of tobacco products. The information provided on TTB F 5210.9 allows TTB to verify the amount of tobacco products on hand. By reconciling the inventory with a manufacturer's operational records, TTB is able to evaluate the reliability of a taxpayer's records and the controls in place over its physical inventory. If there are differences between the manufacturer's records and its physical inventory, 27 CFR 40.255 provides that a manufacturer may need to pay additional tax (in the case of an inventory shortage) or request a refund or credit of tax (in the case of an inventory overage).

In addition, the inventory form provides manufacturers a uniform format for recording inventories of processed tobacco. These inventories allow TTB to verify that the processed tobacco on hand properly reconciles with a manufacturer's records. TTB uses this information to identify and prevent the diversion of materials used for making tobacco products to illegal manufacturers.

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 5210.9 is available as a fillable-printable form on the TTB Web site at <https://www.ttb.gov/forms/5000.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?

This information collection contains information pertinent to each respondent and applicable to the specific issue of documenting the physical inventory of articles on the premises of a manufacturer of tobacco products or processed tobacco at a particular time. 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?

All entities, regardless of size, are required under the IRC to take inventories at the commencement and conclusion of business, and at any other times required by regulation. In addition to commencing and concluding inventories, the TTB regulations require an inventory to be made at the time of transferring ownership or changing location of a factory, and at any other time an appropriate TTB officer deems necessary. All inventories, including those made at TTB's discretion, assist TTB in verifying that manufacturers' operational records are accurate, that manufacturers of tobacco products are paying the appropriate amount of tax, and that processed tobacco is fully accounted for rather than diverted to illegal manufacturers. Waiver or reduction of these requirements, simply because the respondent's business is small, could jeopardize 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?*

Inventories of tobacco products and processed tobacco, including those made at TTB's discretion, assist TTB in verifying that manufacturers' operational records are accurate, that manufacturers of tobacco products are paying the appropriate amount of tax, and that processed tobacco is fully accounted for rather than diverted to illegal manufacturers. Not collecting this information or 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 July 13, 2017, at 82 FR 32441. 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 on this form. 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 that section. TTB maintains these records in secure file rooms with controlled access.

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 F 5210.9 collects business identification information; it does not collection personally-identifiable information (PII). As such, 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?*

TTB estimates that 100 manufacturers of tobacco products or processed tobacco will be required to prepare and submit one inventory report per year on TTB F 5210.9, resulting in 100 total annual responses. TTB further estimates that each inventory information collection requires 2 hours to complete, resulting in an estimated total burden of 200 hours.

(100 respondents x 1 response per year = 100 total annual responses x 2 hours per response = 200 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)?*

The total annual cost estimate associated with this paperwork requirement is \$1,500, allocated entirely to operations and maintenance.

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 | 130 |
| Other Salary costs (review, supervisory, etc.) | 490 |
| TOTAL COSTS | \$620 |

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 website's forms page at <https://www.ttb.gov/forms/5000.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, based on recent data from TTB staff involved in processing tobacco-related inventory reports, TTB is decreasing the estimated number of annual respondents to this information collection from 250 to 100, which results in a corresponding decrease in annual responses from 250 to 100, and a decrease in total estimated annual burden hours from 500 to 200. TTB has found that not all tobacco product and processed tobacco manufacturers are required to complete an inventory each year, as has been previously reported.

On the TTB F 5210.9 form, TTB is updating its headquarters mailing address.

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?*

TTB will display the expiration date of OMB approval for this collection on TTB F 5210.9.

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.