

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
Supporting Statement -- Information Collection Request
OMB Control Number 1513-0047

Information Collection Request Title:

Distilled Spirits Production Records (TTB REC 5110/01) and Monthly Report of Production Operations.

Information Collections Issued under this Title:

- Distilled Spirits Production Records (TTB REC 5110/01) and Monthly Report of Production Operations (TTB F 5110.40).

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 IRC at 26 U.S.C. 5001 sets forth, in general, the Federal excise tax rates for distilled spirits produced in or imported into the United States. To protect the revenue from this tax, the IRC also provides at 26 U.S.C. 5207 that proprietors of distilled spirits plant (DSPs) must maintain records of production, storage, denaturation, and processing activities and must render reports covering those operations in such form and manner as the Secretary by regulation prescribes.

Under those IRC authorities, the TTB regulations in 27 CFR Part 19, Distilled Spirits Plants, require DSP proprietors to keep certain records and render certain reports. The regulations in §§ 19.584 through 19.586, as amplified by other sections of the part 19 regulations, require the keeping of records unique to DSP production operations. These include records necessary to account for materials used for the production of spirits (§§ 19.293, 19.294, 19.295, 19.308, and 19.584), the production of spirits and withdrawal of spirits from the production account (see § 19.585), and byproduct spirit production (§§ 19.309 and 19.586). These records must be retained for at least three years, as required by § 19.575.

Using data from those production records, § 19.632(a)(1) requires DSP proprietors to submit monthly reports of production operations on form TTB F 5100.40. Per § 19.634, proprietors may substitute a computer-generated and printed report for the TTB form if the report contains the same data elements, approximates the same physical layout, and contains the same penalty of perjury statement as the TTB form.

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?

To protect the revenue, TTB uses the collected information regarding distilled spirits production to account for a DSP proprietor's Federal excise tax liability and adequacy of bond coverage. TTB also uses the collected information to ensure compliance with relevant statutes and regulations, to detect anomalies and effectively allocate audit and inspection resources, as an audit tool during revenue inspections, to analyze industry trends, and to compile generalized statistical reports.

Specifically, TTB personnel at the bureau's National Revenue Center (NRC), examine each TTB F 5110.40 for mathematical accuracy and for indications of unusual or unauthorized distilled spirits production-related activities. If errors or anomalies are found, the NRC may resolve them by contacting the permittee or by initiating a TTB audit or field inspection. During such audits and inspections, TTB field personnel use the required production operations records to verify the quantity of distilled spirits produced by a DSP proprietor. Since 26 U.S.C. 5001 states that liability for the distilled spirits excise tax attaches at the time of the spirits' production, verification of a DSP's production is essential to establish a proprietor's tax liability and adequacy of bond coverage. TTB personnel also examine the required records to ensure compliance with relevant statutes and regulations.

NRC personnel also use the production data supplied on TTB F 5110.40 to compile generalized monthly and year-to-date distilled spirits statistical reports, which are used by TTB, other Federal agencies, State and local governments, academic institutions, trade associations, and industry members to detect industry trends and for a variety of economic analysis, planning, and statistical purposes.

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, DSP proprietors may submit TTB F 5110.40 electronically through the Federal Government's Pay.gov website (<https://www.pay.gov/public/home>). TTB F 5110.40 also is available on the TTB website as a fillable, printable form that may be then submitted to TTB via the Pay.gov website or postal mail (<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?

TTB F 5110.40 is used to collect information that is pertinent to each respondent and specific to their distilled spirits production operations. As far as TTB is able 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 statute (the IRC at 26 U.S.C. 5207) to maintain records and make reports regarding distilled spirits production operations in such form and manner as the Secretary by regulation prescribes. Under that authority, the TTB regulations require all DSPs to keep production records to account for the materials used in their production operations and to account for the distilled spirits produced. TTB believes the required information is the minimum necessary to verify the amount of spirits produced by a DSP. Therefore, these requirements cannot be reduced based on the size of an entity. However, a small DSP may be expected to have fewer and smaller transactions, and the recordkeeping burden on a small DSP would thus be commensurately less. In addition, TTB notes that its regulations allow respondents to substitute a respondent-generated and printed computer report for the TTB production operations report form, alleviating the need to transfer production data from a respondent's report to a TTB F 5100.40.

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?

As required by the TTB regulations in 27 CFR part 19, distilled spirits production records are maintained on a continuing basis and constitute a complete accounting of the spirits produced at a DSP. TTB uses the required records and the resulting monthly production operations reports to account for the amount of spirits produced the DSP and the resulting Federal excise tax liability of its proprietor, and to determine the adequacy of the DSP's bond coverage. TTB also uses the collected information to ensure DSP proprietors' compliance with relevant statutes and regulations, to detect production anomalies at DSPs, to effectively allocate audit and inspection resources, as an audit tool during revenue inspections, to analyze industry trends, and to compile generalized statistical reports.

TTB believes the required information is the minimum necessary to verify the amount of spirits produced by a DSP. Not collecting the required information or collecting it less frequently would jeopardize the revenue as TTB would not be able to, or would be less able to, determine or verify the amount of spirits produced at a DSP and the resulting excise tax liability. Not collecting the required information or collecting it less frequently also would harm TTB's ability to enforce relevant statutes and regulations, detect production anomalies at DSPs, allocate audit and inspection resources, perform DSP audits, analyze industry trends, and compile generalized statistical reports for use by government agencies, academic institutions, trade associations, and industry members.

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? (See 5 CFR 1320.5(d)(2).)*

There are no special circumstances associated with this information collection that would require it to be inconsistent with OMB guidelines.

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 regarding this information collection in the Federal Register on January 2, 2018, at 83 FR 205. 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 information 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 the required distilled spirits production records or on the monthly production operations report form, TTB F 5110.40. 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. DSP proprietors maintain the required records at their premises. TTB maintains its copies of TTB F 5110.40 in secure file rooms and computer systems 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. 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?*

This information collection is unchanged. However, TTB is increasing the number of respondents, responses, and estimated annual burden hours due to growth in the number of DSPs that it regulates. TTB estimates that 1,600 respondents will keep distilled spirits

production records and that each respondent will submit 12 reports per year, resulting in 19,200 annual responses to this information collection. TTB further estimates that each response requires 2 hours to complete (1 hour for recordkeeping and 1 hour for reporting), resulting in an estimated annual burden of 38,400 hours.

(1,600 respondents x 12 responses/reports per year = 19,200 annual responses x 2 hours per response = 38,400 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)?*

Respondents compile the monthly distilled spirits production data submitted on TTB F 5100.40 mostly from usual and customary records that TTB believes DSPs keep during the normal course of business. As such, TTB believes that there is no annual cost burden to respondents associated with this information collection.

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

Estimates of annual cost to the Federal Government for this information collection are:

Clerical costs	\$ 38,860
Other Salary costs (review, supervisory, etc.)	\$ 58,290
TOTAL COSTS	\$ 97,150

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 at <https://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. However, TTB is increasing the annual estimated burden associated with this information collection, from 150 respondents, 1,800 responses, and 3,600 burden hours, to 1,600 respondents, 19,200 responses, and 38,400 burden hours. This increase in burden is due to the growth in the number of permitted and registered distilled spirits plants. In addition, TTB is clarifying the title of the information collection from "Distilled Spirits Records (TTB REC 5110/01) and Monthly Report of Production Operations" to "Distilled Spirits Production Records (TTB REC 5110/01) and Monthly Report of Production Operations."

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

Without disclosing the identify of any individual respondent, TTB uses the data submitted on TTB F 5110.40, Monthly Report of Production Operations, to compile and publish generalized monthly and year-to-date distilled spirits statistical reports. Among other things, these reports list monthly and year-to-date statistics regarding net distilled spirits production by spirits type and the materials used by type of grain. See <https://ttb.gov/spirits/spirits-stats.shtml>.

These statistical reports are used by other Federal agencies, State and local governments, academic institutions, trade associations, and individual industry members for a variety of economic analysis, planning, and statistical purposes.

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 form TTB F 5110.40, Monthly Report of Production Operations. However, there is no prescribed TTB form for the recordkeeping portion of this information collection, TTB REC 5110.01. As such, there is no medium for TTB to display the OMB approval expiration date for that portion of this information collection.

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

- (c) See item 5 above.
- (i) No statistics are involved.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.