

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0116

Bond for Drawback Under 26 U.S.C. 5111

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 (the Secretary) has delegated certain IRC administrative and enforcement authorities to TTB through Treasury Order 120-01.

The Internal Revenue Code, at 26 U.S.C. 5111–5114, authorizes “drawback” (refund) of all but \$1.00 per proof gallon of the Federal excise tax paid on distilled spirits subsequently used in the manufacture of medicines, medicinal preparations, food products, flavors, flavoring extracts, and perfume that are unfit for beverage purposes. Under those IRC authorities, persons wishing to receive nonbeverage product drawback must register annually with the Secretary, keep records documenting the eligibility of such products for drawback, file bonds in certain circumstances, and be subject to the regulations regarding such claims prescribed by the Secretary to prevent frauds against the Treasury.

In addition, under 26 U.S.C. 5114(b), claimants may file nonbeverage product drawback claims on either a monthly or a quarterly basis, and the Secretary is authorized to require monthly claimants to file a bond in the amount and with such conditions as the Secretary prescribes by regulation (quarterly claimants are exempt from the bond requirement). The purpose of such bonds is to protect the Federal revenue in the event that, after a claim is paid, a recipient is found not to have been eligible for some or all of the nonbeverage product drawback that was paid. If an ineligible drawback receipt is unable to repay the excise taxes due, the Government can collect the taxes due via the bond.

The TTB regulations governing the filing of nonbeverage drawback claims are set forth in 27 CFR Part 17, Drawback on Taxpaid Distilled Spirits Used in Manufacturing Nonbeverage Products, and these regulations are cross-referenced in 27 CFR Part 26, Liquors and Articles from Puerto Rico and the Virgin Islands. Specific to this information collection request, as authorized by 26 U.S.C. 5114(b), those regulations require respondents making monthly nonbeverage product drawback claims to file a bond with TTB for using form TTB F 5154.3, Bond for Drawback Under 26 U.S.C. 5111. The specific regulations requiring

manufacturers filing such claims on a monthly basis to prepare and execute a bond on TTB F 5154.3 are found at 27 CFR:

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| 17.101, Bonds in general. | 17.107, Strengthening bonds. |
| 17.108, Superseding bonds. | 17.144, Bond for monthly claims. |
| 26.172, Bonds. | 26.308, Bonds. |

This information collection is aligned with:

- Line of Business/Sub-function: General Government/Taxation Management.
- IT Investment: Tax Major Application System

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

TTB uses form TTB F 5154.3 to collect information concerning the amount, type, and effective date of the nonbeverage product drawback bond required by its regulations issued under the authority of 26 U.S.C. 5114(b). The collected information identifies the persons executing the bond, including the signatures of the bond company's agents, which binds them to pay the Federal Government the amounts that may become due as a result of filing claims for nonbeverage product drawback. TTB's National Revenue Center uses the information collected on TTB F 5154.3 to establish the respondent's eligibility to file drawback claims on a monthly basis. In the event that, after a claim is paid, TTB finds that a claimant was not eligible for some or all of the drawback amount paid, the bond may be used, if necessary, to enforce collection of amounts owed to the Government.

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 5154.3 is available as a fillable-printable form on the TTB Web site at <http://www.ttb.gov/forms/index.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 5154.3 collects pertinent and unique information from a specific group of nonbeverage product drawback claimants. As far as TTB can determine, similar information is not available to it elsewhere.

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

Under 26 U.S.C. 5114(b), all persons filing nonbeverage drawback claims on a monthly basis are required by the TTB regulations to file a bond to protect the Federal revenue, and this requirement cannot be waived or reduced simply because of the size of a person's

business. TTB has minimized this information collection burden as much as possible within the context of the regulatory requirement. Nevertheless, TTB has found that most small entities elect to file nonbeverage drawback claims on a quarterly basis and thus avoid altogether the requirement to file a bond on TTB F 5154.3.

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?

Not requiring nonbeverage drawback claimants filing on a monthly basis to file a bond on TTB F 5154.3 would jeopardize the revenue as any such drawback improperly paid would not be covered by a bond.

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?

No special circumstances are 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 regarding this information collection from the general public, TTB published a "60-day" comment request notice in the Federal Register on Tuesday, November 27, 2018, at 83 FR 60963. 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 form TTB F 5154.3. However, Federal law at 26 U.S.C. 6103 prohibits disclosure of tax related information unless disclosure is specifically authorized by that section. TTB maintains these records in secure office space 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. 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?*

Based on recent experience, TTB estimates that 10 respondents will file one bond on form TTB F 5154.3 per year, for a total of 10 annual responses. TTB also estimates that each response will require an average of 24 minutes to complete, resulting in an estimated total of 4 annual burden hours.

(10 annual respondents x 1 response each = 10 annual responses x 24 minutes per response = 240 minutes ÷ 60 minutes per hour = 4 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)?*

TTB does not believe respondents bear any additional capital or start-up costs or any increased operation or maintenance costs as a result of this information collection requirement.

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 | 40.00 |
| Other Salary costs (review, supervisory, etc.) | 120.00 |
| TOTAL COSTS | \$ 160.00 |

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 Web site at <http://www.ttb.gov/forms/index.shtml>.

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

Program changes: There are no program changes associated with this collection.

Adjustments: Due to a change in agency estimates based on recent experience, TTB is decreasing the number of annual respondents to this information collection request from 20 to 10, which, as a result decreases the number of annual responses from 20 to 10 and the estimated total annual burden hours from 8 to 4.

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

TTB will not publish the results of this information 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 requests approval not to display the expiration date for OMB approval of this information collection on form TTB F 5100.4. By not displaying this collection's expiration date on that form, TTB will not have to update the fillable-printable version of the form posted on its website each time this information collection is reapproved. Similarly, businesses and individuals 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 TTB-regulated businesses or proprietors.

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.