

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0098

Supporting Data for Nonbeverage Drawback Claims.

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.

In general, the IRC at 26 U.S.C. 5001(a)(1) imposes Federal excise tax on each proof gallon of distilled spirits produced in or imported into the United States. However, under the IRC at 26 U.S.C. 5111–5114 and 7652(g), persons using distilled spirits to produce medicines, medicinal preparations, food products, flavors, flavoring extracts, or perfume may claim drawback (refund) of all but \$1.00 per proof gallon of the Federal excise tax paid on the distilled spirits used to make such nonbeverage products, subject to regulations issued by the Secretary “to secure the Treasury against frauds.” The TTB regulations regarding drawback claims issued under those IRC authorities are contained in 27 CFR Part 17, Drawback on Taxpaid Distilled Spirits Used in Manufacturing Nonbeverage Products, and in 27 CFR Part 26, Liquors and Articles from Puerto Rico and the Virgin Islands.

Specific to this information collection, the TTB regulations require nonbeverage product drawback claims to be accompanied by supporting data, which may be reported on form TTB F 5154.2, Supporting Data for Nonbeverage Drawback Claims, or by using another suitable format that supplies the same information.¹ Specifically, 27 CFR 17.147 requires supporting data for nonbeverage drawback claims, while 27 CFR 17.182 requires supporting data for such claims involving taxpaid distilled spirits used by druggists in compounding prescriptions. In addition, 27 CFR 26.173(c) and 26.309(c) require supporting data for nonbeverage product drawback claims involving eligible articles brought into the United States from Puerto Rico and the Virgin Islands, respectively. The required supporting data include the names and formulas of the nonbeverage products produced during the period in

¹ Under the TTB regulations, alcohol and tobacco excise tax drawback claims of all types are filed on form TTB F 5620.8, Claim—Alcohol and Tobacco Taxes, approved under OMB Control No. 1513–0030. And, as explained in this Supporting Statement, nonbeverage product drawback claims also must include the supporting information collected under this request, approved under OMB Control No. 1513–0098.

question, and the amount of distilled spirits received, used, and recovered in the production of the named products.

Collection of the required supporting data for nonbeverage product drawback claims is necessary to protect the revenue, as it allows TTB to verify the validity of excise tax drawback claims for nonbeverage products. Without such verification, substantial losses of excise tax revenue could occur due to fraudulent or mistaken drawback claims filed for tax-free distilled spirits or for taxpaid spirits used to manufacture beverage products.

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 personnel use the supporting data filed with nonbeverage product drawback claims to verify the validity and accuracy of such claims. The required supporting data ensure that all of the distilled spirits contained or used in the production of nonbeverage products eligible for drawback is accounted for, and that such drawback is paid only in the amount and for the purposes authorized by law. By ensuring that distilled spirits have not been diverted to beverage use, Federal excise tax revenues are protected.

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 5154.2.4, 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?

The supporting data for nonbeverage product drawback claims required under this collection provide information that is pertinent to each respondent and applicable to their specific claim. As far as TTB can 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?

In order to protect the revenue, all nonbeverage product drawback claimants, regardless of size, are required by TTB to submit the required supporting data for such claims. This requirement cannot be waived or reduced simply because the respondent's business is small.

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 collecting the required supporting data for nonbeverage product drawback claims, or requiring less frequent collection of the information, would jeopardize the revenue. Without the required supporting data, TTB would not be able to verify the validity and accuracy of such drawback claims, which could allow fraudulent or miscalculated claims to be paid.

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 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 for this information collection in the Federal Register on March 28, 2019, at 84 FR 11867. 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 this information collection. However, Federal law at 5 U.S.C. 552(b)(4) 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 the IRC. TTB maintains the collected information in secure office space 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 a

Government 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 550 respondents will file an average of 6 nonbeverage product drawback claims annually, for a yearly total of 3,300 such claims, each of which requires the submission of supporting data using form TTB F 5154.2 or another suitable format. TTB estimates that claimants require an average of 58 minutes to complete each supporting data response, resulting in a total estimated annual burden of 3,190 hours for this information collection.

(550 respondents x 6 annual responses = 3,300 annual responses x 58 minutes per response = 191,400 minutes/60 minutes per hour = 3,190 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. The required supporting data for nonbeverage product drawback claims are compiled from usual and customary receipt, inventory, production, and similar records kept by nonbeverage product manufacturers during the normal course of business.

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

Estimates of annual cost to the Federal Government are:

Contractor (clerks)	2,700.00
TTB Specialists	53,000.00
Other Salary costs (review, supervisory, etc.)	10,000.00
TOTAL COSTS	\$65,700.00

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 <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, due to a change in agency estimates, TTB is increasing the estimated burden associated with this

information collection, from 2,352 annual responses to 3,300, and from 2,274 burden hours to 3,190.

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?*

TTB will include the expiration date for OMB approval of this information collection on its related form, TTB F 5154.2, Supporting Data for Nonbeverage Drawback Claims.

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 information collection does not employ statistical methods.