

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0060

Letterhead Applications and Notices Relating to Tax Free Alcohol, TTB REC 5150/4.

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 (6 U.S.C. 531(d)). In addition, the Secretary of the Treasury (Secretary) has delegated certain IRC administrative and enforcement authorities to TTB through Treasury Order 120–01.

In general, at 26 U.S.C. 5001, the IRC imposes Federal excise tax on all distilled spirits produced in or imported into the United States. However, at 26 U.S.C. 5214, the IRC provides for the tax-free withdrawal of distilled spirits from distilled spirits plants (DSPs) for specified nonbeverage purposes, including for use by Federal, State, local, and tribal governments, and for use by certain educational institutions, laboratories, hospitals, clinics, sanitariums, and blood banks, subject to regulations prescribed by the Secretary. At 26 U.S.C. 5271–5275, the IRC also sets permit, bond, formula submission, recordkeeping, and reporting requirements for the use of tax-free distilled spirits, and authorizes the Secretary to prescribe regulations for such matters.

Under those IRC authorities, the TTB regulations in 27 CFR Part 22, Distribution and Use of Tax-Free Alcohol, require users of tax-free alcohol to submit certain letterhead applications and notices to TTB, which serve as qualifying documents for specific regulated activities or as amendments to previously-filed documents. The collected information is necessary to ensure compliance with Federal laws and regulations regarding tax-free alcohol, and to protect the revenue as it assists TTB in detecting diversion of such alcohol to taxable beverage use. In general, the TTB regulations require respondents undertaking activities posing a greater jeopardy to the revenue to submit and receive approval of a letterhead application before beginning the regulated activity, while activities posing less jeopardy to the revenue require respondents to submit a letterhead notice reporting that the respondent will undertake the activity.

The following 27 CFR part 22 regulations contain the letterhead application or notice requirements regarding tax-free alcohol covered under this OMB control number:

- § 22.22 Alternate methods or procedures; and emergency variations from requirements.
- § 22.57 Changes affecting applications and permits.
- § 22.58 Automatic termination of permits.
- § 22.61 Change in name of permittee.
- § 22.62 Change in trade name.
- § 22.63 Change in location.
- § 22.68 Notice of permanent discontinuance.
- § 22.122 Losses in transit.
- § 22.142 Destruction.
- § 22.154 Disposition on permanent discontinuance of use.
- § 22.155 Emergency disposition to another permittee.
- § 22.162 Inventories.

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 personnel use the information collected in letterhead applications and notices related to tax-free alcohol to ensure compliance with Federal laws and regulations regarding the use of tax-free alcohol. TTB personnel also use the collected information to determine if a proposed alternate method or procedure, or a proposed tax-free alcohol activity or use, poses a jeopardy to the revenue, and to detect and prevent diversion of tax-free alcohol to taxable beverage use. In addition, TTB personnel may inspect copies of the required letterhead applications and notices maintained by respondents at their premises to ensure compliance with relevant tax-free alcohol regulations and any conditions placed on TTB's approval of a letterhead application related to the use of tax-free alcohol.

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.

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 letterhead applications and notices required under this information collection contain information pertinent to each respondent and applicable to specific activities relating to their use of tax-free alcohol. As far as TTB is 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?

All entities, regardless of size, are required by 27 CFR part 22 to submit letterhead applications or notices to amend their tax-free alcohol user qualifying documents or before beginning certain activities related to tax-free alcohol use. Waiver or reduction of those requirements, simply because an entity is small, would jeopardize the revenue and TTB's ability to ensure compliance with Federal laws and regulations related to the use of tax-free alcohol. TTB considers these application and notice requirements to be the minimum necessary to protect the revenue and ensure compliance with such laws and regulations.

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 conducting this information collection would pose a jeopardy to the revenue since tax-free alcohol is potable and could be diverted to beverage use, which is taxable, and TTB would not be able to ensure that tax-free alcohol users are conducting their operations in conformity with Federal law and regulations regarding such alcohol. Also, respondents submit the required letterhead applications and notices only on an as-needed basis, and, as such, this information collection cannot be conducted less frequently.

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 for this information collection in the Federal Register on Thursday, 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 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 the collected information in secure file rooms with controlled access and 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 800 of its 5,270 tax-free alcohol permittees will file one letterhead application or notice annually, for a total of 800 responses. TTB further estimates that each response will require 0.5 hours (30 minutes) to complete, which results in a total estimated annual burden of 400 hours for this information collection.

(800 respondents x 1 response per year = 800 responses x 0.5 hours per response = 400 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)?*

There is no annual costs to respondents associated with this occasional information collection.

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

Estimates of the annualized costs to the Federal Government for this information collection are as follows:

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| Clerical costs | \$ 800 |
| Other Salary (review, supervisory, etc.) | \$ 2,880 |
| TOTAL | \$ 3,680 |

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, due to changes in agency estimates, TTB is increasing the estimated burden for this information collection—from 400 to 800 respondents, from 400 to 800 annual responses, and from 200 to 400 burden hours.

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?*

This information collection consists of letterhead applications and notices filed on occasion by users of tax-free alcohol. There is no prescribed TTB form or online system associated with this information collection, and, as such, there is no medium for TTB to display the OMB approval expiration date.

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.