

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0012

User's Report of Denatured Spirits

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, the IRC at 26 U.S.C. 5214 allows the tax-free withdrawal of denatured distilled spirits from a distilled spirits plant (DSP). However, the IRC at 26 U.S.C. 5275 requires persons procuring, dealing in, or using specially denatured spirits (SDS), or recovering specially denatured or completely denatured spirits, to maintain records and file reports as the Secretary prescribes by regulation.

Under that IRC authority, the TTB regulations in 27 CFR part 20 govern the distribution and use of denatured alcohol. Specifically, 27 CFR 20.264(b) requires persons who use SDS, or who recover SDS or articles, or who use recovered completely denatured spirits or articles (hereafter "denatured spirits"), to account for their use of such denatured spirits in specific approved formulas during the period July 1 through June 30 using TTB F 5150.18, User's Report of Denatured Spirits.¹ In addition, 27 CFR 20.68(b) requires a permittee to submit a final report on TTB F 5150.18 when permanently discontinuing business.

The collected information is necessary to protect the revenue as it allows TTB to detect diversion of tax-free denatured spirits to taxable proposes by users of such spirits. TTB also uses the required information to ensure users of denatured spirits comply with Federal law and regulations.

This information collection is aligned with —

¹ The recordkeeping requirements regarding the use of denatured spirits, from which the report's information is compiled, are contained in 27 CFR 20.161–20.264(a), and are approved under OMB control number 1513-0062.

- 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 regarding the use of denatured spirits collected on TTB F 5150.18 to protect the revenue by detecting and preventing diversion of those nontaxpaid spirits into otherwise taxable uses. TTB personnel also may use the required information to ensure that respondents are operating in compliance with Federal law and regulations regarding the use of denatured spirits, for example, by ensuring that denatured spirits are used properly under approved formulas.

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 5150.18 is available as a fillable/printable form on the TTB website 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?*

TTB F 5150.18 contains information pertinent to each respondent and applicable to the specific issue of the respondent's use of denatured spirits. As far as we are able to determine, similar information is not available to TTB elsewhere.

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

The TTB regulations require submission of TTB F 5150.18 in order to protect the revenue and ensure respondents are operating lawfully, and, as such, this information collection cannot be waived simply because the respondent's business is small. Since this report is required only once annually or when permanently discontinuing business, TTB believes that its impact on small businesses and other small entities is minimal, and that it is not susceptible to reduced requirements for small business.

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?*

TTB requires respondents to submit TTB F 5150.18 once per year, or when permanently discontinuing business, to account for their use of denatured spirits. We require this information in order to protect the revenue by detecting and preventing diversion of these nontaxpaid spirits into otherwise taxable uses, and to ensure that respondents are operating in compliance with the law and regulations. Not collecting this information or collecting it on

less than an annual basis would pose a jeopardy to the revenue and lessen TTB's ability to ensure respondents operate lawfully.

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 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, 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 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 taxpayer information unless disclosure is specifically authorized by that section. TTB maintains the collected information 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 the recent experience of TTB personnel, TTB estimates that 3,600 respondents file TTB F 5150.18 once per year, for a total of 3,600 responses. TTB estimates that each

response takes 18 minutes to complete, for a total estimated annual burden of 1,080 hours. The estimated per response time is based on the observations of TTB auditors and/or investigators who are occasionally present at respondents' premises when the information is collected.

(3,600 respondents X 1 response per year = 3,600 responses X 18 minutes per response = 1,080 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. The information needed to complete TTB F 5150.18 is compiled from usual and customary records, such as receipt, production, and shipping records, kept during the normal course of business.

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

TTB estimates the annual cost to the Federal Government for this information collection are \$2,880.00 in clerical and administrative costs. 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://www.ttb.gov>.

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, we are reporting an increase in the number of annual respondents, responses, and total burden hours associated with this information collection, from 3,577 annual respondents and responses to 3,600, and from 1,073 annual burden hours to 1,080.

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 display the expiration date of this information collection OMB approval on form TTB F 5150.18.

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.