

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0061

Letterhead Applications and Notices Relating to Denatured Spirits, TTB REC 5150/2

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 (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 imposes Federal excise tax on distilled spirits produced in or imported into the United States. However, under the IRC at 26 U.S.C. 5214, denatured spirits (alcohol to which denaturants have been added to render it unfit for beverage purposes) may be withdrawn from distilled spirits plants free of tax for specified industrial uses, including the manufacture of certain nonbeverage household and personal products. Since it is possible to recover taxable beverage alcohol from denatured spirits and articles made with denatured spirits, the IRC at 26 U.S.C. 5271–5275 also sets forth provisions relating to denatured spirits and articles made with denatured spirits, including permits and bonds for dealers and users of denatured spirits, and the sale, use, and recovery of denatured spirits.

Under those IRC authorities, the TTB regulations in 27 CFR Part 20, Distribution and Use of Denatured Alcohol and Rum, covered under this information collection require specially denatured spirits (SDS) dealers and nonbeverage product manufacturers that use or recover SDS to apply for and obtain a permit. Those part 20 regulations also require such permit holders, and non-permit holders that traffic in large quantities of completely denatured spirits (CDS), to submit letterhead applications or notices to TTB regarding certain changes to their permit information, use of alternate methods and emergency variations, adoption or use of certain formulas, losses in transit, and other specified matters. In general, denatured spirits activities posing greater jeopardy to the revenue require respondents to submit and receive TTB approval of a letterhead application before beginning the activity, while such activities posing less jeopardy to the revenue require submission of a letterhead notice informing TTB that the activity will be undertaken.

The following TTB regulations in 27 CFR part 20 contain letterhead application or notice reporting requirements relating to denatured distilled spirits approved under this information collection:

- 20.22 Alternate Methods or Procedures, and Emergency Variations From Requirements.
- 20.56 Changes Affecting Applications and Permits.
- 20.57 Automatic Termination of Permits.
- 20.60 Change in Name of Permittee.
- 20.61 Change in Trade Name.
- 20.62 Change in Location.
- 20.63 Adoption of Formulas and Statement of Process.
- 20.68 Notice of Permanent Discontinuance.
- 20.111 General (General Use Formulas).
- 20.117 Reagent Alcohol General Use Formula.
- 20.133 Registration of Persons Trafficking in Articles.
- 20.134 Labeling (Articles).
- 20.202 Losses in Transit.
- 20.234 Disposition on Permanent Discontinuance of Use.
- 20.252 Samples Larger Than Five Gallons.
- 20.265 Retention of Invoices.

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?

TTB officials use the required letterhead applications and notices to ensure that respondents take lawful and appropriate actions with regard to denatured alcohol. During field tax audits and compliance inspections, TTB personnel also may verify that respondents are in compliance with their letterhead applications and submitted letterhead notices. The required letterhead applications and notices, and field examinations, allow TTB to ensure that all denatured spirits can be accounted for, have not been diverted to taxable beverage use, and are being used only for purposes authorized by law and the TTB regulations. As such, this information collection is necessary to protect the revenue.

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, respondents file responses to this occasional information collection on paper as self-generated letterhead applications and notices.

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 by the TTB regulations covered under this information collection contain information pertinent to each respondent and applicable to a specific denatured spirits permit or activity. 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?

All entities, regardless of size, are required by 27 CFR part 20 to submit letterhead applications or notices before they can begin certain activities related to denatured spirits. Waiver or reduction of this requirement, simply because the respondent's business is small, could pose jeopardy to the revenue.

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?

The letterhead application and notice requirements covered under this information collection are considered to be the minimum necessary to ensure compliance with the IRC provisions and TTB regulations related to denatured spirits operations. Because, in general, denatured spirits are not subject to Federal excise tax but may be diverted to taxable beverage use, not collecting the required information, or collecting it less frequently, would pose jeopardy to the revenue.

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 Monday, November 18, 2019, at 84 FR 63716. 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 the IRC. TTB maintains its copies of letterhead applications and notices required under this information collection in secure file rooms 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. Personally identifiable information, specifically related to permittees, may be collected in a Government electronic system under this request. A Privacy Impact Assessment (PIA) has been conducted for information collected under this request as part of the Tax Major Application System, and a Privacy Act System of Records notice (SORN) has been issued for this system under TTB .001–Regulatory Enforcement Record System and published in the Federal Register on January 28, 2015, at 80 FR 4637. TTB’s PIAs and SORN are available on the TTB website at <https://www.ttb.gov/foia/foia-pia>.

12. What is the estimated burden of this collection of information?

Estimated hour burden: TTB estimates the annual burden for this occasional information collection as follows:

Respondent Type	Respondents	Responses & Burden per Response	Total Annual Responses	Burden Hours
Private Sector	2,540	1 response each @ 30 minutes per response	2,540	1,270
State, Local, & Tribal Governments	1,260	1 response each @ 30 minutes per response	1,260	630
TOTALS	3,800	1 response each @ 30 minutes per response	3,800	1,900

Labor cost burden: TTB estimates the per-respondent and total labor costs for private industry respondents and State and local government respondents to this information collection as follows:

Labor Category	Respondents Type	Fully-loaded Labor Rate/ Hour ^{1 & 2}	Burden Hours	Total Labor Cost Burden
Clerical & other unskilled workers (40% of burden hours)	Private Industry	\$27.30	508	\$13,868.40
	State & Local Govt.	\$36.02	252	\$9,077.04
Professionals & managers (60% of burden hours)	Private Industry	\$44.30	762	\$33,756.60
	State & Local Govt.	\$49.71	378	\$18,790.38
Totals per Respondent Type	Private Industry	(\$37.50)	1,270	\$47,625.00
	State & Local Govt.	(\$44.234)	630	\$27,867.42
TOTALS		(\$39.733)	1,900	\$75,492.42

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)?

This information collection consists of occasional letterhead applications and notices submitted to TTB. As such there are no annualized capital, start-up, maintenance, operational, or other costs to respondents for this information collection. However, TTB estimates that respondents have postal and mailing supply costs of up to \$2.25 per response, for an annual total of \$8,550.00 in such costs for 3,800 responses.

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

¹ Private Industry Fully-loaded Labor Rate/Hour = Hourly wages plus benefits. Per the most recent U.S. Department of Labor, Bureau of Labor Statistics, data for National Industry-Specific Occupational Employment and Wage Estimates for NAICS 312000—Beverage and Tobacco Product Manufacturing, TTB estimates the fully-loaded labor rate for respondents as follows: (1) Clerical and other unskilled workers (Office and Administrative Support Occupations) = \$27.30 per hour (\$18.96 wages and \$8.34 benefits); and (2) Professional and managers (Business and Financial Operations Occupations) = \$44.30 per hour (\$30.76 wages and \$13.54 benefits). See: https://www.bls.gov/oes/current/naics3_312000.htm and <https://www.bls.gov/news.release/ecec.t04.htm>.

² State and Local Government Fully-loaded Labor Rate/Hour = Hourly wages plus benefits. Per the most recent U.S. Department of Labor, Bureau of Labor Statistics, data for State and local government workers by occupational and industry group, TTB estimates the fully-loaded labor rate for respondents as follows: (1) Clerical and other unskilled workers (Office and administrative support) = \$36.02 per hour (\$20.74 wages and \$15.28 benefits); and (2) Professionals and managers (Public administration) = \$49.71 per hour (28.76 wages and \$20.95 benefits). See: <https://www.bls.gov/news.release/ecec.t03.htm> and <https://www.bls.gov/news.release/ecec.t04.htm>.

Estimates of annual costs to the Federal Government are as follows:

Category	Cost per Response	Annual Responses	Total Costs
Overhead	\$2.00	3,800	\$7,600.00
Clerical costs (GS-5, step 5)*	\$3.213		\$12,209.40
Specialist / Manager Review costs (GS-12, step 5)*	\$28.244		\$107,327.20
TOTALS	(\$31.457)	3,800	\$127,136.60

*Federal Government Fully-loaded Labor Rate = Hourly wage plus benefits; calculated as hourly wage x 1.63. Therefore, in the Cincinnati, Ohio, locality pay area: (1) GS-5, step 5, clerical worker hourly wage of \$19.71 x 1.63 = \$32.13 fully loaded labor rate (benefits = \$12.42 per hour) @ 6 minutes per response; and (2) GS-12, step 5, reviewer hourly wage of \$43.32 x 1.63 = \$70.61 per hour (benefits = \$27.29 per hour) @ 24 minutes per response. See <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2020/general-schedule/> and <https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/workingpaper/2012-04fedbenefitswp0.pdf>.

There is no TTB form associated with this information collection, and, as such, there are no printing and distribution costs to the Federal government for this collection.

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

Program changes: While there are no changes to this information collection, TTB is submitting this collection as a revision as a matter of agency discretion. This information collection was previously reported as a recordkeeping requirement. However, TTB notes that this information collection consists of letterhead applications and notices submitted to TTB and, as such, this collection should be characterized as a reporting requirement, rather than as a recordkeeping requirement.

Adjustments: Due to changes in agency estimates resulting from growth in the number of denatured spirits dealers and users, TTB is increasing the number of respondents and annual responses to this information from 3,778 to 3,800 (private sector respondents and responses increase from 2,519 to 2,540, and State, local and tribal government respondents and responses increase from 1,259 to 1,260). This results in an increase of 10 estimated annual burden hours, from 1,890 to 1,900 hours. In addition, TTB is now accounting for postal and mailing supply costs to respondents for this information collection a result of a change in agency estimates.

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?*

There is no prescribed TTB form for this information collection, and, as such, there is no medium for TTB to display its OMB approval expiration date.

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

(c) See item 5 above.

(i) No statistics are involved.

(j) See item 3 above.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.