

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0062

Usual and Customary Business Records Relating to Denatured Spirits (TTB REC 5150/1)

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 Department Order 120–01.

To control the industrial use of alcohol, the IRC at 26 U.S.C. 5271–5275 imposes a system of permits, bonds, records, reports, and other requirements on distributors and users of denatured alcohol. Such requirements are necessary to protect the revenue by preventing the diversion of denatured alcohol, which is generally not subject to Federal excise tax, to beverage use, which is subject to that tax. Those IRC sections also authorize the Secretary to issue regulations regarding the distribution and use of denatured alcohol for industrial purposes.

Under those IRC authorities, the TTB regulations in 27 CFR Part 20, Distribution and Use of Denatured Alcohol and Rum, require denatured alcohol users to apply for and receive a permit to procure or use certain tax-free distilled spirits, procure, deal in or use specially denatured distilled spirits (SDA), or recover specially denatured or completely denatured distilled spirits (CDA). Specific to this information collection, those regulations also mandate that such permittees keep certain usual and customary business records relating to their procurement, distribution, and use of denatured alcohol. Those records include purchase invoices for denatured alcohol, as well as internal company records that document the flow of ingredients and materials through the manufacturing, packing, storage, and shipment process for articles made with or containing denatured alcohol. The following 27 CFR part 20 regulatory sections contain the recordkeeping requirements covered under this information collection:

- § 20.95 Developmental samples of articles.
- § 20.142 Records of bulk conveyances.
- § 20.149 Records.

- § 20.163 Receipt and storage of specially denatured spirits.
- § 20.170 Physical inventory.
- § 20.171 Record of shipment.
- § 20.172 Records.
- § 20.180 Record of packages filled.
- § 20.192 Manufacturing record.
- § 20.202 Losses in transit.
- § 20.203 Losses on premises.
- § 20.212 Deposit in receiving tanks.
- § 20.216 Record of shipment.
- § 20.222 Destruction.
- § 20.231 Return.
- § 20.232 Reconsignment in transit.
- § 20.235 Disposition to another user.
- § 20.251 General.
- § 20.261 Records of completely denatured alcohol.
- § 20.262 Dealer's records of specially denatured spirits.
- § 20.263 User's records of specially denatured spirits.
- § 20.264 User's records and report of products and processes.

Under § 20.267, respondents must maintain the required records for not less than 3 years after filing the required report covering the related denatured alcohol operation.

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?

Respondents maintain the required usual and customary records relating to denatured spirits at their business premises, and TTB personnel routinely inspect those records during field tax audits and compliance investigations. TTB uses the required records to protect the revenue and public safety. The required records allow TTB to account for the distribution and use of denatured spirits, ensure that permittees have not diverted denatured spirits to taxable beverage use, and verify that permittees have used denatured spirits only for purposes authorized by law or regulation.

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?

Respondents maintain the required records regarding denatured alcohol at their business premises, subject to inspection by TTB personnel. Respondents may keep and maintain the required records in paper, microform, or electronic formats at their discretion.

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?

This information collection requires respondents to keep and maintain usual and customary business records relating to their procurement, distribution, and use of denatured alcohol. Such records are pertinent and specific to each recordkeeper, and, 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?

TTB considers the denatured alcohol-related recordkeeping requirements covered under this information collection to be the minimum necessary to protect the revenue and ensure compliance with TTB administered laws and regulations regarding denatured alcohol. Waiver or reduction of this recordkeeping requirement, simply because the respondent's business is small, could jeopardize 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?

In order to protect the revenue and public safety, this information collection helps TTB to ensure that industry members have not diverted denatured alcohol to taxable beverage use. If TTB did not require respondents to maintain the required records, there would be a significant gap in the audit trail for denatured spirits, and it would be difficult or impossible for TTB to trace denatured alcohol transactions. In addition, because this information collection consists of usual and customary records kept on an on-going basis during the normal course of business, TTB cannot conduct this collection 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.

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 and other government agencies, TTB published a "60-day" comment request notice for this information collection in the Federal Register on May 7, 2020, at 85 FR 27272. 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?*

TTB provides no specific assurance of confidentiality for this information collection, which consists of usual and customary business records maintained by regulated industry members at their business premises. 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 tax-related information unless disclosure is specifically authorized by the IRC.

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, which consists of usual and customary business records maintained by industry members at their business premises, 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 data, TTB estimates that 1,550 private sector entities and 1,550 State, local, and tribal government entities respond once annually to this on-going information collection, resulting in an annual total of 3,100 respondents and 3,100 responses. TTB further notes that this information collection consists of usual and customary records related to denatured alcohol kept by respondents during the normal course of business, regardless of any regulatory requirement to do so. As such, under the Office of Management and Budget (OMB) regulations at 5 CFR 1320.3(b)(2), there are no estimated respondent burden hours or labor costs associated with this collection.

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 usual and customary records kept by respondents at their business premises during the normal course of business. As such, there is no respondent cost burden associated with this collection.

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

There is no cost to the Federal Government for the maintenance of usual and customary business records by respondents at their business premises.

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 decreasing the estimated total number of annual respondents from 3,430 to 3,100, evenly divided between private sector respondents (1,550) and State, local, and tribal government respondents (1,550). In turn, this decreases the total number of annual responses to 3,100, also evenly divided between the two types of respondents. TTB also is removing the one hour of annual burden previously reported as a placeholder for this usual and customary business record collection because, under the OMB regulations at 5 CFR 1320.3(b)(2), there is no burden associated with such collections.

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 usual and customary business records that respondents keep at their business premises during the normal course of business. As such, there is no form or other medium for TTB to display its OMB approval expiration date.

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

(c) See item 5 above.

(g) This information collection consists of usual and customary records that respondents keep at their premises during the normal course of business. As such, there is no prescribed medium for TTB to inform respondents of the information called for under 5 CFR 1320.8 (b)(3).

(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.

