

**DEPARTMENT OF THE TREASURY**

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**

**Supporting Statement — Information Collection Request**

**OMB Control Number 1513–0050**

**Tax Deferral Bond – Distilled Spirits (Puerto Rico)**

**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.

Under the Internal Revenue Code (IRC) at 26 U.S.C. 7652, beverage distilled spirits, and nonbeverage products containing taxable spirits, produced in Puerto Rico and brought into the United States are subject to a tax equal to that imposed by the IRC on domestically produced spirits. That section also authorizes the Secretary to prescribe regulations regarding the collection of such taxes. Additionally, under 26 U.S.C. 7101, persons furnishing a bond under the IRC or its related regulations must provide a surety bond or deposit United States bonds or notes, as the Secretary prescribes by regulation. Under 26 U.S.C. 7202, the Secretary also may provide for a single bond in lieu of multiple bonds.

Under those IRC authorities, the TTB regulations in 27 CFR part 26 allow respondents who ship distilled spirits products produced in Puerto Rico to the United States to either pay the tax required under 26 U.S.C. 7652 prior to shipment or defer that payment until they file their next excise tax return. Specific to this information collection, under § 26.66, persons who elect to defer tax payment use form TTB F 5110.50, Tax Deferral Bond – Distilled Spirits (Puerto Rico) to provide a surety bond covering the Federal tax liability on such shipments. Under §§ 26.69 and 26.70, such persons use that same form to provide a strengthening or superseding bond. The bond form identifies the principal, the surety company backing the bond, the date, type and amount of the bond, and the locations covered by the bond.

The collected information is necessary to protect the revenue. TTB uses the collected information to ensure that shippers provide adequate bond coverage for the Federal tax liabilities on tax-deferred Puerto Rican distilled spirits products shipped to the United States, and to identify the responsible surety companies in case of default.

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 uses the collected information to protect the revenue due on tax-deferred distilled spirits products produced in Puerto Rico that are shipped to the United States. TTB staff members in Puerto Rico examine the information provided on TTB F 5110.50 to verify that persons making such shipments have adequate bond coverage for the Federal tax liabilities eventually due on the products in question. In cases of default on such tax payments, TTB uses the collected information to identify the surety company involved in order to collect payment of the bond.

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 5110.50 is available as a fillable-printable form on the TTB website at <https://www.ttb.gov/forms>.

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?*

Information collected on TTB F 5110.50 is pertinent to each respondent and specific to the issue of providing bond coverage for tax-deferred shipments of Puerto Rican-made distilled spirits to the United States. As far as TTB is able to 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?*

The IRC and its related regulations requires all entities, regardless of size, to pay the tax owed on distilled spirits made in Puerto Rico and shipped to the United States. This information collection allows all such shippers to post a bond to defer immediate payment of the owed tax. TTB believes that TTB F 5110.50 collects the minimum information necessary to ensure that such tax payment deferrals do not 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?*

Under the IRC and TTB regulations, persons intending to ship distilled spirits products made in Puerto Rico to the United States may provide a bond to defer payment of the Federal excise taxes that would otherwise be due before shipment. Without this collection, allowing deferral of taxes for such shipments without bond coverage would jeopardize the revenue.

Additionally, because respondents provide the required bond only on an as-needed basis, TTB cannot conduct this collection 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?*

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 public, TTB published a “60-day” comment request notice for this information collection in the Federal Register on September 3, 2020, at 85 FR 55067. 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 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 computer systems and file rooms 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 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?*

Estimated Annual Burden: Based on recent data, TTB estimates that 10 respondents make one response to this information collection annually, and that each response requires one hour to complete, resulting in an estimated total annual burden of 10 hours.

Estimated Respondent Labor Costs: TTB estimates the annual per-respondent and total respondent labor costs for this information collection as follows:

<b>NAICS 312000 - Beverage &amp; Tobacco Product Manufacturing – Office &amp; Administrative Support Occupations – Fully-loaded Labor Rate/Hour<sup>1</sup> = \$29.65</b>						
Information Collection	Avg. Time / Response	Labor Cost / Response	Responses / Respondent	Labor Costs / Respondent	Total Responses	Total Labor Costs
TTB F 511.50, Tax Deferral Bond – Distilled Spirits (Puerto Rico)	1 hour	\$29.65	1	\$29.65	10	\$296.50

Respondent Record Retention: There is no regulatory record retention requirement for this information collection. However, TTB believes that respondents keep a copy of any approved bond form while the bond remains in force as a usual and customary business practice, which, under the Office of Management and Budget (OMB) regulations at 5 CFR 1320.3(b)(2), does not place any additional burden on respondents.

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 believes that there are no annualized start-up or maintenance costs to respondents associated with this occasional information collection. As for mailing costs, TTB estimates that each response costs \$1.00 in postage and mailing supplies. This results in annual costs of \$1.00 per respondent and \$10.00 in total postage and mailing costs to respondents for this information collection.

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

There are no annualized non-labor costs to the Federal Government associated with this information collection. Printing and distribution costs for this collection have decreased to \$0.00 in TTB's cost estimate due to the public availability of forms on the TTB website at <https://www.ttb.gov/forms>.

TTB estimates the annual labor costs to the Federal Government for this collection as follows, based on labor costs for TTB personnel in Puerto Rico (fully-load labor rates and labor costs rounded to the nearest :

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<sup>1</sup> Private Sector Fully-loaded Labor Rate = Wage rate x a factor of 1.44 to account for benefit costs. Per the most recent U.S. Department of Labor, Bureau of Labor Statistics (BLS), data for National Industry-Specific Occupational Employment and Wage Estimates for NAICS 312000—Beverage and Tobacco Product Manufacturing, the average fully-loaded labor rate per hour for Office and Administrative Support Occupations is \$29.65 (\$20.59 in wages plus \$9.06 in benefit costs). See the BLS website at [https://www.bls.gov/oes/current/naics3\\_312000.htm](https://www.bls.gov/oes/current/naics3_312000.htm).

<b>Labor Costs for TTB Personnel in Puerto Rico*</b>					
Position	Fully-loaded Labor Rate/Hour <sup>2</sup>	Processing Time per Response	Labor Costs per Response	Total Responses	Total TTB Labor Costs
GS-5, Step 5, Clerk	\$30.90	6 minutes	\$3.09	10	\$30.90
GS-11, Step 5, Specialist	\$56.66	15 minutes	\$14.17		\$141.70
GS-13, Step 5, Supervisor	\$80.75	3 minutes	\$4.04		\$40.40
<b>TOTALS</b>	<b>(\$53.25)</b>	<b>24 minutes</b>	<b>\$21.30</b>	<b>10</b>	<b>\$213.00</b>

\* Fully-load labor rates and labor costs rounded to the nearest whole cent.

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

There are no program changes or adjustments associated with this information collection at this time.

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?*

As a cost saving measure for both TTB and the public, TTB is seeking approval not to display the expiration date for OMB approval of this information collection on its related form, TTB F 5110.50. By not displaying that date on the form, TTB will not have to update the form on its website each time OMB reapproves this information collection. Similarly, respondents and other businesses will not have to update stocks of the paper form, self-produced electronic copies of the form, or versions of the form made for sale to other businesses. Additionally, not displaying the information collection's OMB approval expiration date on the form will avoid confusion among members of the public who may have copies of the form with different expiration dates in their possession.

<sup>2</sup> Federal Government Fully-loaded Labor Rate = Hourly wage rate x a factor of 1.63 to account for benefit costs. Per the most recent Office of Personnel Management (OPM) wage data, the fully-loaded labor rates for the "Rest of the United States" wage area, which includes Puerto Rico, are: (1) GS-5, step 5, employee = \$30.90 (\$18.96 in wages plus \$11.94 in benefit costs); (2) GS-11, step 5, employee = \$56.66 (\$34.76 in wages plus \$21.90 in benefit costs); and (3) GS-13, step 5 employee = \$80.75 (\$49.54 in wages plus \$31.21 in benefit costs). See the OPM website at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2020/general-schedule/>.

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.