

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement — Information Collection Request

OMB Control Number 1513–0094

Federal Firearms and Ammunition Quarterly Excise Tax Return

**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 Internal Revenue Code of 1986 (IRC), as amended, at 26 U.S.C. 4181, imposes Federal excise tax on the sale of pistols, revolvers, and other firearms, and on shells and cartridges (ammunition), sold by manufacturers, producers, and importers of such articles. The IRC, at 26 U.S.C. 6001, 6011, and 6302, also authorizes the Secretary of the Treasury (the Secretary) to issue regulations regarding IRC-based taxes, returns, and records, including the mode and time for collecting taxes due.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers and collects the firearms and ammunition excise tax (FAET) 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 has delegated certain IRC administrative, enforcement, and regulatory authorities to TTB through Treasury Department Order 120–01.

The TTB regulations regarding FAET are contained in 27 CFR Part 53, Manufacturers Excise Taxes—Firearms and Ammunition. Specifically, 27 CFR 53.151 requires persons who have FAET liability to submit a quarterly tax return using form TTB F 5300.26, Federal Firearms and Ammunition Quarterly Excise Tax Return. Also under that section, persons without any FAET liability in a given calendar quarter are not required to file a quarterly return, but those without any such liability for an entire calendar year are required to file an annual return. In addition, § 53.152 requires a final return for proprietors who cease operations, § 53.153 specifies the time for filing FAET returns, and § 53.154 prescribes the manner for filing FAET returns.

The information collected on TTB F 5300.26 is necessary to protect the revenue and is essential to TTB's administration and timely collection of FAET. The collected information identifies the taxpayer and period covered, the tax due and paid, and allows TTB to ensure that the correct tax payment is made and received.

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?*

This information collection request is necessary to protect the revenue and is essential to TTB's administration of its FAET collection responsibilities. TTB uses the information collected on TTB F 5300.26 to identify firearms and ammunition excise taxpayers, the period covered by the returns, and the amount of taxes due. TTB also uses the collected information to determine if the taxpayer has paid the correct amount of tax and to take additional action, such as assessment or refund, as necessary.

In addition, Federal law at 16 U.S.C. chapter 5B requires the Department of the Interior to distribute the collected FAET to the States to fund wildlife conservation and outdoor recreation programs. The amount of FAET paid is required information on TTB F 5300.26, and TTB uses that information to calculate how much funding is available to the Department of the Interior for distribution to each State and program.

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?*

Registered respondents may use the Federal Government's Pay.gov system to file TTB F 5300.26 and pay FAET (see <https://www.pay.gov/public/home>). In addition, TTB that form is available on the TTB website as a fillable-printable form (see <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?*

TTB is the only Federal government agency that administers FAET, and the information collected on TTB F 5300.26 is pertinent and unique to each respondent's Federal excise tax-related activities and liabilities. Therefore, information similar to that collected on TTB F 5300.26 is not available elsewhere to the Federal government or TTB, and there is no duplication of this collection among TTB's other approved information collections.

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

Persons who manufacture, produce, or import less than 50 firearms in a given calendar year are exempt from FAET and do not file returns, per 26 U.S.C. 4182(c). In general, all other entities, regardless of size, that manufacture, produce, or import firearms and/or ammunition for sale are liable for FAET under 26 U.S.C. 4181, and are required by regulation to file an FAET return on a quarterly basis. Entities without any FAET liability in a given calendar quarter are not required to file a return, and those with no FAET liability for an entire calendar year are only required to file one annual return showing they have no such liability.

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 collecting the information required on the FAET return would jeopardize the revenue. If TTB did not require the use of TTB F 5300.26, the Bureau would not be able to identify taxpayers liable for FAET and the amount of their FAET liability, or determine if the taxpayer

made correct payments. In addition, as the TTB regulations require those with FAET tax liability to file a return on TTB F 5300.26 only on a quarterly basis, TTB believes that less frequent collection of this return would jeopardize the revenue.

In addition, Federal law at 16 U.S.C. chapter 5B requires the Department of the Interior to distribute the collected FAET to the States to support wildlife conservation and outdoor recreation programs. The amount of FAET paid is required information on TTB F 5300.26, and TTB uses that information to calculate how much funding is available to the Department of the Interior for distribution to each State and program.

*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 June 15, 2021, at 86 FR 31818. TTB received no comments on this information collection in response to that notice.

*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?*

While TTB provides no specific assurance of confidentiality for this information collection, Federal law at 26 U.S.C. 6103 prohibits disclosure of tax returns and return information unless specifically authorized by that section. In addition, TTB F 5300.26 contains a general Privacy Act Statement and a second Privacy Act Statement regarding information collected on paper checks. TTB maintains FAET returns and the collected information in secure file rooms 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. TTB has completed a Privacy Impact Assessment (PIA) for the personally identifiable information collected under this request as part of the Tax Major Application System. TTB has issued a Privacy Act System of Records notice (SORN) for that system under Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau (TTB) .001—Regulatory Enforcement System

of Records, which was published in the Federal Register on February 10, 2021, at 86 FR 8988. TTB’s PIAs are available on its website at <https://www.ttb.gov/foia/privacy-impact-assessments>.

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

**Estimated Respondent Burden:** The amount of time respondents require to complete the FAET return, TTB F 5300.26, varies widely due to differences in the number of respondents’ sales and uses subject to tax, and due to the complexity of how FAET is determined for each sale or use by taxpayers. Depending on circumstances, TTB estimates that the amount of time necessary for a respondent to complete a FAET return varies from a few minutes for a no liability tax return to a maximum of 7 hours for a taxpayer with many complex transactions. Based on the maximum 7-hour burden for this information collection, TTB estimates the total annual burden for this collection to be as follows:

<i>Respondent Type</i>	<i>No. of Respondents</i>	<i>Ave. Responses per Respondent</i>	<i>No. of Responses</i>	<i>Time Burden Per Response</i>	<i>Total Estimated Burden</i>
Businesses (for profit)	690	4	2,760	7 hours	19,320 hours
Individuals	25	4	100	7 hours	700 hours
<b>TOTALS</b>	<b>715</b>	<b>4</b>	<b>2,860</b>	<b>7 hours</b>	<b>20,020 hours</b>

**Respondent Labor Costs:** For individuals and private, for-profit businesses, TTB estimates the annual respondent labor cost burden for this information collection as shown below:

<b>NAICS 3120A1—Fabricated Metal Product Manufacturing: Accountants and Auditors – Fully-loaded Labor Rate Per Hour<sup>1</sup> = \$53.83*</b>					
<i>Avg. Time / Response</i>	<i>Labor Cost / Response</i>	<i>Responses / Respondent</i>	<i>Labor Costs / Respondent</i>	<i>Total Respondents</i>	<i>Total Labor Costs</i>
<b>7 hours</b>	<b>\$376.81</b>	<b>4</b>	<b>\$1,507.24</b>	<b>715</b>	<b>\$1,077,676.60</b>

\* Respondent labor costs are rounded to the nearest whole cent.

**Record Retention:** Under 27 CFR 53.24, respondents are required to maintain record copies of their FAET returns for at least three years after the due date of the tax covered by the return. In addition, respondents must keep such record copies where they are immediately available for inspection by TTB officers.

<sup>1</sup> Private Sector Fully-loaded Labor Rate = Hourly wage rate x a factor of 1.44 to account for benefit costs. Based on Department of Labor, Bureau of Labor Statistics (BLS) wage data for NAICS 3320A1 – Fabricated Metal Product Manufacturing, which includes firearms manufacturing, the fully loaded labor rate for accountants and auditors is \$53.83 (\$37.83 hourly wage + \$16.45 in benefit costs). See the BLS website at [https://www.bls.gov/OES/Current/naics4\\_3320A1.htm](https://www.bls.gov/OES/Current/naics4_3320A1.htm). TTB notes that fully-loaded wage rates in this industry for compliance officers, and for office and administrative support functions such as bookkeepers, are less than those of accountants and auditors.

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)?

The taxpayer identity, tax liability, and payment information required on TTB F 5300.26, is minimal. In general, the FAET liabilities reported on this return form are based on the number and sale price of the firearms and ammunition produced by respondents during a given time period. TTB notes that respondents account for such information during the normal course of business in order to control and track their product production, inventory, sales, and shipments. As such, TTB believes that there are no annualized capital, start-up, overhead, or maintenance costs to respondents associated with this information collection.

As for other costs, TTB estimates that the 715 respondents to this information collection have mailing and banking supply costs of \$2.50 per response, which totals \$10.00 per year for four annual responses for each respondent, and \$7,150.00 for all 2,860 annual responses to this information collection.

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

TTB estimates its annual labor costs for this information collection as follows:

<b>Labor Costs for Personnel at TTB's National Revenue Center in Cincinnati, Ohio, for OMB No. 1513-0094*</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	\$32.45	0.1 hour	\$3.25	715	\$2,323.75
GS-11, Step 5, Specialist	\$59.50	0.4 hour	\$23.80		\$17,017.00
<b>Totals</b>			<b>\$27.05</b>	<b>715</b>	<b>\$19,340.75</b>

\* Labor costs rounded to the nearest whole cent.

TTB estimates that it has \$1.00 in overhead costs for each FAET return. However, TTB's printing and distribution costs have decreased to \$0.00 in due to the availability of TTB forms to the public on its website's forms page at <https://www.ttb.gov/forms>. As such, total costs to the Federal Government for this information collection are \$20,055.75 (\$19,340.75 in labor costs and \$715.00 in over costs).

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 number of

<sup>2</sup> Federal Government Fully-loaded Labor Rate = Hourly wage rate x 1.63 to account for benefit costs. Per the most recent Office of Personnel Management (OPM) hourly wage data, the fully-loaded labor rates for the Cincinnati, Ohio, wage area are: (1) GS-5, step 5, employee = \$32.45 (\$19.91 in wages plus \$12.54 in benefit costs); and (2) GS-11, step 5 = \$59.50/hour (\$36.50 in wages plus \$23.00 in benefit costs). See the OPM website at [https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2021/CIN\\_h.pdf](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2021/CIN_h.pdf).

respondents, responses, and total annual burden hours associated with this collection. The per-response burden for this information collection remains the same as previously reported. In summary, these increases are distributed as follows:

Type of Respondent	Respondents	Responses	Burden Hours
Private Businesses	660 to 690	2,640 to 2,760	18,480 to 19,320
Individuals	15 to 25	60 to 100	420 to 700
<b>Totals</b>	<b>675 to 715</b>	<b>2,700 to 2,860</b>	<b>18,900 to 20,020</b>

16. *Outline plans for tabulation and publication for collections of information whose results will be published.*

TTB uses portions of the collected information to compile a generalized quarterly tax collections report, which includes the total amount of FAET collected. However, no individual taxpayer or amount of FAET paid by an individual taxpayer is identifiable in those reports (see <https://www.ttb.gov/tax-audit/tax-collections>).

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 request on form TTB F 5300.26. By not displaying that date on the form, TTB will not have to update the form 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.

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

- (c) See item 5 above.
- (f) This is not a recordkeeping requirement.
- (i) No statistical survey methodology is involved.
- (j) See item 3 above.

**B. Collections of Information Employing Statistical Methods.**

This information collection does not employ statistical methods.