

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0060

Letterhead Applications and Notices Relating to Tax Free Alcohol, TTB REC 5150/4.

Changes Since Last Approval

Changes made to the Supporting Statement since this information collection's last approval:

- Throughout this Supporting Statement, TTB is making minor editorial and grammatical changes for clarity.
- In Question 12, TTB is updating the estimated burden for this collection, is providing an estimate of respondent labor costs, and is stating the respondent recordkeeping burden.
- In Question 13, TTB is providing an estimate of respondent non-labor costs for this collection.
- In Question 14, TTB is providing a more detailed estimate of its costs for this information collection.

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 (IRC, 26 U.S.C.). TTB administers those IRC provisions 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 Order 120-01.

In general, at 26 U.S.C. 5001, the IRC imposes Federal excise tax on all distilled spirits produced in or imported into the United States. However, at 26 U.S.C. 5214, the IRC provides for the tax-free withdrawal of distilled spirits from distilled spirits plants (DSPs) for specified nonbeverage purposes, including for use by Federal, State, local, and tribal governments, and for use by certain educational institutions, laboratories, hospitals, clinics, sanitariums, and blood banks, subject to regulations prescribed by the Secretary. At 26 U.S.C. 5271-5275, the IRC also sets permit, bond, formula submission, recordkeeping, and reporting requirements for the use of tax-free distilled spirits, and authorizes the Secretary to prescribe regulations for such matters.

Under those IRC authorities, the TTB regulations in 27 CFR Part 22, Distribution and Use of Tax-Free Alcohol, require users of tax-free alcohol to submit certain letterhead applications and notices to TTB, which serve as qualifying documents for specific regulated activities or as amendments to previously-filed documents. In general, a respondent undertaking an activity posing greater jeopardy to the revenue must submit and receive approval of a letterhead application before beginning the regulated activity, while those undertaking an activity posing less jeopardy to the revenue submit a letterhead notice reporting that they will undertake the activity. The collected information allows TTB to ensure that provisions of the IRC related to tax-free distilled spirits are appropriately applied.

The following TTB regulations in 27 CFR part 22 contain the letterhead application or notice requirements related to tax-free alcohol, which are covered under this collection:

- § 22.22 Alternate methods or procedures; and emergency variations from requirements.
- § 22.57 Changes affecting applications and permits.
- § 22.58 Automatic termination of permits.
- § 22.61 Change in name of permittee.
- § 22.62 Change in trade name.
- § 22.63 Change in location.
- § 22.68 Notice of permanent discontinuance.
- § 22.122 Losses in transit.
- § 22.142 Destruction.
- § 22.154 Disposition on permanent discontinuance of use.
- § 22.155 Emergency disposition to another permittee.
- § 22.162 Inventories.

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?

TTB uses the collected information to ensure respondent compliance with Federal laws and regulations related to tax-free alcohol. In particular, TTB used this collection to protect the revenue as it assists TTB in detecting diversion of tax-free alcohol to taxable beverage use. Additionally, during field inspections, TTB personnel may examine respondent record copies of the required applications and notices to ensure compliance with relevant regulations and any conditions placed on TTB approval of letterhead applications related to tax-free alcohol.

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.

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 under this collection contain information pertinent to each respondent and applicable to specific activities relating to their use of tax-free alcohol. As far as TTB is 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 22 to submit the letterhead applications or notices required under this collection. TTB considers those requirements to be the minimum necessary to ensure compliance with the Federal laws and regulations related to the use of tax-free alcohol. Waiver or reduction of those requirements, simply because an entity is small, would jeopardize TTB's ability to ensure such compliance and protect 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?*

Not collecting the required letterhead application and notices regarding tax-free alcohol activities would jeopardize TTB's ability to ensure such compliance with relevant Federal laws and regulations and its ability to protect the revenue. Additionally, because tax-free alcohol users submit the required applications and notices only on an as-needed basis, this collection cannot be conducted 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? (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 public, TTB published a "60-day" comment request notice for this information collection in the Federal Register on May 3, 2022, at 87 FR 26261. 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 persons, and 26 U.S.C. 6103 prohibits disclosure of tax returns and related information unless that section specifically authorizes such disclosure. TTB maintains 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. In addition, this information request 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?

Estimated Burden Hours: Based on recent data, TTB estimates that 300 tax-free alcohol users file the letterhead applications and notices required under this collection, with each respondent making one response, for a total of 300 responses. TTB also estimates that, of the 300 total respondents, 224 (75%) are in the private sector, while 76 (25%) are State, local, or tribal governments or institutions. TTB further estimates that each response takes 0.5 hour (30 minutes) to complete, resulting in an estimated total annual burden of 150 hours for this information collection.

Labor cost burden: TTB estimates the per-respondent and total labor costs for this information collection as follows:

Respondent Full-Loaded Labor Cost Estimate for OMB No. 1513–0060, Letterhead Applications and Notices Relating to Tax Free Alcohol, TTB REC 5150/4					
Respondent Type	Fully-loaded Labor Rate per Hour	Time per Response	Labor Cost for 1 Annual Response	Total Responses	Total Labor Costs*
Private Sector Compliance Officer ¹ (Health Care & Social Assistance Sector)	\$47.75	0.5 hour	\$23.88	224	\$5,349.12
State, Local & Tribal Government – Compliance Officer ²	\$50.64	0.5 hour	\$25.32	76	\$1,924.32
TOTALS	(\$48.4896)	0.5 hour	(\$24.2448)	300	\$7,273.44

* Labor costs rounded to the nearest whole cent unless otherwise noted.

Respondent Record Retention: Tax-free alcohol users must maintain file copies of approved letterhead applications and submitted notices for as long as they undertake the approved or noticed activity, and, under 27 CFR 22.164, for an additional 3 years after last undertaking the activity.

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)?*

Respondents do not have any non-labor costs for this occasional, as-needed information collection, other than mailing supply and postage costs. As such, TTB estimates that each of this collection's 300 respondent have no more than \$2.00 in such costs each for their one annual response, resulting in a total of \$600.00 in such costs for this collection.

¹ Private Industry Fully-loaded Labor Rate/Hour = Hourly wage x 1.44 to account for benefit costs. Per the most recent U.S. Department of Labor, Bureau of Labor Statistics, data for National Industry-Specific Occupational Employment and Wage Estimates for Sector 62—Health Care and Social Assistance, TTB estimates the fully-loaded labor rate for Compliance Officers as follows: Average hourly wage of \$33.16 x 1.44 = \$47.75 per hour. See https://www.bls.gov/oes/current/naics2_62.htm. NOTE: That fully-loaded labor rate is higher than that calculated for Sector 61—Educational Services compliance officers (\$32.53 x 1.44 = \$46.84 per hour). As such, the private sector labor costs cited in this table account for all possible respondents. See Educational Services occupation wage rates at https://www.bls.gov/oes/current/naics2_61.htm.

² State and Local Government Fully-loaded Labor Rate/Hour = Hourly wage x 1.6 to account for benefit costs. Per the most recent U.S. Department of Labor, Bureau of Labor Statistics, data for local government (including schools and hospitals), TTB estimates the fully-loaded labor rate for Compliance Officers as follows: Average hourly wage of \$31.65 x 1.6 = \$50.64 per hour. See <https://www.bls.gov/oes/current/999301.htm>. NOTE: That full-loaded labor rate is higher than that calculated for State government Compliance Officers (\$29.61 x 1.6 = \$47.38 per hour). As such, the State, local, and tribal government respondent labor costs cited in this table are a maximum. See State government occupation wage rates at <https://www.bls.gov/oes/current/999201.htm>.

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

General costs: There are no printing, distribution, or other overhead costs to TTB for this information collection, which consists of respondent-generated letterhead applications. However, TTB replies to each submitted letterhead application via U.S. mail, with each response costing no more than \$2.00 in mailing supply and postage costs. As such, TTB estimates its non-labor costs for this collection to be \$300.00 for 150 annual responses to letterhead applications (letterhead notices do not require a TTB response).

Labor costs: Technicians or specialists at TTB's National Revenue Center process and, if necessary, respond to the letterhead applications and notices submitted under this information collection. As such, TTB estimates the annualized labor costs to the Federal Government for this information collection as follows:

Labor Costs for Personnel at TTB's National Revenue Center in Cincinnati, Ohio, for OMB No. 1513-0060					
Position	Fully-loaded Labor Rate per Hour ³	Processing Time per Response	Labor Costs per Response	Total Responses	Total TTB Labor Costs
GS-7, Step 5, Technician	\$41.22	2 hours	\$82.44	150	\$12,366.00
GS-11, Step 5, Specialist	\$60.99	2 hours	\$121.98	150	\$18,297.00
TOTALS	(\$51.105)	2 hours	(\$102.21)	300	\$30,663.00

¹⁵
* TTB labor costs rounded to the nearest whole cent unless otherwise noted.

Total Costs: Given its general and labor costs, TTB estimates the total cost to the Federal government for this information collection to be **\$30,963.00**.

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

There are no program changes associated with this information collection, and TTB is submitting it for extension purposes only. As for adjustments, due to a change in agency estimates, TTB is decreasing the number of annual respondents and responses to this information collection, from 800 to 300 each, which results in a decrease in the estimated total annual burden hours for this collection, from 400 to 150 hours. The estimated number of annual responses per respondent (one) remains unchanged.

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.

³ 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 Federal employees in the Cincinnati, Ohio, wage area are: (1) \$41.22 for GS-7 (step 5), and (2) \$60.99 for GS-11 (step 5). See https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2022/CIN_h.pdf.

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 occasional letterhead applications and notices filed tax-free alcohol users, and there is no prescribed TTB form or online system associated with this information collection. As such, there is no medium for TTB to display this collection's OMB approval expiration date.

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.