

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0049

**Distilled Spirits Plant Denaturation Records (TTB REC 5110/04), and
Monthly Report of Processing (Denaturing) Operations (TTB F 5110.43).**

Changes Since Last Approval

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

- Throughout the Supporting Statement, TTB is making minor editorial and grammatical changes for clarity.
- In Question 12, TTB is updating the respondent burden estimate for this collection, is providing an estimate of respondent labor costs, and is stating its recordkeeping burden.
- In Question 13, TTB is estimating the non-labor costs to respondents for this collection.
- In Question 14, TTB is providing a more detailed estimate of its costs for this collection.
- In Question 15, TTB is explaining the adjustments to this collection's estimated burden.

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, the IRC at 26 U.S.C. 5001 imposes Federal excise tax on distilled spirits produced in the United States, and, to safeguard that revenue, 26 U.S.C. 5207 requires distilled spirits plant (DSP) proprietors to maintain records and submit reports of their production, storage, denaturation, and processing activities as the Secretary requires by regulation. Additionally, the IRC at 26 U.S.C. 5214 authorizes the tax-free withdrawal of

denatured distilled spirits from a bonded premises for certain specified uses, subject to regulations prescribed by the Secretary.

Under those IRC authorities, the TTB regulations in 27 CFR part 19 require DSP proprietors to keep certain records and submit reports regarding their production, receipt, loss, transfer, and withdrawal of denatured spirits. Specifically, § 19.606, Denaturation records, and § 19.607, Article manufacture records, as amplified by §§ 19.381 through 19.396, prescribe the records unique to denaturing operations at DSPs.¹ Additionally, regulations at §§ 19.571 through 19.576 and §§ 19.580 and 19.581 specify the general requirements for the content, format, organization, maintenance, and retention of DSP account records, including those related to denaturing operations. DSP proprietors maintain the collected information under recordkeeping requirement TTB REC 5110/04, Distilled Spirits Plant Denaturation Records. In addition, as required by § 19.632, DSP proprietors use the recorded information to report their denaturing activities to TTB on a monthly basis using form TTB F 5110.43, Monthly Report of Processing (Denaturing) Operations.

Because proprietors may remove denatured spirits from a DSP tax-free, accounting for a DSP's denaturation operations is necessary to ensure that the tax provisions of the IRC are appropriately applied and to detect diversion of untaxed spirits to taxable uses.

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?

To protect the revenue, TTB uses the information regarding DSP denaturing operations required under this collection to ensure that the tax provisions of the IRC regarding distilled spirits are appropriately applied and to detect diversion of untaxed spirits to taxable uses. In addition, TTB personnel use the collected information to analyze industry trends, effectively allocate TTB field resources, and compile generalized industry statistics.

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 may submit form TTB F 5110.43 to TTB electronically via the Pay.gov website (www.pay.gov). In addition, the TTB regulations at 27 CFR 19.572 and 19.573 provide that DSP proprietors may keep information required under part 19 electronically and may maintain that information at the DSP or at a central recordkeeping location. Section 19.634 allows proprietors to provide TTB with computer-generated reports of operations, including the Monthly Report of Processing (Denaturing) Operations, without TTB's preapproval if the resulting document approximates the physical layout, matches each line, and contains the penalty of perjury statement of the corresponding TTB report or form.

¹ Some data elements for denaturing operations records are sourced from the DSP transaction records, which are required under TTB REC 5110/05 and approved under OMB No. 1513-0056.

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 contains information pertinent to each respondent and applicable to the specific issue of their distilled spirits denaturing operations. 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 required information is the minimum necessary to account for all denatured spirits produced, used, and disposed of by DSPs. As such, TTB cannot reduce this collection's requirements based on the size of the respondent entity. However, smaller DSPs will have fewer and smaller transactions, and, as such, their recordkeeping burden will be less. Additionally, the 27 CFR part 19 regulations allow for the use of electronic recordkeeping systems and reporting systems at the respondent's discretion.

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?*

Without the records and reports required under this collection, or with their less frequent collection, TTB would not be able to account for the denatured spirits produced, used, and disposed of by DSPs in a timely manner. Additionally, TTB would be unable to produce its generalized distilled spirits statistical reports, which are used by government, industry, and the public for economic planning and analysis purposes.

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).)*

Under OMB guidelines, requiring reporting more often than quarterly is considered a special circumstance. DSP proprietors conducting denaturing operations are required by regulation at 27 CFR 19.632 to submit TTB F 5110.43 on a monthly basis. This more frequent reporting is necessary to protect the revenue.

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 businesses and individuals, and 26 U.S.C. 6103 prohibits disclosure of tax returns and taxpayer-related information, unless disclosure of the information is specifically authorized by law. DSP proprietors maintain the required records at their premises. TTB maintains the required reports in secure file rooms and computer systems 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. Also, 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?*

Respondent burden: Based on recent data, TTB estimates that 470 DSPs engage in denaturing activities and that each respondent collects the required records and submits 12 monthly reports per year, for a total of 5,640 annual responses. TTB estimates that each response takes 1 hour to complete, evenly divided between recordkeeping and reporting, for an estimated total annual burden of 5,640 hours.

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

NAICS 312000 – Beverage Manufacturing – Compliance Officer					
Fully-loaded Labor Rate/Hour² = \$45.25					
Avg. Time / Response	Labor Cost / Response	Responses / Respondent	Labor Costs / Respondent	Total Responses	Total Labor Costs
1 hour	\$45.25	12	\$543.00	5,640	\$255,210.00

Respondent Record Retention: The TTB regulations in 27 CFR part 19 require DSP proprietors to keep the records required under that part, including copies of any reports submitted to TTB, for at least three years from the date of the record or the date of the last entry, whichever is later. In addition, DSP proprietors must make the required records

² The Fully-loaded Labor Rate = Hourly wage rate + benefit costs, which, for the private sector, is calculated as hourly wage x 1.44. 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 312100—Beverage Manufacturing, the average fully-loaded labor rate per hour for Compliance Officers (13–1041) is \$45.25 (\$31.42 for hourly wages plus \$13.83 for benefit costs); see https://www.bls.gov/oes/current/naics4_312100.htm.

available for TTB inspection during normal business hours. See 27 CFR 19.574, 19.575, and 19.632.

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 there are no annualized capital, start-up, operational, or maintenance costs to respondents associated with this information collection, which generally consists of usual and customary distilled spirits production and inventory records kept during the normal course of business, as well as monthly submissions of distilled spirits production reports based on those records. As for the submission of the required monthly DSP denaturation reports, for the 40 percent of respondents (188 of 470) who submit monthly reports via the Pay.gov website, there are no mailing costs. As for the 75 percent of respondents (282 of 460) who submit their monthly production reports to TTB by mail, TTB estimates annual postage and mailing supply costs as follows: \$2.00 for each response, \$24.00 for each of the 282 respondents making 12 annual responses, for a total of \$6,768.00 in such costs.

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

TTB estimates that the annual costs to the Federal Government for this information collection are as follows:

Labor costs: Clerks process received mail and Pay.gov submissions, complete data entry, and image received reports. Specialists review denaturing reports for errors, unusual activities, and other factors. As such, TTB estimates its annual labor costs for this information collection as follows:

Labor Costs for Personnel at TTB's National Revenue Center in Cincinnati, Ohio, for OMB No. 1513-0049*					
Position	Fully-loaded Labor Rate/Hour ³	Processing Time per Response	Labor Costs per Response	Total Responses	Total TTB Labor Costs
GS-5, Step 5, Clerk	\$33.27	1.67 hours	\$55.56	5,640	\$313,358.40
GS-11, Step 5, Specialist	\$60.99	0.33 hour	\$20.13		\$113,533.20
Totals	(\$37.845)	2 hours	\$75.69		\$426,891.60

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

Overhead costs: TTB estimates \$1.00 in overhead costs for each TTB F 5110.43 submitted, resulting in an annual total of \$5,640.00 in such costs. However, printing and distribution costs to the Federal government have decreased to \$0.00 in TTB's cost estimate due to the availability of TTB forms to the public on the TTB website at <https://www.ttb.gov>.

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 per hour for the Cincinnati, Ohio, wage area are: (1) GS-5, step 5, employee = \$33.27 (\$20.41 in wages plus \$12.86 in benefit costs); and (2) GS-11, step 5 = \$60.99 (\$37.42 in wages plus \$23.57 in benefit costs). See the OPM website at https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2022/CIN_h.pdf.

Total costs: TTB estimates its annual labor and non-labor costs for this information collection to be **\$432,531.60**.

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

There are no program changes associated with this collection. As for adjustments, due to changes in agency estimates resulting from growth in the number of DSPs that engage in denaturing activities, TTB is reporting an increase in the number of annual respondents to this information collection, from 385 to 470. This results in corresponding increases in the number of annual responses and estimated total burden hours for this information collection, from 4,620 to 5,640. The number of annual responses per respondent remains 12 (one per month) as does the burden per-response (1 hour).

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

TTB publishes compiled data collected on form TTB F 5110.43, Monthly Report of Processing (Denaturing) Operations, in its monthly and yearly Distilled Spirits Statistics Reports. TTB posts those reports on its website at <https://www.ttb.gov/distilled-spirits/statistics>. Individual respondents are not identified in those reports, as the reports contain only generalized data regarding aggregate amounts of distilled spirits, including denatured spirits, produced and withdrawn from DSPs each month and cumulatively for the calendar year.

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?*

TTB will display the expiration date for OMB approval of this information collection request on form TTB F 5110.43. As for the recordkeeping portion of this information collection request, there is no medium for TTB to display the expiration date of its OMB approval as DSP proprietors keep such records at their premises.

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

- (c) See item 5 above.
- (i) No statistics are involved.

B. Collections of Information Employing Statistical Methods.

This information collection request does not employ statistical methods.