

**DEPARTMENT OF THE TREASURY**

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**

**Supporting Statement -- Information Collection Request**

**OMB Control Number 1513-0057**

**Letterhead Applications and Notices Relating to Wine (TTB REC 5120/2)**

**Changes Since Last Approval**

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

- In Question 8, TTB is updating the Federal Register publication citation for the most recent 60-day notice requesting comments on this information collection.
- In Question 12, TTB is updating the estimated burden for this information collection and is providing an estimate of its respondent labor costs.
- In Question 13, TTB is now accounting for the respondent mailing costs associated with this information collection.
- In Question 14, TTB is providing a more detailed estimate of its labor costs associated with this information collection.
- In Question 15, TTB explains the change in burden estimate for this information collection.
- Throughout this Supporting Statement, TTB is making minor editorial and grammatical changes for clarity.

**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 imposes Federal excise tax on wine,<sup>1</sup> governs establishment of and activities at wine premises, and authorizes the Secretary to issue regulations regarding such taxes and activities. Specific to this information collection, at 26 U.S.C. 5351-5373, the IRC governs establishment and operation of wine premises (wine cellars, wineries, storage

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<sup>1</sup> The IRC, at 26 U.S.C. 5041, prescribes six tax classes for wine. Five classes are based on a wine's alcohol content and the amount and source of carbon dioxide in the wine, while hard cider constitutes the sixth tax class.

warehouses, and taxpaid wine bottling houses), and, at 26 U.S.C. 5381–5388, it defines or sets standards for natural wine, special natural wine, agricultural wine, cellar treatment of natural wine, amelioration and sweetening of wine, and designations of wines. In addition, at 26 U.S.C. 5391, 5392, and 5661–5663, the IRC governs exemptions from distilled spirits taxes for wine spirits, defines certain terms, and provides criminal penalties for unauthorized production of wine or misrepresentation of wine in its labeling, packaging, or advertising.

Under those IRC authorities, the TTB regulations in 27 CFR Part 24, Wine, require wine premise proprietors to submit letterhead applications or notices to TTB regarding the use of alternate regulatory compliance methods or procedures, and regarding the use of certain specified wine premise operations—particularly those that affect the designation, tax rate, or volume of wine produced or removed. In general, the regulations require submission of letterhead applications, which TTB must approve, for wine premise operations posing a greater jeopardy to the revenue, but only require submission of letterhead notices regarding operations that pose less jeopardy to the revenue. As such, this information collection is necessary to ensure that proposed wine-related actions comply with relevant laws and regulations and do not jeopardize the revenue or pose a burden to the administration of TTB’s wine regulations.

The following TTB regulations in 27 CFR part 24 require the submission of a letterhead application or notice:

<b>Letterhead Applications</b>	
§ 24.21, Modified forms.	§ 24.22, Alternate method or procedure.
§ 24.25, Emergency variations from requirements.	§ 24.77, Experimental wine.
§ 24.91, Conveyance of untaxpaid wine or spirits.	§ 24.103, Other operations.
§ 24.108, Bonded wine warehouse application.	§ 24.235, Taxpayment or destruction of spirits.
§ 24.249, Experimentation with new treating material or process.	§ 24.250, Application for use of new treating material or process.
§ 24.294, Destruction of wine.	§ 24.296(b), Taxpaid wine operations.
<b>Letterhead Notices</b>	
§ 24.77(e), Experimental wine.	§ 24.131, Change in building construction and use of premises.
§ 24.140, Notice. [Discontinuance of operations.]	§ 24.141, Bonded wine warehouse. [Notice of discontinuance of operations.]
§ 24.230, Examination of tank car or tank truck.	§ 24.231, Receipt of spirits in sealed bulk containers.
§ 24.236, Losses of spirits.	§ 24.242. Authority to use greater quantities of decolorizing material in juice or wine.
§ 24.268, Losses by fire or other casualty.	

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?*

Wine premise proprietors submit letterhead applications and notices to TTB to request permission to use alternate regulatory compliance methods or procedures or to undertake, or give notice of, certain specified wine premise operations that may affect the kind of wine produced or removed, its tax rate, or its taxable volume. TTB personnel process these applications and notices to ensure that a respondent's proposed action complies with relevant laws and regulations and does not jeopardize the revenue or pose a burden to TTB's administration of its wine regulations, while allowing maximum operational flexibility to wine industry members. In addition, during field audits or inspections, TTB personnel may examine file copies of previously-submitted letterhead applications and notices to ensure that their proprietors are in compliance with approved alternate methods or procedures, or with approved or notified wine operations.

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. Wine premise proprietors may use information technology at their discretion to prepare and maintain file copies of the required applications and notices.

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 information collection contain information pertinent to each respondent and applicable to a specific alternative method or procedure or wine premise operation for which application or notice is required. 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 TTB regulations require all entities, regardless of size, to submit the letterhead applications and notices required under this information collection. Waiver or reduction of these requirements simply because a wine premises is small would jeopardize the revenue and would not allow TTB to ensure the proposed action is in compliance with relevant laws and regulations. However, because respondents submit the required applications and notices only on an as-needed basis, TTB does not believe that this collection has a significant impact on a substantial number of small entities.

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?*

TTB considers the required letterhead applications and notices to be the minimum necessary to protect the revenue and ensure compliance with the statutes and regulations governing wine premise operations. Respondents make such submissions only as needed, and, as such, 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? (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 regarding this information collection, TTB published a “60-day” notice in the Federal Register on February 18, 2022, at 87 FR 9420. TTB received no comments on this 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 submitted letterhead applications and notices 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. 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 experience, TTB estimates 2,000 respondents file an average of one letterhead application or notice relating to wine on an annual basis, resulting in 2,000 total annual responses. TTB further estimates that each response takes 30 minutes (0.5 hours) to complete. Therefore, the estimated total annual burden for this information collection is 1,000 hours.

Estimated Respondent Labor Costs: Based on the average fully-loaded labor rate of \$45.24 per hour for compliance officers employed in the beverage manufacturing industry, TTB estimates the per-respondent and total respondent labor costs for this information collection as follows:<sup>2</sup>

<b>Respondent Labor Costs for OMB No. 1513-0057</b> <b>(Beverage Industry Compliance Officers — Average Fully-Loaded Labor Rate = \$45.24/hour*)</b>					
Avg. Time / Response	Fully-loaded Labor Rate / Response	Responses / Respondent	Labor Costs / Respondent	Total Responses	Total Labor Costs
0.5 hour	\$45.24	1 annually	\$22.62	2,000	<b>\$45,240.00</b>

\* The fully-loaded labor rates and respondent labor costs are rounded to the nearest whole cent.

Recordkeeping: Under 27 CFR 24.300(d), respondents must maintain record copies of submitted letterhead applications and notices for a period of not less than 3 years from the record date, or the date of the last use of the approved or noticed action, whichever is later.

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 respondents to this information collection have no non-labor costs other than mailing supply and postage costs. As such, TTB estimates that each respondent has no more than \$2.00 in such costs for their one annual response. Therefore, these costs total \$4,000.00 for the estimated 2,000 annual responses to this collection.

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

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

General costs: There are no printing or distribution costs to TTB associated with this information collection as it consists of respondent-generated letterhead applications and notices. In response to letterhead applications, TTB generates a letter in return, informing the respondent of the Bureau's decision regarding their application. At a cost of \$2.00 per

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<sup>2</sup> Private Sector Fully-loaded Labor Rate = Hourly wage rate x 1.44 to account for employee 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 312100—Beverage Manufacturing, the mean hourly wage for Compliance Officers (13-1041) is \$31.42/hour, which results in a fully-loaded labor rate of \$45.24/hour. See [https://www.bls.gov/oes/current/naics4\\_312100.htm](https://www.bls.gov/oes/current/naics4_312100.htm).

response, TTB will have no more than \$4,000.00 per year in such costs for this information collection.

Labor costs: TTB estimates the annualized labor costs to the Federal Government for this information collection request as follows:

<b>Labor Costs for OMB No. 1513–0057 for TTB Personnel at TTB’s National Revenue Center in Cincinnati, Ohio</b>					
Position	Fully-loaded Labor Rate per Hour <sup>3</sup>	Processing Time per Response	Labor Costs per Response	Total Responses	Total TTB Labor Costs
GS–5, Step 5, Clerk	\$33.27	0.2 hour	\$6.65	2,000	\$13,300.00
GS–11, Step 5, Specialist	\$60.99	1.0 hour	\$60.99		\$121,980.00
GS–13, Step 5, Supervisor	\$87.76	0.3 hour	\$26.33		\$52,660.00
<b>TOTALS</b>	<b>(\$62.6467)</b>	<b>1.5 hours</b>	<b>\$93.97</b>	<b>2,000</b>	<b>\$187,940.00</b>

\* Fully-loaded labor rates and Federal employee labor costs rounded to the nearest whole cent unless otherwise noted.

Total Costs: Given the above, TTB estimates that the total cost to the Federal Government for this information collection is no more than **\$191,940.00**.

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

There are no program changes associated with this information collection at this time. As for adjustments, due to changes in agency estimates, TTB is increasing the number of annual respondents, responses, and burden hours associated with this collection, from 1,650 respondents and responses to 2,000, and from 825 hours to 1,000. Those increases result from continued growth in the number of wine premises in the United States. (The estimated number of annual responses per respondent, one, and the estimated burden per-response, 0.5 hours, remain the same as previously reported.) TTB also is now accounting for the respondent mailing costs associated with this information collection.

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?*

<sup>3</sup> Federal Government Fully-loaded Labor Rate = Hourly wage x 1.63 to account for employee benefit costs. Per the most recent Office of Personnel Management (OPM) salary tables for Federal employees in the Cincinnati, Ohio, wage region, the hourly fully-loaded wage rates for TTB employees are as follows: (1) \$33.27 for GS–5 (step 5), (2) \$60.99 for GS–11, step 5, and (3) \$87.76 for GS–13, step 5. See [https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2022/CIN\\_h.pdf](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2022/CIN_h.pdf).

This information collection consists of letterhead applications and notices submitted to TTB by wine industry members. As such, there is no prescribed TTB form for this information collection and, thus, there is no medium for TTB to display its 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.