

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement -- Information Collection Request

OMB Control Number 1513-0062

Usual and Customary Business Records Relating to Denatured Spirits (TTB REC 5150/1)

Changes Since Last Approval

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

- In Question 8, TTB is updating the 60-day notice publication information for this information collection.
- TTB is revising Question 15 to state that there are no program changes or adjustments to this information collection at this time.

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.

To control the industrial use of alcohol, the IRC at 26 U.S.C. 5271-5275 imposes a system of permits, bonds, records, reports, and other requirements on distributors and users of denatured alcohol. Such requirements are necessary to protect the revenue by preventing the diversion of denatured alcohol, which is generally not subject to Federal excise tax, to beverage use, which is subject to that tax. Those IRC sections also authorize the Secretary to issue regulations regarding the distribution and use of denatured alcohol.

Under those IRC authorities, the TTB regulations in 27 CFR Part 20, Distribution and Use of Denatured Alcohol and Rum, require denatured alcohol users to apply for and receive a permit to procure or use certain tax-free distilled spirits, procure, deal in or use specially denatured distilled spirits (SDA), or recover specially denatured or completely denatured distilled spirits (CDA). Specific to this information collection, those regulations also mandate that such permittees keep certain usual and customary business records relating to their procurement, distribution, and use of denatured alcohol. Those records include purchase invoices for denatured alcohol, as well as internal company records that document the flow of ingredients and materials through the manufacturing, packing, storage, and shipment

process for articles made with or containing denatured alcohol. The following 27 CFR part 20 regulatory sections contain the recordkeeping requirements covered under this information collection:

- § 20.95 Developmental samples of articles.
- § 20.142 Records of bulk conveyances.
- § 20.149 Records.
- § 20.163 Receipt and storage of specially denatured spirits.
- § 20.170 Physical inventory.
- § 20.171 Record of shipment.
- § 20.172 Records.
- § 20.180 Record of packages filled.
- § 20.192 Manufacturing record.
- § 20.202 Losses in transit.
- § 20.203 Losses on premises.
- § 20.212 Deposit in receiving tanks.
- § 20.216 Record of shipment.
- § 20.222 Destruction.
- § 20.231 Return.
- § 20.232 Reconsignment in transit.
- § 20.235 Disposition to another user.
- § 20.251 General.
- § 20.261 Records of completely denatured alcohol.
- § 20.262 Dealer's records of specially denatured spirits.
- § 20.263 User's records of specially denatured spirits.
- § 20.264 User's records and report of products and processes.

Under § 20.267, respondents must maintain the required records for not less than 3 years after filing the required report covering the related denatured alcohol operation.

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?*

Respondents maintain the required usual and customary records relating to denatured spirits at their business premises, and TTB personnel routinely inspect those records during field tax audits and compliance investigations. TTB uses the required records to protect the revenue and public safety. The required records allow TTB to account for the distribution and use of denatured spirits, ensure that permittees have not diverted denatured spirits to taxable beverage use, and verify that permittees have used denatured spirits only for purposes authorized by law or regulation.

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 maintain the required records related to denatured alcohol at their business premises, subject to inspection by TTB personnel. Respondents may keep and maintain the required records in paper, microform, or electronic formats at their discretion.

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 requires respondents to keep and maintain usual and customary business records relating to their procurement, distribution, and use of denatured alcohol. Such records are pertinent and specific to each recordkeeper, and similar information is not available to TTB elsewhere.

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

This information collection requires the keeping of usual and customary business records related to denatured alcohol, and TTB considers this requirement to be the minimum necessary to protect the revenue and ensure compliance with TTB administered laws and regulations regarding denatured. Per the Office of Management and Budget (OMB) regulations at 5 CFR 1320.3(b)(2), the keeping of usual and customary business records imposes no burden on respondents, and, in any event, waiver or reduction of this recordkeeping requirement, simply because the respondent's business is small, could 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?

This information collection is necessary to protect the revenue and ensure public safety as it allows TTB to detect diversion of non-taxed denatured alcohol to taxable beverage use. If TTB did not require respondents to maintain usual and customary business records related to denatured alcohol, there would be a significant gap in the audit trail for such spirits, and TTB would find it difficult or impossible to trace denatured alcohol transactions. In addition, because this information collection requirement consists of usual and customary records kept by respondents on an on-going basis during the normal course of business, 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.

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 general public and other government agencies, TTB published a “60-day” comment request notice for this information collection in the Federal Register on July 21, 2023, at 88 FR 47235. 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?*

TTB provides no specific assurance of confidentiality for this information collection, which consists of usual and customary business records kept by respondents at their business premises. However, Federal law at 5 U.S.C. 552 protects the confidentiality of proprietary information obtained by the Government from regulated businesses and individuals, while 26 U.S.C. 6103 prohibits disclosure of tax returns and tax-related information unless disclosure is specifically authorized by the IRC.

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, consisting of usual and customary business records kept by respondents at their premises, contains no questions of a sensitive nature. In addition, this recordkeeping requirement does not collect personally identifiable information (PII) in a government 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 Respondent Burden and Labor Costs: Based on recent data, TTB estimates that 1,550 private sector entities and 1,550 State, local, and tribal government entities respond once annually to this on-going usual and customary business recordkeeping requirement, resulting in an annual total of 3,100 respondents and 3,100 responses. Because this information collection consists of usual and customary records relating to denatured alcohol kept by respondents during the normal course of business regardless of any regulatory requirement to do so, there are zero respondent burden hours or labor costs associated with this collection under the OMB regulations at 5 CFR 1320.3(b)(2).

Respondent Recordkeeping Requirement: Under 27 CFR 20.267, respondents must maintain the required usual and customary business records for not less than 3 years after filing the required report related to the relevant denatured alcohol operation.

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)?*

This information collection consists of usual and customary records kept by respondents at their business premises during the normal course of business. As such, there are no non-labor respondent costs associated with this collection.

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

There are costs to the Federal Government for this information collection as it consists of usual and customary business records kept by respondents at their business premises.

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, and TTB is submitting it for extension purposes only.

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?*

This information collection requirement consists of usual and customary business records kept by respondents keep at their business premises during the normal course of business. As such, there is no form or other medium for TTB to display the OMB approval expiration date for this collection.

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

(c) See item 5 above.

(g) This information collection consists of usual and customary records kept by respondents at their premises during the normal course of business. As such, there is no prescribed medium for TTB to inform respondents of the information called for under 5 CFR 1320.8 (b)(3).

(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.