

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement for Information Collection Request

OMB Control Number 1513–0021

Formula and Process for Nonbeverage Products

Changes Since Last Approval

In this Supporting Statement, TTB is revising Question 2 for conciseness and is updating the information provided in Questions 8, 12, 13, 14, and 15 to reflect, respectively, the latest 60-day notice publication information, respondent burden and labor costs, respondent non-labor costs, Federal Government costs, and the adjustments associated with this information collection request.

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.

In general, the IRC at 26 U.S.C. 5001 imposes a Federal excise tax of varying rates on distilled spirits produced in or imported into the United States. However, the IRC at 26 U.S.C. 5111–5114 authorizes drawback (refund) of most of the excise taxes paid on distilled spirits used by manufacturers to produce certain nonbeverage products. Specifically, section 5111 requires that the taxpaid distilled spirits in question must be used "in the manufacture or production of medicines, medicinal preparations, food products, flavors, flavoring extracts, or perfume, which are unfit for beverage purposes," while section 5114 sets the drawback rate at \$1.00 less than the per-gallon rate at which the spirits were taxpaid. To ensure that nonbeverage product drawback claims are not fraudulent, section 5112 requires claimants to keep records substantiating the use of taxpaid distilled spirits in the production of eligible nonbeverage products, and it requires them to comply with the regulations prescribed by the Secretary regarding such claims. In addition, section 5113 authorizes the Secretary to investigate the correctness of any drawback claim.

Under those IRC authorities, TTB has issued regulations in 27 CFR part 17 concerning nonbeverage product drawback claims. Specific to this information collection, §§ 17.121, 17.122, 17.126, 17.127, 17.132, and 17.136 require manufacturers to submit quantitative

formulas and statements of process on form TTB F 5154.1, Formula and Process for Nonbeverage Products, for all nonbeverage products for which they will claim drawback. When requested by TTB, § 17.123 requires manufactures to submit additional statements of process and any other data necessary for TTB to determine a product's drawback eligibility, while § 17.124 requires manufacturers to submit samples of intermediate and finished nonbeverage products and certain mixtures for TTB analysis. In addition, § 17.125 allows manufactures to submit a letterhead notice when adopting an approved formula for use at another plant they operate or when adopting a formula used by a preceding proprietor.

These formula submission requirements enable TTB to ensure that products made with taxpaid distilled spirits are unfit for beverage use and are of the types authorized by the IRC for nonbeverage product drawback. When TTB has determined whether a product is or is not fit for beverage use and is or is not eligible for drawback under the IRC, TTB enters that information on the form and returns a copy to the manufacturer.

TTB pays nonbeverage product drawback claims on a quarterly or monthly basis if filed within 6 months of the next succeeding quarter in which the taxpaid spirits in question were used in an eligible product's manufacture. However, TTB encourages manufacturers to submit formulas for drawback approval before beginning mass production of a nonbeverage product made with taxpaid spirits. This procedure is beneficial for the manufacturer as it allows them to know in advance of actual manufacture if such a product is or is not eligible for nonbeverage product drawback.

This information collection is aligned with the following Line of Business/Sub-function:
General Government / Taxation Management.

2. How, by whom, and for what purpose is this information used?

TTB laboratory personnel use the formula and process information required under this information collection to determine if products made with taxpaid distilled spirits are unfit for beverage use and are of the types authorized by the IRC for nonbeverage product drawback. TTB makes this determination once for each formula submitted and reports its determination to the applicant. Once a respondent submits a nonbeverage drawback claim, TTB field inspectors and National Revenue Center specialists may investigate the correctness of the claim. By comparing claimant records and reports with the information on a nonbeverage product formula application, TTB can ascertain whether the product was made in conformity with its approved formula and is thus entitled to drawback.

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?

Electronic submissions: Respondents may electronically submit nonbeverage product formulas or upload letterhead formula adoption notices via the TTB website using the Formulas Online (FONL) system; see <https://www.ttb.gov/formulation>. FONL allows respondents to draft, submit, sign, and track nonbeverage product formula and process applications, and respondents may upload any required supporting documentation as attachments to the related FONL application.

Paper submissions: TTB F 5154.1, Formula and Process for Nonbeverage Product, is available at no cost to respondents on the TTB website as a fillable-printable form; see <https://www.ttb.gov/public-information/forms>. Respondents also may submit formula adoption notices as self-generated letterhead 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?

This collection requests information pertinent to each respondent and applicable to the specific issue of submitting formulas and processes for nonbeverage products to TTB for the purpose of determining eligibility for drawback of excise tax under the IRC. As far as TTB is able to determine, similar information is not available to the Bureau elsewhere.

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

Under authority of the IRC at 26 U.S.C. 5111–5114, the TTB regulations require all entities, regardless of size, to submit the required nonbeverage formula and process information to TTB so that the Bureau can determine if products made with taxpaid distilled spirits are statutorily eligible for drawback of the excise tax paid on those spirits. This determination is necessary to support non-beverage drawback claims made to TTB, and waiver or reduction of this requirement, simply because the respondent's business is small, would jeopardize the revenue by allowing incorrect or fraudulent drawback claims to be paid.

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?

If TTB did not conduct this information collection, it would not be able to determine if a product made with taxpaid distilled spirits is eligible for nonbeverage product drawback as authorized by the IRC, and TTB would not be able to grant such drawback claims. In addition, respondents submit this information collection only once for each nonbeverage product formula used in manufacturing articles for which they wish to claim drawback. 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, TTB published a “60-day” comment request notice for this information collection in the Federal Register on November 29, 2024, at 89 FR 94871. 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?

The Paperwork Reduction Act Notice included on TTB F 5154.1 and a notice in FONL states, "The information collected on this form must be considered confidential tax information under 26 U.S.C. 6103 and must not be disclosed to any unauthorized party under 26 U.S.C. 7213." In addition, 5 U.S.C. 552 protects the confidentiality of proprietary information obtained by the Government from regulated businesses and individuals. TTB maintains the collected information 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 request contains no questions of a sensitive nature. In addition, this request does not collect personally identifiable information (PII) in an electronic system. Therefore, no Privacy and Civil Liberties Impact Assessment (PCLIA) 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: Based on recent data, TTB estimates the annual burden for this information collection as follows:

Format*	No. of Respondents	Average. Responses / Respondent	Annual Responses	Hours Per Response	Burden Hours
Paper (TTB F 5154.1)	20	7	140	0.9 hour	126 hours
FONL	332	40	13,280	0.6 hour	7,968 hours
Totals	352	(38.125)	13,420	(0.6031)	8,094 hours

* Each format includes the submission of any required product samples and any additional process statements or data required by TTB for formulas submitted via that format, and any letterhead formula adoption notices submitted to TTB via that format.

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

Average Fully-Loaded Wage for Chemists in the Pharmaceutical and Medicine (NAICS 325400) and the Soap, Cleaning Compound, and Toilet Preparation (NAIC 325600) Manufacturing Industries = \$60.29^{1*}						
Format	Avg. Time / Response	Labor Cost / Response*	Responses / Respondent	Labor Costs / Respondent	Total Respondents	Total Labor Costs
Paper (TTB F 5154.1)	0.9 hour	\$54.26	7	\$379.82	20	\$7,596.40
FONL	0.6 hour	\$36.17	40	\$1,446.80	332	\$480,337.60
TOTALS	(0.6031)	(\$36.3587)	(38.125)	(\$1,386.1761)	352	\$487,934.00

* Fully-loaded labor costs rounded to the nearest whole cent unless otherwise noted.

Record retention: Under 27 CFR 17.170, respondents must maintain a copy of the TTB F 5154.1 containing an approved nonbeverage product formula for at least 3 years after the last drawback claim is made under that formula.

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)?*

Nonbeverage product manufacturers develop product formulas and production processes during the normal course of business, and, as such, TTB believes that there are no start-up, capital, or ongoing costs to respondents for this information collection.

As for postage and mailing supply costs, all paper filers will have such costs for submission of the nonbeverage formula form (TTB F 5154.1), while TTB estimates that 20 percent of all respondents will be required to submit samples of a nonbeverage product to TTB for analysis (4 of 20 paper filers and 66 of 332 electronic filers, totaling 70 respondents).

Item	Cost / Response	No. of Responses	Costs / Respondent	No. of Respondents	Total Postal Costs
Paper Forms (TTB F 5154.1)	\$2.00	7	\$14.00	20*	\$280.00
Samples	\$30.00	(38.125)	\$1,143.75	70	\$80,062.50
Totals	(\$30.1049)	(38.125)	(\$1,147.75)	70	\$80,342.50

* Respondents using paper forms are within the 70 total respondents.

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

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

Labor Costs: TTB estimates its labor costs related to this information collection as follows:

¹ 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 (BLS), data for National Industry-Specific Occupational Employment and Wage Estimates, the averaged fully-loaded wage for Chemists(19-2031) in the Pharmaceutical and Medicine (NAICS 325400) and the Soap, Cleaning Compound, and Toilet Preparation (NAIC 325600) Manufacturing Industries, is \$60.29, based on respective average wages of \$41.70 and \$42.04 per hour. 56.49 (\$39.23 for hourly wages plus \$17.26 for benefit costs); see the BLS website at and https://www.bls.gov/oes/current/naics4_325400.htm and https://www.bls.gov/oes/current/naics4_3250A2.htm.

Labor Costs for TTB Laboratory Personnel (Washington, DC Pay Area) for OMB No. 1513-0021*					
Position	Fully-loaded Labor Rate/Hour ²	Processing Time per Response	Labor Costs per Response	Total Responses	Total TTB Labor Costs
GS-9, Step 5 Legal Instrument Examiner	\$61.89	0.2 hour	\$12.378	13,420	\$166,112.76
TTB Chemists ³	\$91.08	0.6 hour	\$54.648		\$733,376.16
TOTALS	(\$83.7825)	0.8 hour	\$67.026	13,420	\$899,488.92

* TTB fully-loaded labor costs rounded to the nearest whole cent unless otherwise noted.

In addition, TTB estimates an average of \$7.00 in overhead and laboratory supply costs for each non-beverage formula and process submission it reviews, for a total of \$93,940.00 in such costs. However, TTB's printing and distribution costs for this information collection have decreased to \$0.00 in due to the availability of its forms to the public on the TTB website's forms page at <https://www.ttb.gov/public-information/forms>.

Given the labor and non-labor cost estimates noted above, the total cost to the Federal Government for this information collection is **\$993,428.92** per year.

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

There is no program change associated with this collection at this time, and TTB is submitting it for extension purposes only. As for adjustments, due to changes in agency estimates, TTB is decreasing the estimated annual burden associated with this information collection. Specifically, TTB is decreasing the number of annual respondents (from 420 to 352), average number of responses per respondent (from 39.7143 to 38.125), total responses (from 16,680 to 13,420), and total burden hours (from 10,152 to 8,094).

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?*

TTB will display the expiration date for OMB approval of this information collection on its related form, TTB F 5154.1.

² 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) Federal hourly wage data, the fully-loaded labor rates for the Washington, DC wage area are: (1) GS-9, step 5 = \$61.89; (2) GS-11, step 5 = \$74.88; (3) GS-12, step 5 = \$89.76; (4) GS-13, step 5 = \$106.73; and (5) GS-14, step 5 = \$126.13. See the OPM website at https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2025/DCB_h.pdf.

³ The TTB Nonbeverage Laboratory employs 1 GS-9, 1 GS-11, 4 GS-12, 1 GS-13, and 1 GS-14 chemists. The resulting average fully-loaded wage rate, rounded to the nearest cent, for those employees is \$91.08.

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.

B. Collections of Information Employing Statistical Methods.

This information collection does not employ statistical methods.