

DEPARTMENT OF THE TREASURY

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Supporting Statement – Information Collection Requirement

OMB Control Number 1513-XXXX

TTB F 5110.77 Distilled Spirits Plant Operations Report – Beverage (Nonindustrial) Alcohol

TTB F 5110.78 Distilled Spirits Plant Operations Report – Industrial Alcohol

A. Justification.

1. What are the circumstances that make this collection of information necessary and what legal or administrative requirements necessitate the collection? Also include the following: Align the information collection to Treasury's Strategic Goals, Line of Business/Sub-function, and IT Investment, if one is used.

Federal law, 26 U.S.C. 5001(a)(1), imposes a tax of \$13.50 per proof gallon on all distilled spirits produced in or imported into the United States, a tax rate that is greater than the production cost of spirits. To safeguard the revenue from this tax, Congress required, in 26 U.S.C. 5207, that distilled spirits plant (DSP) proprietors submit certain reports covering their operations. Regulations in 27 CFR 19.632 prescribe the reporting requirements for these operations.

There are currently four collections of information covering both DSP reporting requirements under § 19.632 and certain DSP recordkeeping requirements under other regulations (OMB Control Numbers 1513-0047, 1513-0039, 1513-0041, and 1513-0049). Consistent with the proposed regulatory changes, TTB is replacing the four existing collections of information with two new collections covering, respectively, these recordkeeping and reporting requirements. The proposed new reporting requirements that will be associated with this control number will decrease the number of operational reports that DSP proprietors are required to submit to TTB and therefore decrease reporting burdens on proprietors. The recordkeeping requirements are those that occur in the course of normal business practices and have been updated accordingly.

Under the proposed § 19.632, proprietors will submit one or two reports on a monthly or quarterly basis. Proprietors that are qualified to conduct either industrial or beverage operations will complete, respectively, an industrial report or a beverage report; proprietors qualified to conduct both types of operations will complete both reports. In addition, § 19.632 allows proprietors to submit required reports quarterly, rather than monthly, if they pay excise taxes and file excise tax returns quarterly in accordance with 27 CFR 19.235.

This information collection is aligned with:

Treasury Strategic Goal: Effectively Manage U.S. Government Finances.

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?

The Alcohol and Tobacco Tax and Trade Bureau (TTB) uses information collected from operational reports to protect Federal excise tax revenue and to compile statistics for use by TTB, other Government agencies, and industry. TTB management, specialists, and the Director of TTB's National Revenue Center (NRC) use operational reports:

- To monitor industry operations for compliance with statutes and regulations, including to verify proper tax payments;
- To analyze trends;
- To allocate field resources most effectively;
- To compile statistics; and
- As an audit tool in revenue protection inspections.

TTB management uses operational reports to analyze trends in the industry and to plan the most efficient allocation of field resources. Operational reports are an important management tool for determining inspection priorities for purposes of protecting the revenue. TTB analyzes the data contained in the reports, assesses potential risk to the revenue, and plans audits, inspections, and other reviews based on these analyses.

If TTB did not collect information from operational reports, it would have to rely solely on field investigators to monitor compliance with the laws and regulations governing DSP operations. Given agency resources, the reports are an essential tool for monitoring DSP operations in order to protect the revenue.

TTB field investigators also use reports to conduct tax compliance inspections at DSPs. Investigations often involve significant amounts of data, and reports summarizing DSP operations are therefore critical in enabling investigators to determine the aspects of the operations that deserve the closest scrutiny. Also, reports enable investigators to formulate a statistical sampling approach in order to verify DSP data.

TTB also uses operational reports to collect important tax and statistical information. TTB uses reports to determine, in part, the amount of revenue to be paid to the treasuries of Puerto Rico and the U.S. Virgin Islands under 26 U.S.C. 7652. Without these reports, TTB would not have the data necessary to fully determine cover-over payments. TTB also uses data from operational reports to summarize DSP operations in the agency's statistical releases. There are over 1,000 subscribers to this statistical release. Subscribers include other Federal agencies, State and local Governments, academic institutions, members of the press, and trade associations.

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 continually works to use updated technological collection techniques. TTB currently allows proprietors to submit operational reports electronically through Pay.gov. Presently, TTB also allows proprietors to submit reports manually where they do not use Pay.gov. For both electronic and manual submissions, TTB uses features that help ensure the accuracy of reported information and reduce the need for proprietors to submit amended reports when errors are discovered.

4. What efforts are used to identify duplication? Why can't any similar information already available be used or modified for use for the purposes described in Item 2 above?

TTB F 5110.77 and TTB F 5110.78 contain information summarizing DSP operations and that information is applicable only to each individual proprietor. Similar information submitted in this form is not available elsewhere.

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

TTB has designed reporting requirements to minimize burdens on small businesses or other small entities consistent with its mission to protect the revenue. TTB allows certain smaller proprietors to submit required reports quarterly, rather than monthly, if they pay excise taxes and file excise tax returns quarterly. The information otherwise collected from the reports is the minimum amount necessary to 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?

TTB has designed the operational reports, and the requirements relating to the frequency with which they must be submitted, in order to minimize burdens consistent with TTB's mission to protect the revenue. As compared with the proposed § 19.632 governing DSP reporting, current reporting regulations require most DSP proprietors to submit more reports on a more frequent basis. TTB is proposing to allow certain smaller taxpayers to submit reports on a quarterly basis, rather than on the monthly basis required for certain larger taxpayers. TTB has determined that this reporting structure is the least burdensome necessary for TTB to protect the revenue. Less frequent submissions of the reports would restrict their utility for the purposes described in item 2 above and impair TTB's ability to detect discrepancies and respond to them in a timely manner. The reporting requirements tailor reporting frequency to the size of the taxpayer so that TTB can continue to effectively monitor DSP operations while minimizing unnecessary burdens with regard to smaller taxpayers that may have fewer

transactions over time. Less frequent reporting for smaller or larger taxpayers would make it more difficult to identify unusual transactions because those transactions would be combined with a greater volume of data over a longer period of time.

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?

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.

TTB will publish a notice of proposed rulemaking in the Federal Register describing the proposed reporting requirement changes and the associated information collection burdens. The notice will solicit comments from the general public. After taking any comments into account, TTB will publish a final rule.

9. What decision was made to provide any payment or gift to respondents, other than remuneration of contractors or grantees?

No payment or gift is associated with this collection.

10. What assurance of confidentiality was provided to respondents and what was the basis for the assurance in statute, regulations, or agency policy?

No specific assurance of confidentiality is provided on these forms. However the information collected on the forms is tax information, and 26 U.S.C. 6103 protects the confidentiality of tax information collected.

11. What justification is there for questions of a sensitive nature?

We do not ask questions of a sensitive nature in this collection.

12. What is the estimated hour burden of this collection of information?

The following table summarizes the numbers of proprietors that are required to complete one or both operational reports on a monthly or quarterly basis:

| | Proprietors Completing Only TTB F 5110.77 | Proprietors Completing Only TTB F 5110.78 | Proprietors Completing Both Reports | Total Proprietors Reporting Monthly or Quarterly |
|---------------------------------------|--|--|---|--|
| Proprietors Reporting Monthly | 98 | 11 | 41 | 150 |
| Proprietors Reporting Quarterly | 369 | 86 | 23 | 478 |

The total number of respondents for this collection is 692. The total annual burden hours associated with this collection is 8,592 hours.

The total burden hours for TTB F 5110.77 is calculated as follows: 139 (respondents reporting monthly) X 12 (number of times filed annually) + 392 (respondents reporting quarterly) X 4 (number of times filed annually) = 3,236 (number of responses) X 2 hours (processing time) = 6,472 (total burden hours).

The total burden hours for TTB F 5110.78 is calculated as follows: 52 (respondents reporting monthly) X 12 (number of times filed annually) + 109 (respondents reporting quarterly) X 4 (number of times filed annually) = 1,060 (number of responses) X 2 hours (processing time) = 2,120 (total burden hours).

These figures reflect changes in the number of DSP proprietors and changes in reporting requirements described in #1 above since the previously approved information collections covering DSP reporting requirements that this collection replaces (OMB Control Numbers 1513-0047, 1513-0039, 1513-0041, and 1513-0049).

13. What is the estimated total annual cost burden to respondents or recordkeepers resulting from this collection of information (excluding the value of the burden hours in Question 12 above)?

We do not associate any cost with this collection.

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

Estimates of annual cost to the Federal Government are as follows:

| | |
|--|------------------|
| Printing | \$ 4,346 |
| Distribution | 2,308 |
| Clerical Costs | 138 |
| Other Salary (review supervisory, etc.) | 26,861 |
| Contract Costs (Imaging, Data Entry, etc.) | 38,181 |
| Publication & Tabulation | 0 |
| TOTAL | \$ 71,834 |

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

This is new collection. Consistent with the proposed regulatory changes, TTB is replacing the four existing collections of information (OMB Control Numbers 1513-0047, 1513-0039, 1513-0041, and 1513-0049) with two new collections covering, respectively, these recordkeeping and reporting requirements.

TTB has changed requirements relating to the operational reports via rulemaking in order to reduce burdens on proprietors and TTB, and to more effectively monitor DSP operations.

Actions will be taken to discontinue the affected OMB control numbers once the final rule is published.

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

The results of this collection will not be published.

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 of OMB approval for this collection.

18. What are the exceptions to the certification statement?

- (f) This is not a recordkeeping requirement
- (i) No statistical survey methodology is involved

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.