

**DEPARTMENT OF THE TREASURY**  
**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)**  
**Supporting Statement – Information Collection Request**  
**OMB Control Number 1513–0125**

Information Collection Request Title:

Distilled Spirits Bond.

Information Collection Issued under this Title:

Distilled Spirits Bond (TTB F 5110.56 and its Permits Online electronic equivalents).

**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 has delegated certain IRC administrative and enforcement authorities to TTB through Treasury Department Order 120–01.

The IRC at 26 U.S.C. 5173 and 5181 requires distilled spirits plants (DSPs) and alcohol fuel plants (AFPs) to furnish a bond before commencing operations, subject to regulations issued by the Secretary and the exemptions for certain small producers provided under 26 U.S.C. 5551(d) and 5181(c)(3). This bond is a contract between a proprietor and a surety company to ensure that the excise tax liability covered by the bond will be paid in full. The IRC at 26 U.S.C. 7101 also permits a proprietor to submit United States Treasury securities or notes as collateral instead of obtaining a bond from a surety. Alternatively, TTB also accepts cash (or cash equivalent) as a collateral bond.

The TTB regulations regarding this bond are contained 27 CFR Part 19, Distilled Spirits Plants. The general rules for distilled spirits bonds, including the required use of form TTB F 5110.56 to file a distilled spirits bond, are found in § 19.151. Section 19.154 concerns bonds guaranteed by deposit of securities. Sections 19.161 through 19.165 concern the types of distilled spirits bonds, while §§ 19.167 and 19.168 concern strengthening and superseding bonds, respectively. Section 19.699 concerns bonds for AFPs.

This information collection is aligned with —

- Line of Business/Sub-function: General Government / Taxation Management.
- IT Investment: Permits Online and Tax Major Application Systems.

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

This information collection is used by proprietors of DSPs and AFPs to file bond coverage with TTB. The bond may be secured through a surety company approved by the Secretary or it may be secured with collateral (cash, Treasury Bonds, or Notes).

TTB uses the provided information to identify the bond's principal (obligor), the surety company involved (if any), the type, kind, and category of the bond, and the premises covered by the bond. The bond and the collected information are necessary to protect the revenue. The bond ensures payment by the appropriate surety or collateral holder of any distilled spirits excise taxes due that are not paid by the principal in a timely manner.

*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.

Currently, respondents may electronically file bond information and upload completed, signed copies of the Distilled Spirits Bond form using the bond portion of the Distilled Spirits Plant application or the Alcohol Fuel Plant application, as appropriate, in TTB's Permits Online (PONL) system; see <https://www.ttonline.gov/permitonline>. A PONL Tutorial and a PONL Customer User Guide are available on the TTB website at, respectively, [https://www.ttb.gov/pnl/permits\\_online-tutorials.shtml](https://www.ttb.gov/pnl/permits_online-tutorials.shtml) and <https://www.ttb.gov/pnl/customer-reference-manual-permits-online-0515.pdf>.

Respondents also may file the distilled spirits bond and information about it using form TTB F 5110.56, which is available as a fillable/printable paper form on the TTB website at <https://www.ttb.gov/forms/5000.shtml>.

*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 information collected is pertinent to each respondent and applicable to the specific issues of filing a bond for a DSP or AFP. 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?*

Under the bond exemption recently added to the IRC at 26 U.S.C. 5551(d), most small distilled spirits producers are exempt from the requirement to provide a bond.<sup>1</sup> For those producers not exempted from the bond requirement by 26 U.S.C. 5181(c)(3) or 5551(d), all DSP and AFP applicants, regardless of size, are required by the IRC at 26 U.S.C. 5173 and 5181 to provide a bond. The information collected is the minimum necessary to implement the statutory requirements, and, unless the respondent is exempt, the bond and the related information collection requirement cannot be waived or reduced simply because the respondent's business is small.

Given the exemption to the bond requirement and the minimal information collected from those required to submit a bond, TTB believes that this information collection does not have a significant impact on a significant number of small businesses or other 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?*

If this collection was not conducted, DSP and AFP proprietors would have no means to comply with the statutory requirement to provide a bond. Lack of bond coverage for DSPs and AFPs required to file a bond would jeopardize the revenue.

*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?*

Per the instructions for this information collection, respondents are required to submit two originals of each bond form. Once TTB approves the bond, one original is returned to the respondent and one is retained by TTB. The respondent must maintain its copy of the bond form at its business premises as long as the bond remains in force.

*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, TTB published a "60-day" comment request notice for this information collection in the Federal Register on June 9, 2017, at 82 FR 26837. 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 collection.

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<sup>1</sup> Effective January 1, 2017, section 332 of the Protecting Americans from Tax Hikes Act (PATH Act; Public Law 114-113, Division Q) amended the IRC at 26 U.S.C. 5551 to add, in paragraph (d), an exemption to bond requirements for alcohol beverage producers who are eligible to file excise taxes on an annual or quarterly basis. To use annual filing, a taxpayer must reasonably expect to be liable for not more than \$1,000 in excise taxes for the calendar year and must be liable for not more than \$1,000 in such taxes in the preceding calendar year. To use quarterly filing, a taxpayer must reasonably expect to be liable for not more than \$50,000 in excise taxes for the calendar year and must be liable for not more than \$50,000 in such taxes in the preceding calendar year.

*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 for this information 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 collected information in secure office space with controlled access and in password-protected computer systems, as appropriate.

*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. While this information collection does not collect personally identifiable information (PII), bond information is maintained by TTB as part of a proprietor's permit file, which does contain personally-identifiable information (PII) that is collected in an electronic system. As such, a Privacy Impact Assessment (PIA) has been conducted for information collected under this request as part of the Permits Online and Tax Major Application systems. A Privacy Act System of Records notice (SORN) has been issued for those systems under TTB .001–Regulatory Enforcement Record System, which was published in the Federal Register on January 28, 2015, at 80 FR 4637. TTB's PIAs are available on the TTB website at <http://www.ttb.gov/foia/pia.shtml>.

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

Based on data from TTB's National Revenue Center, we estimate that 328 new and 30 existing DSP and AFP proprietors will submit this information collection annually, for a total of 358 respondents. While each of the 358 respondents will respond once annually to this information collection, respondents are required to submit two originals of each bond form, resulting a total of 716 annual responses (one original is returned to the respondent and one is retained by TTB). TTB estimates that each response requires one hour to complete, resulting an estimated total annual burden of 716 hours.

In summary: 358 respondents x 1 annual response containing 2 original bond forms = 716 annual responses x 1 hour per response = 716 total annual burden hours.

Record retention: The respondent must maintain its copy of the bond form at its business premises as long as the bond remains in force.

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)?*

There are no annual costs associated with this information collection.

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

Annual costs to the Government associated with this information collection are as follows:

Clerical costs	\$100
Other Salary costs (review, supervisory, etc.)	\$3,600
<b>TOTAL COSTS</b>	<b>\$3,700</b>

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 (<http://www.ttb.gov>).

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

There are no program changes associated with this information collection. As for adjustments, the burden estimate for this collection remains as previously reported. However, TTB is increasing the government cost estimate associated with this collection to reflect that, while the cost of printing and distribution costs for this collection have dropped to zero, there has been an increase in clerical and other salary costs to TTB due to yearly cost-of-living pay increases. In addition, TTB is updating the TTB headquarters mailing address on the TTB F 5110.56 form.

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

TTB will not publish the results of this 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?*

As a cost-saving measure for both TTB and the general public, TTB is seeking approval not to display the expiration date for OMB approval of this information collection on TTB F 5110.56 or on the related PONL website pages. By not displaying the expiration date for this collection, TTB will not have to update that date on the paper form or on the PONL website pages containing its electronic equivalent each time the information collection is approved. Similarly, TTB-regulated businesses will not have to update their stocks of paper forms or alter electronic copies of the forms, including any marginally punched continuous printed versions of the forms produced by some businesses, at their own expense, for use with their electronic systems or for sale to other businesses or individuals. Additionally, not displaying the OMB approval expiration date on for this collection will avoid confusion

among members of the public who may have identical forms with different expiration dates in their possession. By not displaying the expiration date, supplies of the forms could continue in use regardless of when OMB's approval has expired.

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

- (f) This is not a recordkeeping requirement.
- (i) No statistics are involved.

**B. Collection of Information Employing Statistical Methods**

This collection does not employ statistical methods.