

Alcohol and Tobacco Tax and Trade Bureau

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2020	FY 2021	FY 2022	FY 2021 to FY 2022	
	Operating Plan ¹	Operating Plan	Request	\$ Change	% Change
Collect the Revenue	\$57,513	\$57,526	\$60,761	\$3,235	5.62%
Protect the Public	\$62,087	\$66,811	\$70,569	\$3,758	5.62%
Subtotal, TTB	\$119,600	\$124,337	\$131,330	\$6,993	5.62%
Reimbursable and Offsetting Collections ²	\$6,744	\$7,977	\$7,977	\$0	0.00%
Unobligated Balances Brought Forward ³	\$4,577	\$4,696	\$4,680	(\$16)	-0.34%
Transfers In/Out ⁴	\$349	\$350	\$0	(\$350)	-100.00%
Total Program Operating Level	\$131,270	\$137,360	\$143,987	\$6,627	4.82%
Direct FTE	484	508	508	0	0.00%
Reimbursable FTE	11	12	12	0	0.00%
Total Full-time Equivalents (FTE)	495	520	520	0	0.00%

1/ FY 2020 Resources by Budget Activity reflect levels appropriated in P.L. 116-93, the Consolidated Appropriations Act of 2020.

FY 2020 Full-time Equivalents (FTE) and FY 2020 Other Resources reflect actuals.

2/ Includes reimbursements from the Treasury Executive Office of Asset Forfeiture (TEOAF) Mandatory Fund, CDFI Fund, and Treasury Departmental Offices, and offsetting collections from Puerto Rico Cover-Over Program.

3/ All years include carryover of prior two-year set aside funding for trade practice enforcement and education as well as recoveries of 50 percent in unobligated balances from prior one-year funding.

4/ Actual obligations (FY 2020) and approved allocation (FY 2021) from TEOAF Secretary's Enforcement Fund transfer.

Summary

The Alcohol and Tobacco Tax and Trade Bureau (TTB) serves as the nation's primary Federal authority in the taxation and regulation of the alcohol and tobacco industries. TTB is responsible for the administration and enforcement of the Internal Revenue Code (IRC) provisions for excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration (FAA) Act, which provides for the regulation of the alcohol beverage industry to protect U.S. consumers and ensures a fair and competitive marketplace for U.S. businesses.

Many U.S. businesses experienced significant financial hardships due to the pandemic, including many of the small breweries, wineries, and distilleries that comprise the majority of TTB taxpayers. In FY 2022, in support of the Administration's pandemic recovery and economic growth priorities, TTB plans to focus on timely service levels and facilitating voluntary compliance by simplifying tax and regulatory requirements, issuing clear and timely industry guidance, and modernizing its online filing systems.

At the FY 2022 funding level, TTB will make critical investments in online filing systems as part of its multi-year IT modernization strategy to develop an integrated online experience for all tax and regulatory transactions with TTB. By improving the ease and usability of its online platforms, TTB aims to increase electronic submissions, improve timely filings, and support taxpayer compliance. Reducing paper submissions also supports "green" filing practices in line with the Administration's climate change agenda.

Additionally, TTB is working with Treasury on options to implement statutory changes that transfer responsibility for administering the Craft Beverage Modernization Act certain provisions related to imported alcohol from U.S. Customs and Border Protection to Treasury after December 31, 2022. The law requires that importers submit refund claims to Treasury to receive the reduced CBMA tax rates and credits as opposed to taking them at the time of entry. TTB and Treasury are still assessing the overall impact, including the resources, personnel, and information technology systems needed to implement and administer the import claims program. A report detailing Treasury’s plans to implement and administer the refund program starting in 2023 will be submitted to Congress and made publicly available in June 2021 as required by P.L. 116-260.

Budget Highlights

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
FY 2021 Operating Plan	508	\$124,337
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$3,885
Pay Annualization (1.0% average pay raise)	0	\$196
Pay Raise (2.7% average pay raise)	0	\$1,774
FERS Contribution Increase	0	\$995
Non-Pay	0	\$920
Subtotal Changes to Base	0	\$3,885
FY 2022 Current Services	508	\$128,222
Program Changes:		
Program Increases:	0	\$3,108
MyTTB IT System Modernization	0	\$2,500
Electric Vehicles and Associated Infrastructure	0	\$608
FY 2022 President’s Budget Request	508	\$131,330

Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)..... +\$3,885,000 / +0 FTE

Pay Annualization (1.0%) +\$196,000 / +0 FTE

Funds are requested for annualization of the January 2021 1.0% average pay raise.

Pay Raise (2.7% in 2022) +\$1,774,000 / +0 FTE

Funds are requested for a 2.7% average pay raise in January 2022.

FERS Contribution Increase +\$995,000 / +0 FTE

Funds are requested for the Federal Employee Retirement System (FERS) contribution rates effective FY 2022.

Non-Pay +\$920,000 / +0 FTE

Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Increases..... +\$3,108,000 / +0 FTE
MyTTB IT System Modernization +\$2,500,000 / +0 FTE

TTB will continue to invest in IT system modernization to incrementally transform the industry member service experience across all permitting, tax, and alcohol labeling interactions. The desired end state, known as MyTTB, will provide a personalized “one-stop shop” to help industry members efficiently conduct all business transactions online. MyTTB will also facilitate improved data integration and data quality across TTB programs and systems, enabling TTB to better detect noncompliance and fraud, validate application data, automate workflows, and increase data-driven decision making.

Electric Vehicles and Associated Infrastructure +\$608,000 / +0 FTE

Following the lead from Executive Order (E.O.) 14008, “Tackling the Climate Crises at Home and Abroad,” the U.S. Department of the Treasury joins in the Administration’s priority to develop a comprehensive plan to create good jobs and stimulate clean energy industries by revitalizing the Federal Government’s sustainability efforts. This includes Treasury’s commitment to use all available procurement authorities to augment its Department-wide fleet management program with a continued focus on the leasing of electric vehicles (EV) and purchasing, installing, and maintaining its essential infrastructure. The requested resources will help Treasury comply with the requirements of E.O. 14008 and reduce the carbon footprint of emissions into the atmosphere by acquiring an updated fleet of zero-emissions vehicles that can support mission operations.

For FY 2022, TTB requests \$608,000 to fund the conversion of its fleet to EV. Of that money, approximately \$50,000 will be allocated to the purchase, installation, maintenance, and/or upgrade of infrastructure required to maintain an EV fleet management program, including charging stations to support its future EV fleet. Currently, TTB has a total of 21 vehicles in its fleet, none of which are EVs.

Legislative Proposals

TTB has no legislative proposals.

Performance Highlights

Budget Activity	Performance Measure	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
		Actual	Actual	Actual	Target	Target
Collect the Revenue	Amount of Revenue Collected Per Program Dollar	369	339	380	I	I
Collect the Revenue	Voluntary Compliance from Large Taxpayers - Overall (%) ¹	90	91	91	95	95
Collect the Revenue	<i>By Payment</i>	99	99	99	-	-
Collect the Revenue	<i>By Tax Return</i>	82	84	84	-	-
Collect the Revenue	<i>By Operational Report</i>	82	83	83	-	-
Collect the Revenue	Electronically Filed Tax Returns - Pay.gov (%)	37	41	43	55	65
Collect the Revenue	Electronically Filed Operational Reports - Pay.gov (%)	42	46	50	55	65
Protect the Public	Permit Applications Processed within Service Standards (75 days) (%)	71	58	84	85	85
Protect the Public	Alcohol Beverage Label and Formula Applications Processed within Service Standards (15 days) (%) ²	84	48	83	85	85
Protect the Public	Initial Error Rate for Permit Applications	80	71	62	25	25
Protect the Public	Initial Error Rate for Label and Formula Applications	40	37	34	25	25
Protect the Public	Electronically Filed Permit Applications (%)	87	89	92	95	98
Protect the Public	Electronically Filed Label and Formula Applications (%)	98	99	99	I	I
Protect the Public	Customer Satisfaction Rate with eGov Systems - COLAs Online	81	77	80	80	80
Protect the Public	Customer Satisfaction Rate with eGov Systems - Permits Online ³	77	68	78	80	80
Protect the Public	Customer Satisfaction Rate with eGov Systems - Formulas Online ³	79	70	73	80	80

Key: I – Indicator

1/ TTB revised its measure of taxpayer compliance for FY 2020, enabling more accurate and timely analysis of compliance trends by taxpayers; the new method also supports separate reporting of compliance rates by payments, tax returns, and operational reports.

2/ Service standards are set annually based on TTB analysis of submission volume, error rates, and resource levels. In FY 2016, the service standards were 30 days for labels and 45 days for formulas. In FY 2017, TTB set the service standards at 10 days for both labels and formulas, after receiving dedicated funding to support accelerated processing times. In FY 2018, following a spike in submission volume, TTB established new service standards of 15 days for both labels and formulas; these standards remain in effect through 2020.

3/ Results represent beverage alcohol filers only (nonbeverage alcohol formula submissions are excluded).

Description of Performance

In FY 2020, TTB met or exceeded the performance targets for 5 of its 14 performance measures. TTB also monitored performance through several key indicators that support data-driven decision making across TTB's strategic goals. Across its performance measures, TTB made substantial improvements in FY 2020 in key service and operational measures, with most trending in a positive direction by year-end, demonstrating TTB's effective balancing of competing priorities during COVID-19 to address critical emerging risks while still providing improved service levels to industry. To meet its performance goals in FY 2022, TTB will implement an aggressive strategic agenda that integrates policy updates, process improvements, and modern technology, as well as data-driven outreach and enforcement.

TTB's Collect the Revenue budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal excise tax on alcohol, tobacco, firearms, and ammunition products. In ensuring a level playing field for those engaged in the trade of these regulated commodities, TTB also takes appropriate enforcement action to detect and address diversion activity and ensure all products sold in the marketplace are properly taxpaid. In FY 2020, TTB collected excise taxes totaling \$20 billion, comprised of \$11.2 billion for tobacco products, \$8.1 billion for alcohol beverage products, and \$665 million for firearms and ammunition.

The investments in the Collect the Revenue activity resulted in the following performance highlights and accomplishments during FY 2020:

- TTB collected \$20 billion in excise taxes and other revenues from a tax base of nearly 35,000 taxpayers in the alcohol, tobacco, firearms, and ammunitions industries. In FY 2020, TTB returned \$380 for every dollar invested in its tax collection activities.
- TTB's measures of electronically filed tax returns and operational reports indicate that although e-filing rates trended positively in FY 2020, less than half of TTB tax submissions are submitted to TTB via Pay.gov, the current online system for electronic submissions. High rates of paper filings make compliance monitoring and fraud detection more difficult and costly, and have a higher environmental impact. The IT system modernization investment requested for FY 2022 will support system improvements that will drive increased electronic tax filing rates, which should result in more accurate, timely, and complete submissions as well as improved access to data for tax verification.
- TTB revised its measure of voluntary compliance from large taxpayers in FY 2020 based on a new scoring method to better reflect risk by filing type and revenue exposure. TTB established a high standard for its largest taxpayers, with a targeted filing compliance rate of 95 percent. In FY 2020, TTB achieved an overall compliance rate of 91 percent from its large taxpayers in meeting all tax filing requirements. Payment compliance rates remained high, at over 99 percent, indicating that the majority of reported liabilities are paid on time. Compliance rates for tax returns and operational reports were 84 percent and 83 percent, respectively. Although below target, these rates held constant with FY 2019, even with disruptions to TTB and industry operations caused by COVID-19. Although TTB analysis indicates that this trend does not represent a significant revenue risk, as late filings represent the majority of the compliance violations, non-compliance undermines the level playing field, which is particularly critical for the small producers who comprise the majority of TTB taxpayers. The FY 2022 request supports the IT system and analytics enhancements that would enable TTB to more efficiently detect and address these issues.

TTB's Protect the Public budget activity funds the programs that ensure the integrity of the products and industry members in the marketplace; promote compliance with Federal laws and regulations by the more than 106,000 businesses that TTB regulates; facilitate fair and lawful domestic and international trade in the alcohol and tobacco commodities; and provide full and accurate alcohol beverage product information to the public as a means to prevent consumer deception.

The investments in the Protect the Public activity resulted in the following performance highlights and accomplishments during FY 2020:

- TTB received approximately 183,000 label applications and 24,000 formula applications for new alcohol and beverage product approvals. Federal law prohibits the import or domestic bottling of an alcohol beverage without an approved label, making this service integral to U.S. businesses and economic recovery priorities. Despite increased submission volume, TTB achieved the targeted performance level for formula approvals, and ended the year with 87 percent of formula applications meeting the 15-day standard, exceeding the target of 85 percent. This was achieved through effective monitoring and management of the application backlog combined with strategic workforce management to efficiently deploy staff. By employing similar strategies, TTB nearly achieved the 85 percent target for label approvals in FY 2020, ending the year at 83 percent. Performance significantly improved for both application types in the latter half of the fiscal year as TTB cleared backlogs, with the vast majority of applications processed in 10 days or less.
- TTB received approximately 7,800 applications for a Federal permit or registration, and qualified approximately 6,500 new businesses, predominantly small businesses. A TTB permit or registration is required before a business can lawfully operate in the alcohol and tobacco industries, and TTB ensures a fair and lawful marketplace by screening permit applicants to ensure only qualified persons engage in operations. Under a two-year Agency Priority Goal (APG) for FY 2018 – 2019, TTB and Treasury set a performance goal to improve the timeliness and consistency of service levels by reducing average processing times for new permit applications by 20 percent and achieving its service standard for 85 percent of applicants. TTB met one of its two APG targets in FY 2019, reducing average approval times to 75 days. However, TTB fell short of its second target to achieve the 75-day service standard for 85 percent of permit applicants. In FY 2020, TTB retained this second prong of its priority goal and, by year-end, nearly achieved target at 84 percent. Average review times also decreased significantly, down to 42 days overall in FY 2020, with improvements across all application types. TTB attributes these gains to improved backlog management, which was facilitated by new permit application dashboards that display key metrics on the status and age of pending applications to support effective processing and management.
- TTB made significant progress in reducing the error rate on initial permit, label, and formula applications, a critical strategy to maintaining timely service, although performance remains well above the targeted rate of 25 percent, at 62 percent for permit applications and 34 percent for label and formula applications. Improvements in FY 2020 were driven by system enhancements and online guidance. Performance in permitting is expected to continue to improve following planned enhancements to the Permits Online system and completion of planned rulemaking to implement broader changes to TTB permit applications. At the FY 2022 funding level, TTB will also continue to pursue system-based validations and user guidance to reduce label and formula application errors.
- System enhancements to date have resulted in high rates of customer satisfaction with TTB's eGov systems. TTB monitors user satisfaction with the process of submitting an application through its eGov systems, collecting responses via e-mail survey to assess factors such as ease of access, guidance, and overall experience. In FY 2020, satisfaction rates increased, from 77 percent to 80 percent for COLAs Online users and 70 percent to 73 percent for Formulas Online users. TTB generally attributes these increases to reduced processing times

and anticipates that performance will continue to improve through FY 2022 in line with timely service levels. Further, TTB expects that planned system improvements in FY 2022 and regular review of survey feedback will help TTB to exceed its user satisfaction target of 80 percent and continue to attract users to its online systems to maintain electronic filing rates above its target of 98 percent.