



Alcohol and Tobacco Tax and Trade Bureau

# Annual Financial Report

Fiscal Year 2025



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# Introduction

## About This Report

Within its FY 2025 Annual Financial Report (AFR), the U.S. Department of the Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB) presents financial information in relation to its mission programs and performance to demonstrate how effectively the Bureau translates its program dollars into effective market protection and fair and efficient tax administration.

The AFR highlights TTB's priorities, accomplishments, and challenges across its mission and major programs. The report also presents financial information to explain how TTB expends its budget according to its major programs and account for tax collections from the alcohol, tobacco, firearms, and ammunition industries.

## How This Report Is Organized

This report is organized into three parts:

- ▶ **Part I – Management's Discussion and Analysis.** This section provides an overview of the Bureau, including its mission and programs, highlights of program performance and financial operations, and management assurances related to TTB's internal controls over financial reporting and compliance with laws and regulations. This section also presents programmatic information according to TTB's Collect the Revenue and Protect the Public budget activities.
- ▶ **Part II – Financial Section.** This section provides the Bureau's Financial Results, Position, Condition, and Auditors' Report. TTB presents its audited balance sheet, statements of net cost, changes in net position, budgetary resources, and custodial activity as of and for the year ended September 30, 2025, and the Independent Auditors' Report on these financial statements. This section also includes a discussion of TTB's budget activities by its seven major programs as well as supplemental information that includes a history of Federal excise tax collections for the past decade.
- ▶ **Part III – Other Information.** This section includes a list of TTB's principal officers, a crosswalk that demonstrates how TTB aligns with Department of the Treasury's strategic plan, and additional information on TTB's strategic management framework.



# Message from the Administrator



Market and economic forces continue to shape the industries we regulate, presenting challenges such as increased competition, evolving consumer preferences, and global trends that affect their bottom line. Understanding these challenges, and operating under a leaner footprint, we prioritized performance across our service areas and advanced our modernization goals this past year, making risk-based tradeoffs and strategic resourcing decisions to sustain these efforts.

Our modernization efforts combine a broad deregulatory agenda with next generation systems and technology, a combination that is central to our ability to maintain reliable service levels and facilitate voluntary compliance in the years ahead. The myTTB system is the cornerstone of our strategy to present streamlined compliance requirements within an improved online experience for our industries across our service lines. The first phase of that effort, myTTB Permits, transforms the process to apply for and amend a Federal alcohol or tobacco permit, and will be delivered later this year. We are beginning work on system development for all alcohol commodity permits, with releases planned for later this year.

We are also advancing our label modernization goals through myTTB Labeling, under a new service design approach, which involves early and frequent customer engagement, using feedback to ensure that the new system meets user needs within the most efficient possible development process. The new myTTB Labeling system will replace the legacy label and formula systems with an integrated platform that reflects updated guidance and leverages new technologies to reduce common industry application errors and facilitate consistent TTB application reviews.

At the same time, we are preparing for development of myTTB Tax, which will be designed around new filing requirements that simplify reporting and reduce recordkeeping burdens. Early pilots of a simplified tax form for brewers have shown promise, and we are expanding engagement to further develop and refine these solutions across commodity types.

Finally, we recognize that our success depends on people. We are focused on reshaping our workforce to ensure sustainability and build succession pathways, including by enhancing our technical expertise and skills. Through these efforts, we will expand our capacity to respond to evolving industry trends and increase efficiency across Bureau programs.

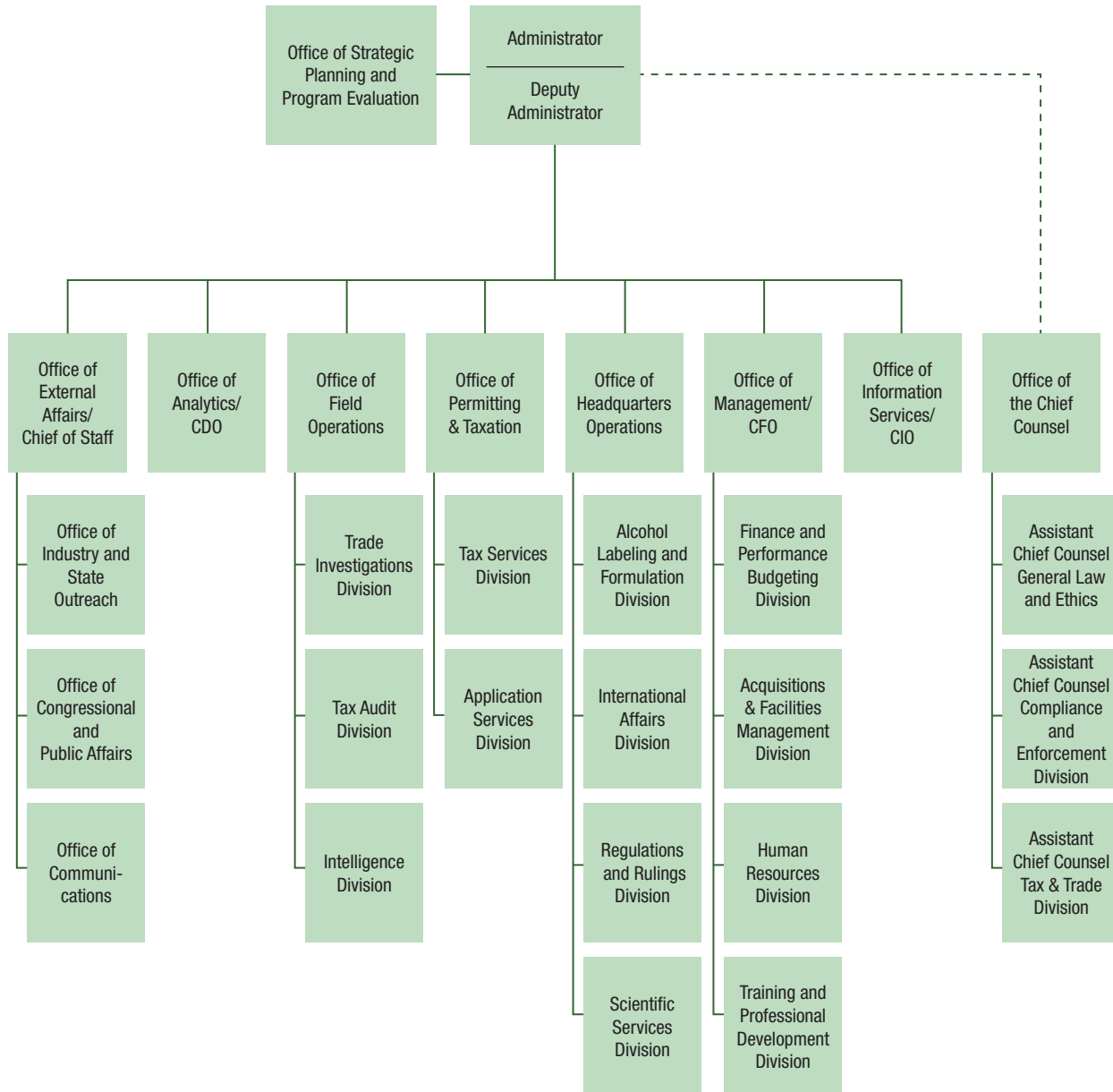
Our goal in the year ahead is to progress steadily in building a modernized, responsive program infrastructure to support industry growth while safeguarding the Bureau's foundation of accountability, innovation, and efficiency.

**Mary G. Ryan**  
*TTB Administrator*

TTB validated the accuracy, completeness, and reliability of the financial and performance data in this report.

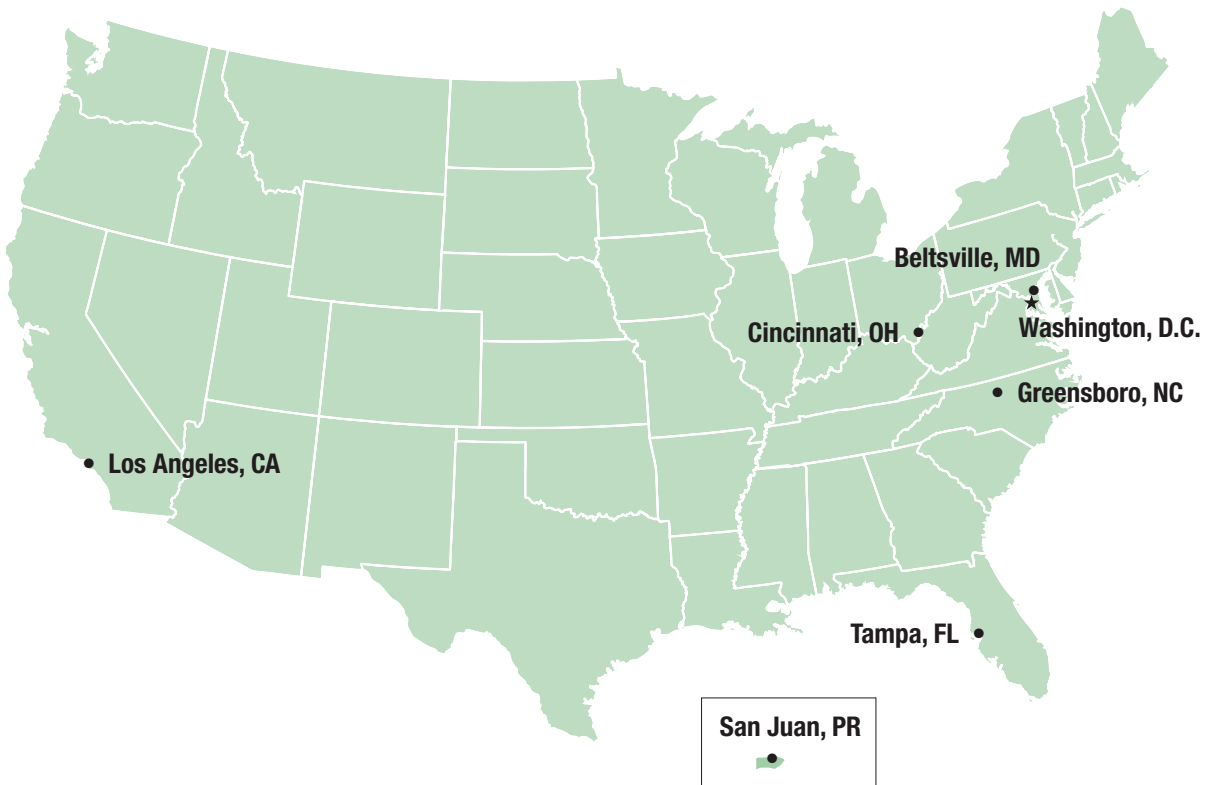


# TTB Organization





# TTB Office Locations



TTB AT A GLANCE	FY 2025
Employees (in Full-Time Equivalents) 1/	502
Office Locations 2/	7
Budget Authority	\$157.8 Million
Revenue Collected	\$15.4 Billion

1/ Includes Deferred Resignation Program participants onboard as of 9/30/25

2/ Excludes shared space with Treasury and other Federal agencies





# PART I

## Management's Discussion and Analysis

### 1.1 PROFILE OF THE BUREAU

Supporting the nation's economic vitality is at the core of the Alcohol and Tobacco Tax and Trade Bureau (TTB) mission. For more than 20 years, the Bureau's role in permitting, regulating, and taxing the alcohol and tobacco industries has ensured a fair marketplace, compliant commerce, and a level playing field for those engaged in the manufacture and trade of these commodities.

The Bureau was formed in January 2003 under the Homeland Security Act of 2002, but its history traces back more than 200 years to the nation's first effort to collect Federal taxes. Today, TTB operates under the authorities of the Internal Revenue Code of 1986 (IRC),<sup>1</sup> the Federal Alcohol Administration Act (FAA Act),<sup>2</sup> and the Alcoholic Beverage Labeling Act of 1988 (ABLA).<sup>3</sup> These laws put in place strict requirements and controls related to alcohol and tobacco products and contain restrictions on who can make, sell, and distribute these commodities.

TTB is staffed with approximately 500 full-time equivalent employees, most of whom are aligned to either the headquarters office in Washington, D.C., or the National Revenue Center in Cincinnati, Ohio. For its auditors, investigators, and agents to most effectively operate in the field, TTB maintains a minimal physical footprint, with four field offices in cities across the United States, including Puerto Rico. These small, strategically located offices place the Bureau in close proximity to centers of trade and industry activity, and provide effective launch points for TTB's investigative and audit teams. Additionally, the Bureau has a laboratory facility in Beltsville, Maryland. TTB complements its offices through shared space agreements with Treasury and other Federal agencies as it assigns formerly remote employees to new office duty stations to improve in-person collaboration. This lean physical footprint and strategic space planning ensures TTB resources are invested in the mission.

TTB's jurisdiction and related budget activities to *Collect the Revenue* and *Protect the Public* both serve to support economic recovery and growth by ensuring that the Federal government has the resources needed to fund national priorities and that lawful U.S. alcohol businesses are competitive and thriving in the global marketplace.

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<sup>1</sup> Chapters 51 and 52 of the IRC provide for excise taxation and authorize operations of alcohol and tobacco product manufacturers and related industries, and IRC sections 4181 and 4182 provide for excise taxes for firearms and ammunition.

<sup>2</sup> The FAA Act provides for regulation of those engaged in the alcohol beverage industry and for protection of consumers through certain requirements regarding the labeling and advertising of alcohol beverages. The FAA Act also includes provisions to preclude unfair trade practices that serve as barriers to competition and trade in the U.S. marketplace.

<sup>3</sup> The ABLA mandates that a Government warning statement appear on all alcohol beverages offered for sale or distribution in the United States.

## Collect the Revenue: Key Programs

TTB is the third largest tax collection agency in the United States government, behind the Internal Revenue Service (IRS) and U.S. Customs and Border Protection (CBP). Annual revenues from the alcohol, tobacco, firearms, and ammunition industries are approximately \$15.4 billion.

TTB's mission includes various tax administration and enforcement programs to collect all alcohol, tobacco, firearms, and ammunition excise taxes rightfully due. TTB performs these functions under its Collect the Revenue budget activity across two main programs: 1) Alcohol and Tobacco Excise Tax, and 2) Firearms and Ammunition Excise Tax (FAET).

The Internal Revenue Code provides distinct tax rates for the various alcohol and tobacco products, which vary depending on a variety of factors, including product type (e.g., wine or beer) as well as characteristics of the products themselves, such as composition and weight. A critical first step in tax enforcement is the assignment of a tax class to alcohol and tobacco products. TTB conducts product evaluations to confirm proper tax classification based on the characteristics of the product as defined by Federal statutory and regulatory standards.

In addition, industry members may submit claims for tax refunds based upon taxes paid on those products, under certain statutorily defined circumstances. As of January 2023, this includes a refund of tax paid on imported alcohol where the importer has been assigned tax benefits pursuant to the Craft Beverage Modernization Act (CBMA) for the product by a foreign producer registered with TTB.

In effecting its revenue mission, TTB uses a strategic risk-based approach to verify that industry members remit the excise taxes due on alcohol, tobacco, firearms, and ammunition products. This strategy enables TTB to cover a wide universe of taxpayers and establish an identifiable enforcement presence to deter industry members and others from engaging in product diversion and other forms of tax evasion. Through its data-driven analyses, TTB focuses its audit and investigation resources on the highest risk activity across various sectors to ensure fair competition in the industry. Continuous refinements to these analytics tools, combined with sound intelligence, enables TTB to use its resources most efficiently to address the most serious revenue threats.

TTB also uses its criminal enforcement authority to address tax evasion by entities and individuals who manufacture or sell these products illegally. The diversion of products into domestic commerce without the payment of taxes threatens Federal revenues, undermines fair competition, and provides a source of funding for criminal enterprises.

## Protect the Public: Key Programs

TTB's mission also includes a wide range of activities that directly affect American consumers and the U.S. economy. TTB's role in regulating the trade of alcohol and tobacco products ensures that businesses are operating on a level playing field—key outcomes that stimulate a strong economy. TTB's work in this mission area is performed under its Protect the Public budget activity across three main programs: 1) Permits and Business Assurance; 2) Alcohol Labeling and Advertising; and 3) Trade Facilitation.

Under its statutory authority, TTB evaluates permit applications prior to approval to ensure that only qualified persons operate within the TTB-regulated industries. Through this process and other activities under its Permits and Business Assurance Program, TTB protects Federal revenues by preventing persons who are likely to engage in illicit activity from commencing operations. Prompt approval times for permit applications are equally critical to enable those who are qualified to hold a Federal permit to timely begin their operations, facilitating U.S. economic growth in a fair marketplace.

Under its Alcohol Labeling and Advertising Program, TTB carries out provisions of the FAA Act that are intended to ensure that the labeling and advertising of alcohol beverages provide adequate information to consumers concerning the identity and quality of products. The FAA Act also calls for TTB to prevent misleading labeling or advertising that may result in consumer deception regarding alcohol beverage products. Before an alcohol beverage product subject to the FAA Act can be sold in interstate commerce in the United States, TTB reviews the product label to ensure that it contains all mandatory information and will not mislead the consumer, as required by statute. The approved label application is called a Certificate of Label Approval (COLA). Prior to label approval, TTB also evaluates the formulation of certain domestic and imported alcohol beverages to support accurate product labeling and tax classification.

TTB confirms market compliance with these regulations by reviewing production records through product integrity investigations and by conducting marketplace sampling to test products for formulation and label compliance. TTB also reviews advertising materials to ensure compliance with TTB laws and regulations.

In addition, TTB actively enforces the provisions of the FAA Act that prohibit unfair trade practices in alcohol beverage distribution to ensure that the marketplace is free from practices that would stifle competition and act as a barrier to trade. TTB meets this mandate through a variety of activities under its Trade Facilitation Program. TTB also engages its foreign counterparts to keep global channels of commerce open and operating in compliance with U.S. and international laws. TTB serves as the principal technical expert for the Office of the United States Trade Representative (USTR) and other Federal agencies in the administration of U.S. alcohol laws, regulations, and policies. In any given year, a substantial portion of new barriers to trade relate to alcohol beverages, and TTB plays a crucial role in the early identification and resolution of these potential trade barriers for U.S. alcohol exporters. TTB also partners with other Federal agencies to support the negotiation of international trade agreements related to alcohol beverages.

Across its programs, TTB promotes voluntary compliance by providing clear regulatory standards and guidance, encouraging the use of its electronic filing systems and supporting industry members through education and outreach efforts. This includes engaging the industry to ensure that TTB regulatory standards and systems do not compromise innovation while ensuring that the Bureau's mission is effectively administered. TTB also provides industry members and states with direct assistance on specific needs as well as guidance on broader issues affecting TTB-regulated commodities.

## 1.2 ENTERPRISE RISKS AND CHALLENGES

TTB employs an enterprise risk management framework to identify and elevate crosscutting mission and operational risks and develop effective mitigation strategies. TTB is focused on fostering a culture that encourages open and transparent communication around potential risks and challenges to focus its annual and long-term planning.

TTB identified the following among its key strategic mission and operational risks in FY 2025:

- ▶ **Tax Administration and Enforcement.** Recent changes to the tax code introduced reduced tax rates and credits for both domestic and imported alcohol products. The complexity of these provisions increases the likelihood of non-compliance and fraud, straining limited enforcement resources. TTB is engaged in a multi-year initiative to simplify TTB tax filings, both to reflect the current market as well as improve the quality of data that TTB collects for tax administration and enforcement. Once built into myTTB systems, the new filings will facilitate industry compliance while enhancing TTB's ability to monitor compliance and identify where enforcement is appropriate. Further, in administering the import provisions, TTB will continue using systems and analytics to enhance its ability to timely and effectively detect ineligible claims and prevent improper payments.
- ▶ **Industry Growth and Compliance.** The alcohol beverage sector has grown significantly in the past decade, particularly in the number of wineries, breweries, and distilleries. This growth presents challenges to TTB's capacity to maintain timely service, facilitate voluntary compliance, and ensure appropriate enforcement. TTB will continue to adapt to meet service demands through targeted policy, process, and system improvements to improve the customer experience, and remain transparent in communicating its service standards to support industry members in their operational planning.
- ▶ **Workforce Readiness.** The Bureau's succession planning risk is high and increasing due to high retirement eligibility across the TTB workforce, particularly in key leadership and technical positions, as well as significant attrition in recent years in positions across the Bureau. TTB is addressing this risk by focusing on workforce reshaping, supported by improved knowledge management and employee development. TTB is also acting to address hiring delays that exacerbate workforce risks, including through special hiring authorities. In addition, TTB must enhance its hiring strategies to recruit the highest quality talent.
- ▶ **Legacy Information Technology (IT).** TTB is focused on modernizing outdated IT systems because the rigidity of current legacy systems impedes the Bureau's ability to implement modernized regulatory requirements and improve both internal and external processes. Legacy systems are also a barrier to obtaining reliable data for timely analysis and lack the capacity to integrate management dashboards and other analytic tools to improve program efficiency. With modernized systems, TTB will be able to systematically reduce burden on industry while facilitating voluntary compliance. To that end, and as resources allow, TTB is engaged in a major multi-year initiative to transform its IT architecture to enable the Bureau to increase the pace of delivery, improve service design, streamline system maintenance, and enhance the customer experience.
- ▶ **Evolving Cyber Threats.** Cyberattacks pose a significant risk to the sensitive tax and business information maintained on TTB systems, requiring the dedication of resources to continually enhance TTB's cybersecurity tools and technologies. TTB continues to strengthen its cybersecurity posture through enhanced tools and monitoring to protect its high value assets and provide a more secure IT environment.

## 1.3 TTB STRATEGIC MANAGEMENT

As part of the Government Performance and Results Act Modernization Act of 2010, TTB maintains a robust strategic management framework to advance its mission and program priorities and improve the efficacy of its programs. The *TTB Strategic Plan* charts a course to fulfill the Bureau’s mission in a manner that addresses critical risks and is responsive to stakeholders. TTB’s plan is under review to align with *Treasury’s Strategic Plan for FY 2026 - 2030*.<sup>4</sup>

Using the Balanced Scorecard methodology, TTB manages its long-term and annual priorities through a complete set of perspectives necessary to the health of any organization, including customers and stakeholders, financial stewardship, internal processes, and people and tools.

For each priority area, TTB has established performance goals, which are a combination of performance measures and targets. TTB regularly monitors its performance through a dashboard, which provides actionable data to support management decisions on annual priorities and resources.

See more on the TTB Strategic Management Framework in Part III of this report.

BUDGET ACTIVITY	TTB PROGRAM	TTB PRIORITY AREA
<b>Protect the Public</b>	<ul style="list-style-type: none"> <li>• Permits and Business Assurance</li> <li>• Alcohol Labeling &amp; Advertising</li> <li>• Trade Facilitation</li> </ul>	Facilitate Business Growth on a Level Playing Field
		Facilitate Business Innovation in a Fair Marketplace
<b>Collect the Revenue</b>	<ul style="list-style-type: none"> <li>• Alcohol and Tobacco Excise Taxes</li> <li>• Firearms and Ammunition Excise Taxes</li> </ul>	Improve Taxpayer Experience and Tax Administration
		Ensure Access to Tax Refunds for Eligible Businesses
<b>Management*</b>	All Programs	Enhance Workforce Readiness

\* TTB management and operational costs are prorated according to total spending in its two budget activities.

<sup>4</sup> See Treasury.gov for the latest information on the agency’s strategic plan: <https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/strategic-plan>.

## 1.4 PERFORMANCE HIGHLIGHTS

Through its suite of key performance measures and indicators, TTB demonstrates its ability to effectively administer the tax code and facilitate business growth and innovation. In FY 2025, TTB met or exceeded its performance targets for 10 of its 15 performance measures. TTB also monitored its performance through several indicators that support data-informed decision making across TTB’s priority focus areas. Despite falling short in five performance goals this year, TTB made notable improvements and is approaching its targets in many key service and operational measures.

In FY 2025, TTB implemented an aggressive strategic agenda that integrates modern technology, process improvements, and data-driven policies, outreach, and enforcement. TTB’s performance targets for FY 2025 reflect in-process and planned business process and technology improvements, as well as workload projections and resource levels. In year ahead, TTB will continue to develop a comprehensive suite of measures to effectively monitor the Bureau’s progress toward its strategic and priority goals.

All performance results are subject to internal management review and periodic audit by the Department of the Treasury. TTB also continues to improve its data reporting platform as well as its data governance policies and procedures, which enable TTB to more timely detect and address data quality issues across critical data sets. TTB reports any necessary updates to the Bureau’s performance measures or indicators that result from annual improvements to its data validation tools and practices.

The following performance overview reflects TTB’s accomplishments and challenges towards achieving the Bureau’s FY 2025 priority focus areas to facilitate business growth and innovation by issuing permit and label approvals, improving the TTB taxpayer experience, ensuring access to tax refunds for eligible businesses, and building its workforce readiness.

FY 2025 PERFORMANCE MEASURE STATUS	
Performance Targets Met	10
Performance Targets Not Met	5
<b>Total Performance Measures</b>	<b>15</b>

NOTE: TTB suspended measures of workforce readiness that are based on OPM’s Federal Employee Viewpoint Survey (FEVS), which is under review and was not issued in FY 2025.

## Facilitate Business Growth on a Level Playing Field

### PERFORMANCE HIGHLIGHTS

TTB facilitates growth in the U.S. economy by ensuring that only qualified applicants enter business as an alcohol producer, wholesaler, importer, or as a tobacco product manufacturer, importer, or export warehouse proprietor. In all, TTB issues over 20 types of permits or registrations for the alcohol, tobacco, firearms, and ammunition industries. TTB uses risk-based screening procedures prior to approval to ensure that only qualified persons obtain a permit to operate. Given the tax liability associated with the commodities TTB regulates, TTB's permitting program plays an important role in protecting Federal revenues.

In FY 2025, TTB received nearly 7,200 applications for a Federal permit or registration, and qualified approximately 5,800 new businesses. These are predominantly small businesses, which often lead the industry in product innovation and contribute to local job opportunities. Today, TTB regulates more than 132,000 authorized industry members.

Alcohol beverage industry growth has slowed in recent years, including the number of new wineries, breweries, and distilleries. Prior to 2020, TTB generally experienced year-over-year increases in application volumes, with annual increases as high as 25 percent. In FY 2025, however, the number of new permit applications decreased by 9 percent compared to FY 2024, driven by a significant drop in brewer's notice submissions. Year-to-year fluctuations occur as industry responds to evolving market and economic conditions, with this year's decline coinciding with broader workforce reshaping across the Federal government.

Throughout its workforce reshaping efforts, TTB prioritized providing prompt service to its regulated industries. TTB monitors its timeliness in processing permit applications through its measure of the *Percentage of Permit Applications Processed within Service Standards*. As businesses rely on accurate information related to TTB service delivery in their operational planning, this measure provides important data related to a key outcome for TTB and its stakeholders. In FY 2025, despite high employee attrition, TTB nearly met its service goal to timely issue permits to qualified applicants, ending the year with 82 percent of original permits approved within the 75-day service standard, just short of the 85 percent target. Across permit types, TTB achieved average approval times of 50 days in FY 2025.

TTB achieved this performance by cross-training staff and employing new analytic tools to support more effective workload management and oversight. Combined, these strategies enabled TTB to redirect staff as necessary to rebalance workloads and address any short-term surges to maintain timely processing across permit types. Sustaining these performance



### BUSINESS GROWTH

TTB issued permits to 5,800 new businesses, mainly small businesses that often lead the industry in product innovation and contribute to local job opportunities.

improvements, however, will require continued progress on several crosscutting initiatives, including transitioning from Permits Online, TTB's legacy permitting system, to myTTB Permits. TTB made substantial progress towards developing myTTB Permits in FY 2025, with initial deployment of the new system planned for FY 2026.

With the transition to myTTB, the Bureau will also implement newly simplified application requirements. In the year ahead, TTB plans to issue Final Rules to simplify permit application requirements for all three alcohol commodities – distilled spirits, wine, and beer. These changes should dramatically decrease the number of open text fields and requirements to upload supporting documentation within myTTB Permits, further streamlining the application process. TTB also expects that simplifying and clarifying these regulatory requirements will reduce errors on permit applications and contribute to improved approval times in the years ahead.

Errors on applications increase the overall workload volume, requiring extensive back-and-forth with applicants to verify the information provided, which adds to the total processing time. TTB measures the *Initial Error Rate on Permit Applications* to track how many applications are submitted either incomplete or with errors. These results inform strategies to maintain timely service by increasing the number of first-time permit application approvals. TTB's ability to meet its service standard for new permit applications continues to be hindered by high error rates on submissions. Error rates are highest for prospective breweries, wineries, and distilleries, which have more complex applications compared to non-manufacturers (i.e., wholesalers and importers).

In FY 2025, TTB achieved an error rate on new permit applications of 63 percent. The most significant improvement has been achieved in wholesaler and importer applications, the highest volume application type, indicating that ongoing efforts to streamline applications and processes are resulting in sustained improvements. Broader changes to the online filing experience will be necessary to achieve the 25 percent error rate target, including full implementation of myTTB Permits.

According to its measure of the *Percent of Electronically Filed Permit Applications - Originals*, which tracks the electronic filing rate for new business applications, TTB received 97 percent of permit applications via Permits Online in FY 2025, exceeding its 95 percent target. TTB also monitors the measure for the *Percent of Electronically Filed Permit Applications – Amendments* to provide similar visibility into electronic filing rates for applications to amend an existing TTB permit, a requirement following certain changes to a business premises, operations, and/or ownership. These submissions represent both a critical service to existing industry members and a significant workload for TTB, with roughly 15,000 amendments filed annually. In FY 2025, TTB achieved a 94 percent e-filing rate for permit amendments, just short of its 95 percent target. TTB attributes the high rates of electronic filing to ongoing system promotion during outreach events and through the Bureau's website and industry newsletter.

As part of its strategy to optimize electronic filing systems, TTB measures *Customer Satisfaction with the Permits Online eGov System* through an email survey to assess how satisfied businesses are in applying for a permit or registration through Permits Online. In FY 2025, TTB achieved a system satisfaction rate of 68 percent, well below the 80 percent target. TTB expects system satisfaction to improve as it implements myTTB Permits and initiates broader IT modernization efforts to provide applicants with a single integrated online experience across permitting, labeling, and tax interactions.

## KEY PERFORMANCE MEASURES

MEASURE/INDICATOR	FY 2025		RESULT VS TARGET
	ACTUAL	TARGET	
Percent of Original Permit Applications Processed within Service Standards (75 days) 1/	82%	85%	Unmet
Initial Error Rate for Permit Applications	63%	25%	Unmet
Percent of Electronically Filed Permit Applications - Originals	97%	95%	Met
Percent of Electronically Filed Permit Applications - Amendments 2/	94%	95%	Unmet
Customer Satisfaction Rate with eGov Systems - Permits Online	68%	80%	Unmet

1/ Service standards are set annually based on TTB analysis of submission volume, error rates, and resource levels. TTB maintained a 75-day service standard in FY 2025.

2/ Results represent amendment submissions, with multiple permit amendment types often submitted on a single submission.

## Facilitate Business Innovation in a Fair Marketplace

### PERFORMANCE HIGHLIGHTS

TTB protects U.S. consumers by ensuring that alcohol beverage products are properly labeled and comply with Federal regulatory standards. Federal law generally prohibits the import or domestic bottling of an alcohol beverage without an approved Certificate of Label Approval (COLA), making this service integral to U.S. businesses and economic growth. After alcohol beverages enter the marketplace, TTB monitors labeling compliance through risk-based product integrity investigations. These efforts assist TTB in maintaining the integrity of alcohol beverage products in the U.S. market, both in the view of U.S. consumers and TTB's international counterparts, which is critical to gaining foreign market access for U.S. products.

In FY 2025, TTB received nearly 163,000 label and 25,000 formula applications for new alcohol beverage products. Given the importance of timely TTB approvals and the negative impact that delays have on U.S. businesses, TTB monitors its ability to provide timely and consistent service through its measure of the *Percentage of Alcohol Beverage Label and Formula Applications Processed within Service Standards*. TTB combines label and formula applications in this measure given the interdependent nature of these approvals.

Label and formula submission volume remains high, reflecting the highly competitive marketplace and continuous product innovation. However, after years of double-digit growth, application volume has slowed. Even so, industry has demonstrated its resilience and continued to innovate in recent years, formulating new products using novel ingredients and responding to consumer trends toward flavored alcohol beverage products.

In line with customer expectations, and supported by set-aside funding again enacted in the FY 2025 budget to accelerate approval times, TTB maintained a 15-day service standard for alcohol beverage label and formula applications in FY 2025. TTB ended the year with 92 percent of label applications meeting the 15-day standard, exceeding the target of 85 percent. This was achieved through effective monitoring and management of application backlogs combined with strategic workforce management to efficiently redeploy staff in response to submission fluctuations. By employing similar strategies, TTB was also able to overcome staffing shortages in its formulation office and exceed the targeted performance level, ending the year with 93 percent of formula applications meeting the 15-day standard. By year-end, label and formula applicants received approvals in about 7 days on average, well below the 15-day standard.



### BUSINESS INNOVATION

TTB approved 92 percent of alcohol beverage label and formula applications within its 15-day standard, helping industry innovate and compete in a competitive market.

TTB expects to meet its service standard for label and formula applications in the year ahead by focusing on continuous queue management to facilitate strategic resource alignment, and through initiatives to improve guidance and industry outreach, with particular focus on reducing errors on applications that increase total workload and challenge timely processing. TTB will also work to sustain performance at target by initiating myTTB development for label and formula submissions.

Application errors are a key driver of label and formula processing times due to the additional review required for each resubmitted application. TTB uses its measure of the *Initial Error Rate of Label and Formula Applications* to monitor error trends and evaluate the effect of system and guidance enhancements on first-time approvals. In FY 2025, approximately 31 percent of label and formula applications were submitted incomplete or with errors, demonstrating the need for broader changes to achieve and sustain the targeted performance level of 25 percent.

In FY 2025, TTB continued to use a data-driven strategy to address the most frequent application errors, with the goal of reducing the number of applications that need to be returned for correction. In the near-term, TTB continues to focus on improving industry outreach and education, including webinars and guidance on TTB.gov. TTB continued its *TTB Boot Camp* video series in FY 2025, which includes guidance on alcohol labeling, and now contains on demand sessions for all commodities on TTB.gov – distilled spirits, beer, and wine. TTB also continued to make progress in issuing improved guidance on TTB.gov for each alcohol beverage commodity. This includes web-based tools to make it easier for industry members to determine if products require TTB formula approval prior to filing a label – a high frequency error. Going forward, TTB plans to explore opportunities to embed new technologies and advanced analytics into the application submission and review processes to timely prevent or detect common errors.

In FY 2025, TTB deferred its initiative to modernize Federal alcohol beverage labeling regulations to reflect current TTB policy and modern industry practices. TTB is proceeding in phases by commodity, with the last rulemaking intended to address wine-specific issues and advertising for all commodities. When finalized, the updated regulations will facilitate industry compliance by simplifying and clarifying regulatory standards, incorporating guidance documents and other current policies into the regulations, and reducing regulatory burden on industry members where possible.

Sustaining service levels will also be supported through ongoing enhancements to TTB's IT systems. Over the last several years, TTB has deployed enhancements to COLAs Online and Formulas Online, focusing efforts on compliance validations and embedded help features to address frequent application errors. These system releases have targeted both application errors (e.g., incomplete form fields) and label compliance errors (e.g., use of prohibited terms or images). Problems with image legibility were among the top errors on label applications, and the system now flags low-resolution images so an applicant can address the error before they submit. Since implementing this enhancement, TTB has reduced this error type by as much as 70 percent.

Legacy systems, however, limit current opportunities to implement broader system-based validations. TTB plans to continue evaluating technological solutions to prevent submissions with errors and missing information as it modernizes its IT systems. As part of the myTTB IT modernization initiative, TTB will also employ user testing and feedback to make iterative enhancements to COLAs Online and Formulas Online to reduce application errors. To be successful in this strategy, TTB must maintain high rates of electronic filing for label and formula

applications. According to its measure of the *Percent of Electronically Filed Label and Formula Applications*, TTB now receives nearly 100 percent of applications via COLAs Online and Formulas Online, indicating that continued focus on system validations is warranted and will support performance goals in increasing accurate applications and accelerating approval times.

Through its measures of *Customer Satisfaction with COLAs Online and Formulas Online*, TTB monitors user satisfaction with the process of submitting an application through its IT systems, collecting responses via e-mail survey to assess factors such as ease of access, guidance, and overall experience. In FY 2025, satisfaction rates held at 83 percent for COLAs Online users, and increased to 81 percent for Formulas Online users, exceeding the 80 percent performance target. Sustaining improvements may be contingent on modernizing and integrating these systems into myTTB to better meet user expectations and provide a better customer experience. Going forward, TTB plans to engage in myTTB Labeling development, which will be based on service designs and prototyping to improve and accelerate system development.

After alcohol beverages enter the marketplace, TTB conducts risk-driven product integrity investigations to evaluate compliance. TTB reviews production records to confirm that label information is truthful, not misleading, and consistent with an approved label. TTB also sends products to its laboratory to undergo chemical analyses to evaluate whether the label information accurately reflects the content of the container. Going forward, TTB will continue market-based enforcement, using results to inform decisions on enforcement actions, priorities, and guidance to optimize Bureau resources. Given the potential for significant market impact, TTB also plans to increase advertising reviews to ensure industry compliance with TTB laws and regulations, exploring new technologies and advanced analytics to expand the reach of its compliance enforcement efforts.

## KEY PERFORMANCE MEASURES

MEASURE/INDICATOR	FY 2025		RESULT VS TARGET
	ACTUAL	TARGET	
Percent of Alcohol Beverage Label and Formula Applications Processed within Service Standards (15 days) 3/	92%	85%	Met
Initial Error Rate for Label and Formula Applications	31%	25%	Unmet
Percent of Electronically Filed Label and Formula Applications	99.7%	IND	N/A
Customer Satisfaction Rate with eGov Systems - COLAs Online	83%	80%	Met
Customer Satisfaction Rate with eGov Systems - Formulas Online 4/	81%	80%	Met

Key: IND - Indicator

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

3/ Service standards are set annually based on TTB analysis of submission volume, error rates, and resource levels. TTB maintained a 15-day service standard for both labels and formulas in FY 2025.

## Improve Taxpayer Experience and Tax Administration

### PERFORMANCE HIGHLIGHTS

TTB is committed to the fair enforcement of tax laws so all businesses can thrive. TTB will continue to focus on facilitating voluntary compliance through deregulation and delivering a modern taxpayer filing experience to make it easier for industry to navigate Federal tax requirements, supporting the growth of thousands of small wineries, breweries, and distilleries.

In FY 2025, TTB collected \$15.4 billion in revenue from the alcohol, tobacco, firearms, and ammunition industries. These industries have grown significantly in recent years, which has created tax oversight and enforcement challenges, particularly in light of recent tax reforms. In the last five years, the TTB tax base has increased nearly 30 percent, now approaching 44,000 taxpayers. As the number of TTB permittees continues to expand, and as market competition increases, TTB must continue to pursue innovative tax administration policies and processes to support taxpayers in meeting their excise tax obligations.

Strategic changes to transform the taxpayer experience are especially critical to effectively administer the reduced rates and credits available to TTB taxpayers under the craft beverage modernization provisions of recent tax reforms. These provisions, permanently enacted in 2020, included some of the most significant changes to the tax code relating to alcohol in almost 40 years. Among other things, the provisions altered the effective tax rates for all three alcohol commodities by introducing new reduced rates and credits. The law also made all domestic producers eligible for reduced rates and credits and, for the first time, extended eligibility for those reduced rates and credits to importers, which TTB now administers through a new import claims program. These tax changes, combined with downward shifts in production and consumption, have impacted TTB excise tax collections.

Through the *Amount of Revenue Collected per Program Dollar* indicator, TTB monitors the efficiency of its tax administration program by comparing tax revenue to tax collection costs. In FY 2025, despite external factors, TTB sustained a return on investment of approximately \$200 for every program dollar spent on collection activities. Costs related to IT development have increased as TTB invests in critical cloud infrastructure in support of myTTB and cybersecurity goals. Tax administration costs for field enforcement and outreach activities are also up in recent years. Going forward, TTB will continue to monitor its return on investment for its Collect the Revenue activities as a key indicator; however, results will continue to largely depend on external factors, including market and consumption trends, as well as legislative changes that impact TTB-regulated industries.

Fostering voluntary compliance remains TTB's primary tax administration strategy, as it avoids downstream enforcement that is more costly for the government and taxpayers. TTB measures the *Percent of Voluntary Compliance from Large Taxpayers* based on filings of tax returns, operational reports, and payments by large taxpayers (i.e., those that pay more than \$50,000 in annual taxes) on or before the scheduled due date. TTB uses its tax compliance data to improve the Bureau's ability to evaluate and prioritize taxpayers based on relative risk, allowing TTB to focus its resources on addressing the most serious instances and patterns of non-compliance.

In FY 2025, despite competing priorities and other exigencies, TTB made progress toward its goal to transform the taxpayer experience and improve tax administration, including priority efforts to increase taxpayer compliance. Missing or late filings hinder TTB's ability to timely detect underreporting or fraud. Given the revenue exposure, TTB set a high target for filing compliance for its largest taxpayers at 95 percent. In FY 2025, through data-driven enforcement, risk-based program tradeoffs, and effective workforce reshaping, TTB met this target, achieving an overall compliance rate of 95 percent from its large taxpayers in meeting all tax filing requirements.

Payment compliance rates remain high at over 99 percent, indicating that most reported liabilities were paid on time. Filing compliance rates for tax returns were 93 percent in FY 2025 and operational reports were 90 percent, indicating that continued focus on these requirements is warranted to achieve targeted performance levels. Together, these filings provide important information for tax verification and fraud detection. These efforts to improve filing compliance, combined with improved criteria and coordination for field referrals, have resulted in the identification of nearly \$170 million in tax liabilities and \$88 million in collections to date.

In the year ahead, TTB will continue to integrate and enhance these tools and procedures into its taxpayer compliance programs, addressing the most significant patterns of non-compliance by TTB taxpayers. TTB also plans to focus on improving its compliance notices to timely alert taxpayers to routine filing mistakes that can have tax consequences if not timely addressed. Additionally, TTB plans to improve its education and outreach strategies to drive compliant behavior across TTB taxpayers, using compliance data to inform its annual outreach plan as well as to prioritize the development of new online tax guidance. These strategies will prove critical to supporting and increasing compliance by the thousands of small businesses that TTB regulates.

Going forward, TTB will also continue to focus on IT modernization to improve tax compliance and administration. TTB's ability to employ new technologies and advanced analytics to timely address delinquent filings remains impeded by relatively low electronic filing rates. TTB currently relies on Pay.gov, a Bureau of the Fiscal Service system designed for government payments, for the electronic filing of tax returns and operational reports. TTB's two measures to monitor the *Electronic Filing Rates for Tax Returns and Operational Reports in Pay.gov* support ongoing efforts to reduce paper tax filings.

This year, TTB exceeded its 65 percent target, ending the year with 67 percent of tax returns and 71 percent of operational reports submitted electronically. TTB attributes this performance to Pay.gov improvements that enable new users to self-enroll, eliminating a time-consuming registration process that previously deterred users. Additional Pay.gov promotion should result in increased e-filing rates, although more significant tax system modernization is likely required for TTB to achieve its long-term target of 80 percent.



### VOLUNTARY TAX COMPLIANCE

TTB achieved a 95 percent filing compliance rate from its largest taxpayers through effective compliance monitoring and outreach.

As part of its IT modernization efforts, TTB intends to migrate its legacy tax systems to myTTB. However, the pace and scale of system modernization efforts are dependent on TTB funding levels and competing priorities. TTB has postponed tax IT modernization efforts due to urgent priorities related to migrating TTB’s legacy permitting system, Permits Online, to myTTB. Progress in the year ahead will remain limited as TTB initiates the migration of legacy labeling systems, COLAs Online and Formulas Online, to myTTB.

With ongoing industry growth, TTB is also continuing its deregulatory efforts in its tax program, modernizing its tax return and operational report filing requirements to increase tax compliance. Once complete, the updated requirements will lessen burden on industry while improving the information available to TTB for tax administration. TTB will continue to take a phased approach, developing proposals by commodity and testing new consolidated tax forms prior to implementation. In FY 2025, TTB continued to pilot new tax forms for breweries, formally launching an industry-wide pilot in May 2025. At year-end, more than 200 brewers had volunteered to participate, representing roughly 2 percent of filings. TTB plans to further promote the pilot through industry conferences and outreach to increase participation and obtain broad-based feedback. TTB also plans to continue collecting user feedback on new tax forms for wineries and distilled spirits plants to continuously refine those proposals, including potential modifications to reduce recordkeeping requirements.

This multi-year initiative to update TTB tax filings will require rulemaking to fully implement. TTB will work on these deregulatory efforts in tandem with IT modernization to deliver the new requirements in myTTB, further simplifying and improving the taxpayer experience. As TTB engages in these efforts, the Bureau will continuously evaluate its regulatory and statutory options to find solutions that improve compliance and gain efficiencies for industry and TTB.

## KEY PERFORMANCE MEASURES

MEASURE/INDICATOR	FY 2025		RESULT VS TARGET
	ACTUAL	TARGET	
Amount of Revenue Collected Per Program Dollar	\$199	IND	N/A
Percent of Voluntary Compliance from Large Taxpayers - Overall	95%	95%	Met
<i>By Payment</i>	99.5%	-	-
<i>By Tax Return</i>	93%	-	-
<i>By Operational Report</i>	90%	-	-
Percent of Electronically Filed Tax Returns - Pay.gov	67%	65%	Met
Percent of Electronically Filed Operational Reports - Pay.gov	71%	65%	Met

Key: IND - Indicator

## Ensure Access to Tax Refunds for Eligible Businesses

### PERFORMANCE HIGHLIGHTS

Timely tax refunds are also critical to the financial and operational well-being of the businesses TTB regulates, particularly for the small businesses that represent the vast majority of TTB's taxpayers. TTB administers claims for a wide variety of tax credits and benefits, issuing between \$700 - 800 million in tax refunds and drawback payments each year.

Prior to FY 2023, TTB received approximately 5,000 claims each year, totaling approximately \$400 million in tax refunds and drawback payments on taxes paid by manufacturers of nonbeverage products (MNBPs). In FY 2023, the volume of claim submissions increased substantially with the implementation of the CBMA import claims program. In FY 2025, TTB received approximately 11,000 import claims, totaling nearly \$320 million, and issued more than \$304 million in refund payments, more than doubling initial projections as industry adjusted to the new import claim paradigm.

To ensure timely refunds, TTB assesses its service levels through the measure of *Claims Processed within Service Standards*. Service standards are established by claim type and intended to reflect industry expectations while also minimizing costs to the government from interest payments on delayed claims. The measure includes the total time from TTB's receipt of the tax claim to the issuance of the refund payment to accurately represent when industry members can expect their refunds.

Despite heavy demands on the tax administration program this year, TTB made significant progress in timely issuing refunds across all claim types. In FY 2025, TTB processed and paid over 99 percent of import claims within the 45-day service standard, minimizing government costs in administering the new program. For MNBPs drawback claims, another high-volume claim type, TTB met the 45-day standard for 83 percent of submissions, nearly meeting the 85 percent target. For other claim types, TTB met the 45-day standard for 87 percent of submissions, exceeding target. Across claim types, TTB achieved average processing times of under 20 days in FY 2025. TTB achieved these service levels by improving internal processes through recent IT enhancements and effectively cross-training and redeploying staff to address backlogs, helping the Bureau more consistently meet the 45-day service standard for all claim types.

TTB expects to meet its service target to process 85 percent of all claims within a 45-day service standard in FY 2026 by continuing to rebalance and redeploy staff to manage workloads. In the years ahead, TTB plans to achieve further efficiencies by expanding electronic claims filing and



#### TIMELY REFUNDS

TTB issued 96 percent of tax refunds on industry claims within its 45-day standard – enabled by effective myTTB systems-based validations on import claims.

introducing additional system-based validations to significantly streamline internal processing. TTB measures the *Electronic Filing Rate for Claims* to assess its progress toward moving all claim types into myTTB. Currently, the electronic filing rate for claims only represents CBMA import claims submitted via the myTTB Import Claims system, resulting in an overall rate of 74 percent across all claim types. This rate will further increase in the years ahead following planned myTTB development, which will address outdated and largely paper-based claims processes for other claim types, and improve the efficiency, quality, and timeliness of tax claims and refunds.

In its new myTTB Import Claims system, TTB has incorporated external data sets that are used for system-based validations that automate risk flags and efficiently screen for ineligible or fraudulent claims. TTB monitors performance through its measure of the *Auto-Validation Rate for Import Claims*. This new feature has helped to speed the approval of eligible and valid refunds, facilitating timely and proper payments. TTB first deployed this new feature in myTTB Import Claims in May 2024, achieving an auto-validation rate for eligible claims of nearly 30 percent in the first month. In FY 2025, TTB ended the year well above target, with a 68 percent auto-validation rate for eligible claims.

Moving forward, TTB plans to develop similar myTTB systems for the submission and processing of other claim types, which will facilitate TTB’s ability to deliver timely refunds despite workload increases. In addition, TTB will apply customer experience principles in developing tax systems and guidance to make it as easy as possible for taxpayers to understand if they are eligible for a refund and submit an approvable claim.

## KEY PERFORMANCE MEASURES

MEASURE/INDICATOR	FY 2025		RESULT VS TARGET
	ACTUAL	TARGET	
Percent of Claims Processed within Service Standard 5/	96%	85%	Met
<i>CBMA Import Claims</i>	99.3%	-	-
<i>Drawback Claims</i>	83%	-	-
<i>Other Claims</i>	87%	-	-
Percent of Electronically Filed Claims - Overall	74%	70%	Met
Auto-Validation Rate for Import Claims 6/	68%	50%	Met

5/ Claims service standards are set annually based on TTB analysis of submission volume and resource levels. In FY 2025, TTB established a uniform 45-day service standard for all claim types: CBMA Import Claims, Drawback Claims for Manufacturer of Nonbeverage Products (MNBP), and Other Claims. The standards account for when interest generally starts to accrue to the government under statute. Results reflect the total time to process and issue refund payments.

6/ TTB implemented new Import Claims program in FY23, including a myTTB system for filing and processing these claims that included system-based validations.

## Enhance Workforce Readiness

### PERFORMANCE HIGHLIGHTS

TTB's priority focus to enhance workforce readiness underpins its overall mission. TTB's small size, breadth of program responsibilities, and evolving mission requirements require a workforce that is highly skilled and accountable for delivering results. Consistent with broader workforce reshaping efforts across the Federal government, TTB is focused on preparing its workforce for the future by continually assessing and addressing the organizational structure, staffing, and skills needed to meet mission needs. In Part II of this report, the resources dedicated to this priority area are prorated to the Collect the Revenue and Protect the Public major programs.

Like many government agencies, TTB is experiencing high attrition, significantly affecting the Bureau's institutional and technical knowledge. Additionally, TTB continues to face a substantial retirement wave, with nearly 20 percent of TTB's workforce eligible to retire by the end of 2027. High retirement eligibility, combined with accelerated attrition in recent years, has added urgency to efforts to optimize the Bureau's workforce planning and employee development practices. Further, TTB has identified succession planning as a top risk due to a high number of potential retirements in critical positions.

TTB continues to employ a variety of strategies to address these mission risks by building the capacity and resiliency of its workforce, including by effectively recruiting, training, and retaining a highly skilled workforce. To advance these efforts, TTB remains focused on improving the quality, relevance, and delivery of training to equip employees with critical job knowledge so they can develop in their careers. These training program improvements further serve to increase the quality of work across the Bureau. In FY 2025, TTB implemented a comprehensive training plan based on its annual assessment of training needs to address priority skill gaps, including creating data visualizations and presentations, as well as expanding detail opportunities and rotations. Given the rapidly changing operating environment, TTB is also working to build organizational resilience through effective change management practices. In addition, TTB is focused on addressing identified skill gaps in project management, including by providing training for IT product owners to support the Bureau's system modernization efforts.

TTB also recognizes the need to grow leaders within its succession pipeline. In FY 2025, TTB continued its efforts to establish effective development programs for those seeking leadership positions, though progress was delayed due to priority workforce reshaping efforts. In the years ahead, TTB plans to continue implementing a tiered framework to ensure that the Bureau is identifying and engaging emerging leaders, supporting the development of high-potential employees, and fostering potential senior leaders.



### WORKFORCE RESHAPING

TTB is reshaping its workforce to meet evolving mission needs and optimize in-person collaboration.

Moving forward, TTB plans to employ data-driven workforce planning efforts to ensure the Bureau is structured and staffed to meet future mission needs. TTB will also pursue new partnerships with Treasury and other Federal agencies to better leverage human capital resources and implement new recruitment and hiring strategies.

TTB also intends to develop improved recruitment and hiring strategies to tap into new talent pools. With competition high for critical skillsets, TTB plans to leverage new hiring processes and special hiring authorities to improve the quality and speed of filling positions. Further, TTB is focused on addressing hiring delays that strain existing staff and present program challenges, aiming to meet the OPM standard of 80 days. Given its size and structure, with many positions or programs staffed by only a few individuals, TTB needs to reduce hiring times and improve its training and development programs to be able to sustain organizational performance despite ongoing attrition and anticipated retirements in the year ahead.

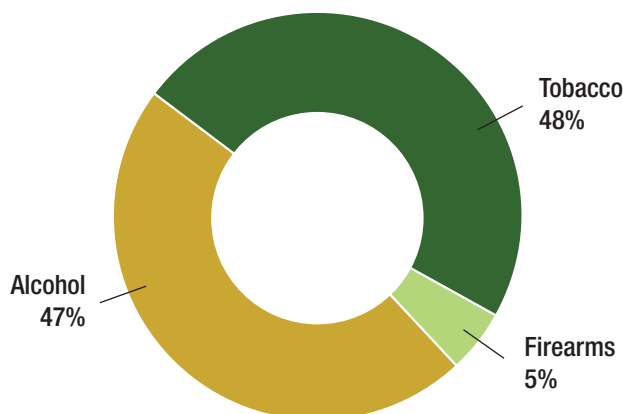
## 1.5 FINANCIAL HIGHLIGHTS

### Federal Excise Tax Collections

In FY 2025, TTB collected \$15.4 billion in taxes, interest, and other revenues from the alcohol, tobacco, firearms, and ammunition industries. The tax for imported alcohol and tobacco products is collected by CBP.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 made permanent certain provisions related to alcohol known as the Craft Beverage Modernization and Tax Reform Act (CBMA), which reduced tax rates and expanded eligibility for tax credits for alcohol beverages. In FY 2025, TTB collected approximately \$7.2 billion in revenue from U.S. wineries, breweries, and distilleries, representing 47 percent of total TTB collections.

**FY 2025 Total Tax Collections by Industry Type**



The Children’s Health Insurance Program Reauthorization Act of 2009 increased Federal tobacco tax rates. Higher prices on tobacco products have historically resulted in decreased consumption and increased illicit trade. The 2009 tax rate change also introduced large Federal excise tax disparities among tobacco products, which created opportunities for tax avoidance and led manufacturers and price-sensitive consumers to shift toward lower-taxed products. The emergence of electronic nicotine products, such as e-cigarettes, which are not currently subject to Federal excise tax unless they contain tobacco, have also adversely affected tobacco collections. In FY 2025, TTB collected approximately \$7.4 billion in revenue from U.S. tobacco product manufacturers, representing 48 percent of total TTB collections.

The balance of TTB collections is from firearms and ammunition excise tax (FAET). These taxes are remitted to the Fish and Wildlife Restoration Fund for wildlife restoration and research and hunter education programs. TTB collected \$807 million in FAET in FY 2025.

***FY 2025 Excise Tax Collections (in thousands):***

Alcohol.....	\$ 7,190,462
Tobacco.....	\$ 7,401,108
FAET .....	\$ 807,519
Special Occupational Tax.....	\$ 251
Floor Stocks Tax.....	\$ -
Other.....	\$ -
<b>Total .....</b>	<b>\$15,399,340</b>

## Refund, Cover-Over, and Drawback Payments

During FY 2025, TTB issued \$1.2 billion in tax refunds, cover-over payments, and drawback payments on taxes paid by manufacturers of nonbeverage products (MNBPs).

### COVER-OVER PAYMENTS

Federal excise taxes are collected under the Internal Revenue Code of 1986 on certain articles produced in Puerto Rico and the U.S. Virgin Islands (USVI) that are brought or imported into the United States. In accordance with 26 U.S.C. 7652, taxes collected on rum imported into the United States are “covered over,” or paid into, the treasuries of Puerto Rico and USVI, less the collection expenses incurred by TTB.

Additionally, as a result of the Caribbean Basin Economic Recovery Act, taxes collected on rum imported into the United States from other than Puerto Rico or USVI (“other rum”) are also covered into the treasuries of Puerto Rico and USVI.<sup>5</sup> The USVI receives direct reimbursement through the Department of the Interior for rum it produces and transports to the United States.

During FY 2025, cover-over payments totaled \$400.5 million, with \$395 million paid to Puerto Rico and \$5.5 million paid to USVI. Year-to-year, cover-over payments can vary depending on the rate of payments, which is established by statute.

In Puerto Rico, TTB conducts annual audits and investigations of industry members regarding the collection of revenue, application processing, and product integrity. These examinations are integral to TTB’s fulfillment of its obligations to verify tax compliance and ensure the payment of all cover-over amounts due to the government of Puerto Rico.

### DRAWBACK PAYMENTS

Under current law (26 U.S.C. 5114), MNBPs may be eligible to claim a refund of taxes paid on distilled spirits used in their products. During FY 2025, these drawback payments totaled \$410 million.

For distilled spirits on which the tax has been paid or determined, a drawback is allowed on each proof gallon at the rate of \$1 less than the rate at which the distilled spirits tax had been paid or determined. The refund is due upon the claimant providing evidence that the distilled spirits on which the tax has been paid or determined is unfit for beverage purposes or was used in the manufacture of medicines, medicinal preparations, food products, flavors, flavoring extracts, or perfume. The claimant must submit a product formula to TTB for analysis prior to approval of the nonbeverage drawback claim.

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<sup>5</sup> These cover-over payments made to Puerto Rico and USVI based on taxes collected on “other rum” are distributed between the territories based on a formula set forth in 27 CFR 26.31.

## CBMA CLAIMS

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 made permanent most CBMA provisions of the Tax Cuts and Jobs Act of 2017, with several amendments, including transferring responsibility for administering CBMA benefits for imported alcohol from CBP to Treasury as of January 1, 2023. Treasury assigned the new CBMA import claims program to TTB to administer. Under the law, starting in 2023, alcohol beverage importers are no longer eligible for the CBMA tax benefits from CBP at the time of entry; rather, importers are required to pay the full tax rate at entry and submit refund claims to TTB to receive the reduced tax rates or credits assigned to them by foreign producers. In FY 2025, CBMA claim payments totaled \$318.4 million.

### ***FY 2025 Refund, Cover-Over, and Drawback Payments:***

Alcohol, Tobacco & Firearms Excise Tax Refunds .	\$	55,026,000
Cover-over Payments, Puerto Rico .....	\$	394,952,000
Cover-over Payments, Virgin Islands .....	\$	5,504,000
Drawbacks on MNBP Claims .....	\$	410,031,000
CBMA Claims .....	\$	318,381,000
Interest and Other Payments .....	\$	1,822,000
<b>Total .....</b>		<b>\$1,185,716,000</b>

## Financial Statement Highlights

The following overview of the TTB financial statements highlights certain aspects of the financial statements for the fiscal year ended September 30, 2025.

- ▶ The Balance Sheet shows the assets, liabilities, and net position as of a point in time, in this case, as of September 30, 2025.
  - The total assets were reported as \$253.9 million at the close of the fiscal year. Of this amount, \$89.9 million is classified as the fund balance with Treasury. The fund balance account is the undisbursed account balance with the Treasury, primarily resulting from undisbursed appropriations.
  - The total liabilities amount reported is \$186.3 million, of which total intragovernmental liabilities amount to \$127.2 million. The other liabilities are classified by type, such as accrued tax refunds, payables, and other liabilities.
- ▶ The Statement of Net Cost for fiscal year ended September 30, 2025, shows the total net cost of operations at \$160.6 million for the Bureau to administer its two budget activities.
  - The total net cost reported as program costs under the Collect the Revenue program was \$73.2 million.
  - The total net cost reported as program costs under the Protect the Public program was \$87.4 million.
- ▶ The Statement of Change in Net Position for the fiscal year ended September 30, 2025, shows a total net position balance of \$67.7 million. That amount represents the unexpended appropriations from both prior periods and from the current operating cycle in addition to Cumulative Results of Operations.
- ▶ The Statement of Budgetary Resources for the fiscal year ended September 30, 2025, shows the budgetary resources received and the status of those resources. For TTB, the resources are primarily annual appropriations received in the amount of \$157.8 million. Additionally, spending authority from offsetting collections amounted to \$9.5 million. Of that amount, \$4.6 million is from the recovery of costs for maintaining enforcement operations in Puerto Rico.
- ▶ The Statement of Custodial Activity for the fiscal year ended September 30, 2025, shows the amount of revenue received during FY 2025, along with tax refunds, drawback on MNBP claims, CBMA claims, and cover-over payments. The amount displayed shows that the total Federal excise tax revenues collected from alcohol, tobacco, firearms, and ammunition amounted to \$15.4 billion. Within this total, the Bureau processed drawback claims, cover-over payments, CBMA claims, and other tax refunds in the amount of \$785.3 million.
  - **Drawback claims** of \$410 million were processed based on claims filed from MNBPs. Under current law, a drawback claim is allowed when distilled spirits on which the tax has been paid were used in the production of medicines, medicinal preparations, food products, flavors, flavoring extracts, or perfumes that are unfit for beverage purposes.

- **Cover-over payments** were returned to Puerto Rico and the Virgin Islands in the amount of \$400.5 million. Such taxes collected on rum brought or imported into the United States are “covered over,” or paid into, the treasuries of Puerto Rico and the Virgin Islands.
- **CBMA claims** of \$318.4 million were paid based on claims filed by alcohol beverage importers. Effective January 1, 2023, importers paid the full tax rate upon entry of imported alcohol products and may file quarterly refund claims with TTB to receive CBMA tax benefits.
- **Interest and Other Payments** were processed in the amount of \$1.8 million.
- **The disposition of the custodial revenue**, after refunds, claims, and cover-over payments, nets to \$14.6 billion. The vast majority was provided to the U.S. Treasury to fund the Federal government, except for the firearms and ammunition Federal excise taxes. Those revenues, in the amount of \$804.8 million, were remitted to the Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937.

## Limitations of Financial Statements

The principal statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. For fiscal year 2025, all financial statements and notes have been audited.

## TTB in Relation to Treasury’s Annual Financial Statements

The Department of the Treasury is one of 24 Federal agencies that are required by law to produce annual audited financial statements. TTB’s financial activities are an integral part of the information reported by Treasury.

The Department of the Treasury received an unmodified audit opinion on its FY 2025 financial statements. This unmodified audit opinion means that the financial information presented by Treasury, which includes TTB’s financial activities, was presented fairly and in conformity with GAAP of the United States.

TTB’s Annual Report includes audited FY 2025 financial statements. The Independent Auditors’ Report addresses these financial statements and reports on the Bureau’s internal controls over financial reporting and compliance with laws and regulations.

## 1.6 BUDGET HIGHLIGHTS BY FUND SOURCE

This section highlights TTB program activity in FY 2025 by funding source. The Bureau's financial statements include all financial transactions in both the current year accounts and the expired accounts for the previous five years.

FY 2025 SALARIES AND EXPENSES	
Fund Source:	
<b>Salaries &amp; Expenses FY 2025</b>	
One-Year Appropriation (P.L. 119-4, Full-Year Continuing Appropriations and Extensions Act, 2025) 1/	<b>\$ 152,795,000</b>
<i>Obligations Incurred in FY 2025 from Current Year Appropriations</i>	<i>\$ 151,919,778</i>
<b>Salaries &amp; Expenses FY 2025/27</b>	
Three-Year Appropriation (P.L. 119-4, Full-Year Continuing Appropriations and Extensions Act, 2025) 2/	<b>\$ 5,000,000</b>
<i>Obligations Incurred in FY 2025 from Current Year Appropriations</i>	<i>\$ 739,415</i>
<b>Salaries &amp; Expenses FY 2024/26</b>	
Three-Year Appropriation (P.L. 118-47 Further Consolidated Appropriations Act, 2024) 2/	<b>\$ 4,536,400</b>
<i>Obligations Incurred in FY 2025 from Current Year Appropriations</i>	<i>\$ 4,512,842</i>
<b>Salaries &amp; Expenses FY 2024/25</b>	
(50% Prior Year Recovery) 3/	<b>\$ 358,000</b>
<i>Obligations Incurred in FY 2025 from Current Year Appropriations</i>	<i>\$ 356,008</i>
<b>Transfer in From Other Appropriations</b>	
(TEOAF Strategic Support and Secretary's Enforcement Funds)	<b>\$ 900,000</b>
<i>Obligations Incurred in FY 2025 from Current Year Appropriations</i>	<i>\$ 900,000</i>
<b>Offsetting Collections</b>	
Puerto Rico Cover-Over	<b>\$ 4,700,000</b>
<i>Obligations Incurred in FY 2025 from Current Year Appropriations</i>	<i>\$ 4,649,590</i>
<b>Reimbursable Authority</b>	
(Various Customers)	<b>\$ 4,880,600</b>
<i>Obligations Incurred in FY 2025 from Current Year Appropriations</i>	<i>\$ 3,901,716</i>

1/ The 2025 Full-Year Continuing Appropriations and Extensions Act included \$5 million in one-year direct funding for TTB to use for the costs of accelerating the processing of formula and label applications.

2/ The 2025 Full-Year Continuing Appropriations and Extensions Act included \$5 million in three-year direct funding for TTB to enforce trade practice provisions of the FAA Act. The 2024 Further Consolidated Appropriations Act also included \$5 million in three-year direct funding for TTB to enforce trade practice provisions of the FAA Act.

3/ General Provisions of the appropriations bill provide that 50 percent of the unobligated balances remaining available at the end of Fiscal Year 2024 shall remain available through September 30, 2025.

In FY 2025, TTB received \$157.8 million in discretionary appropriations under the FY 2025 Full-Year Continuing Appropriations and Extensions Act (Public Law 119-4) and an authorized staffing level of 507 full-time equivalent (FTE) positions. Of this amount, \$152.8 million was

one-year funding, of which \$5 million was set aside to accelerate the processing of label and formula applications. The remaining \$5 million was three-year funding (available until September 30, 2027) to enforce the trade practice provisions of the FAA Act.

TTB also carried over \$4.5 million in three-year funding from the prior year appropriation (FY 2024/2026) for trade practice enforcement. Additionally, TTB was reapportioned \$358 thousand of the prior year's appropriation, as the FY 2024 appropriation law (Public Law 118-47) made 50 percent of its unobligated balance available in the subsequent year. This funding was used to support implementation of new asset management software.

In FY 2025, the Bureau obligated or expended more than 99.4 percent of the \$152.8 million of discretionary funding from its one-year Salaries and Expenses appropriation. TTB obligated or expended 99.5 percent of the \$4.5 million in two-year Salaries and Expenses funding carried over from the prior year (FY 2024/2026), and 99.4 percent of the 50 percent reapportionment of the prior year FY 2024 unobligated balance. The Bureau obligated 14.8 percent of the \$5 million from its FY 2025 three-year Salaries and Expenses appropriation, with the year-end balance of \$4.3 million being available for FY 2025/2026 program spending.

## Anticipated Collections, Reimbursements, and Other

During FY 2025, TTB had \$10.5 million in current year spending authority from offsetting collections, reimbursable activity, and transfers from other agencies. Of that amount, TTB incurred obligations and expenditures of \$9.5 million. The funds originated from multiple sources, including:

- ▶ Puerto Rico Cover-Over Operations and Enforcement Activities, representing recoveries from the operation of the cover-over program and other enforcement activities in Puerto Rico;
- ▶ Reimbursement from the Community Development Financial Institutions Fund (CDFI) for information technology support services; and
- ▶ Reimbursement from the Department of the Treasury's Executive Office for Asset Forfeiture (TEOAF) mandatory account to cover investigative expenses and a transfer of funds from the Secretary's Strategic Support and Secretary's Enforcement Funds to enforcement programs at TTB's laboratory.

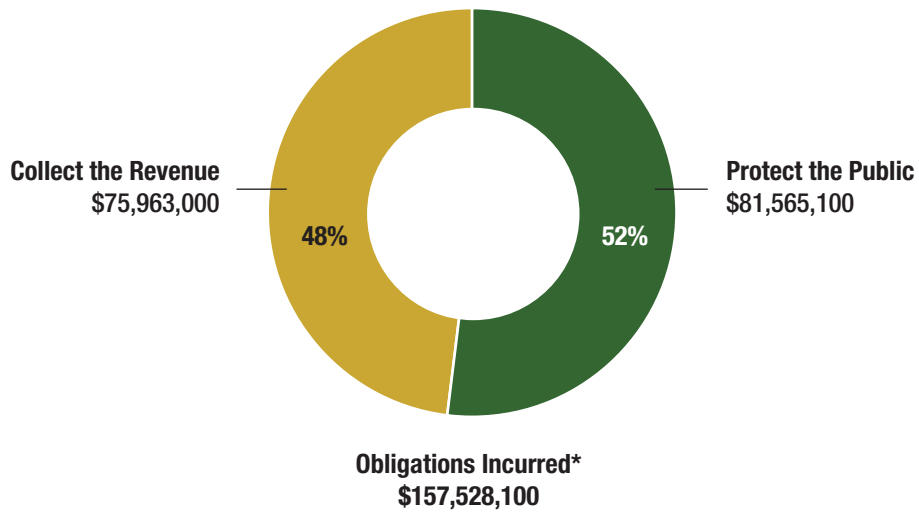
BUDGET FISCAL YEAR 2025 ANTICIPATED OFFSETTING COLLECTIONS, REIMBURSEMENTS, AND OTHER		
	Apportioned Authority	Obligations and Expenditures
Puerto Rico Cover Over Operations and Enforcement Activities (Offsetting Collections)	\$ 4,700,000	\$ 4,649,590
Community Development Financial Institutions Fund (CDFI) (Reimbursable)	\$ 3,700,000	\$ 3,449,369
Treasury Executive Office for Asset Forfeiture - Mandatory Account (Reimbursable)	\$ 1,180,600	\$ 452,347
TEOAF - Strategic Support and Secretary's Enforcement Funds (Other/Transfer)	\$ 900,000	\$ 900,000
<b>Budget Fiscal Year 2025 Totals</b>	<b>\$ 10,480,600</b>	<b>\$ 9,451,306</b>

## Linking Budget and Program Spending

TTB has two primary budget activities that directly align to its mission and strategic goals: Collect the Revenue and Protect the Public. TTB uses an account code structure that provides a direct link from the Bureau budget to specific programs and project activities. To ascertain the full costs of each of these budget activities, overhead costs were allocated and combined with the direct program costs.

An analysis of the FY 2025 data stemming from the account code structure shows that TTB incurred obligations of \$157,528,100 of its salaries and expenses appropriation, of which 48 percent was spent on the Collect the Revenue budget activity and 52 percent was spent on Protect the Public budget activity.

**FY 2025 Obligations Incurred by Budget Activity**



\*Amounts include obligations incurred in FY 2025 from the FY 2025 annual appropriation and obligations incurred in FY 2025 from 3-year funding (FY 24/26) and 3-year funding (FY 25/27)

\*For presentation purposes, indirect costs are allocated from direct costs.

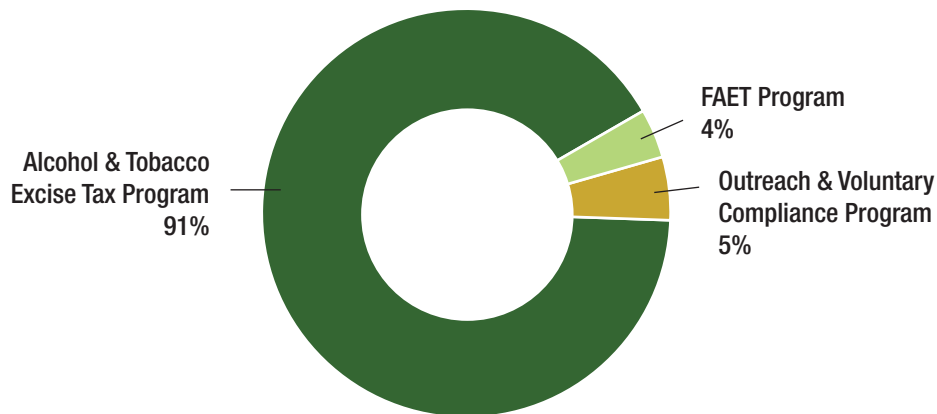
## OBLIGATIONS INCURRED FROM FY 2025 APPROPRIATIONS BY BUDGET ACTIVITY

### **Collect the Revenue.....\$75,963,000**

The Collect the Revenue budget activity encompasses TTB's strategies to provide an effective and efficient system for tax administration and enforcement. It is designed to facilitate voluntary compliance by providing high-quality service while minimizing regulatory burden. It is also designed to prevent tax evasion and other criminal conduct to ensure the collection of all revenue that is rightfully due.

TTB administers three programs under the Collect the Revenue budget activity: 1) Alcohol and Tobacco Excise Tax; 2) Firearms and Ammunitions Excise Tax (FAET); and 3) Outreach and Voluntary Compliance.

**FY 2025 Collect the Revenue Cost Allocation**



In FY 2025, TTB expended 91 percent of its Collect the Revenue resources in collecting Federal excise taxes from the alcohol and tobacco industries and 4 percent in collecting FAET. These costs included activities relating to the processing of tax returns and operational reports as well as audits and investigations conducted on alcohol, tobacco, firearms, and ammunition industry members.

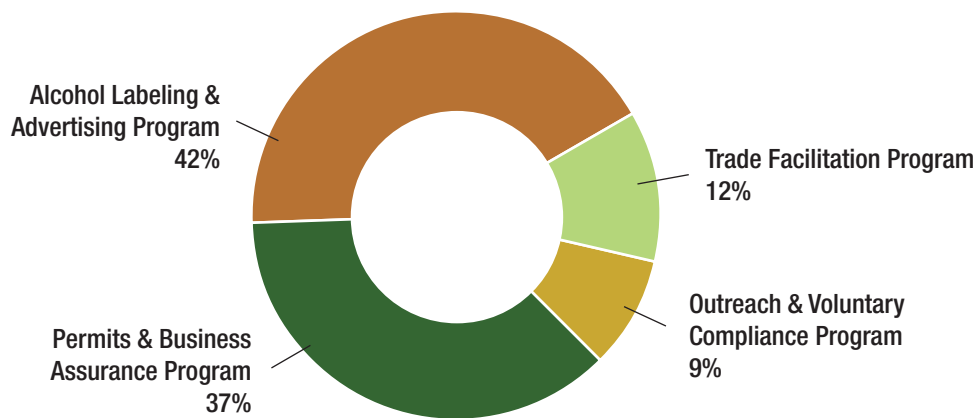
Costs for the Outreach and Voluntary Compliance Program totaled 5 percent of Collect the Revenue resources. These resources supported efforts to educate and train industry members regarding their tax compliance obligations.

**Protect the Public.....\$81,565,100**

The Protect the Public budget activity encompasses TTB’s strategy to ensure industry compliance with laws and regulations designed to protect the alcohol beverage market, which TTB accomplishes by ensuring the integrity of these businesses, the products themselves, and the marketplace in which they are traded.

TTB administers four programs under the Protect the Public budget activity: 1) Permits and Business Assurance; 2) Alcohol Labeling & Advertising; 3) Trade Facilitation; and 4) Outreach and Voluntary Compliance.

**FY 2025 Protect the Public Cost Allocation**



In FY 2025, TTB expended 79 percent of its Protect the Public resources on two programs: Permits and Business Assurance (37 percent) and Alcohol Labeling & Advertising (42 percent).

The Permits and Business Assurance Program is designed to determine the eligibility of persons wishing to enter the businesses TTB regulates and process applications for new and amended permits. These activities may include a field investigation. A TTB-issued permit, registration, or brewer’s notice is necessary to conduct operations in TTB-regulated industries.

The Alcohol Labeling & Advertising Program includes activities designed to ensure that beverage alcohol labels fully and accurately describe the products on which they appear and are not misleading. It also encompasses activities relating to verifying that alcohol advertisements contain all mandatory information and do not mislead consumers. This program also includes all investigative and laboratory activities related to product integrity reviews, including domestic and imported product analyses.

The remainder of the Protect the Public resources were divided between the Trade Facilitation Program (12 percent) and the Outreach and Voluntary Compliance Program (9 percent). TTB’s Trade Facilitation Program includes identifying and addressing barriers to trade in the domestic and international marketplace. The Outreach and Voluntary Compliance Program promotes compliance by providing regulatory standards and guidance as well as supporting industry members through outreach and education efforts.

## 1.7 MANAGEMENT ASSURANCES, SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

### Management Assurances

TTB provides reasonable assurance that the Bureau's financial management systems and internal controls support reliable financial reporting, effective and efficient programmatic operations, and compliance with applicable laws and regulations, including all applicable Federal accounting standards promulgated by FASAB, and the U.S. Standard General Ledger (USSGL) at the transaction level. This determination is based on past and current practices, an improved internal controls environment, scrutiny by external audit sources, internal evaluations, and administrative and fiscal accounting system enhancements.

During FY 2025, TTB also applied its custom risk management tools to its Revenue Accounting Section to identify risks in the accounting and tracking of TTB's annual Federal excise tax collections and to the Office of Permitting and Taxation, with a focus on its key business processes. Based on these tools, TTB has determined that adequate internal controls are in place to mitigate risk to those operations, and the overall risk of fraud, waste, and abuse is "low."

TTB received an unmodified audit opinion following the independent, full-scope financial statement audit that was conducted for FY 2025. That report is included on pages 33 - 35. Additionally, the independent auditor's report on internal control over financial reporting identified no significant deficiencies or material weaknesses in TTB's internal controls.

### Accounting Systems and Controls

During FY 2025, TTB contracted with the Bureau of the Fiscal Service's Administrative Resource Center (ARC) to handle its administrative, human resources, procurement, travel, and financial functions. The ARC accounting system, known as Oracle Federal Financials, is certified by the Financial Systems Integration Office (FSIO) requirements and is in full compliance with Treasury reporting requirements; it also meets requirements under the Federal Financial Management Improvement Act (FFMIA).

The FY 2025 audit of Treasury's consolidated financial statements, which covered the financial management systems of our service provider, ARC, did not identify any instances in which ARC's financial management systems did not substantially comply with FFMIA. Specifically, no instances were identified in which ARC's financial management systems did not substantially comply with: 1) Federal financial management systems requirements, 2) applicable Federal accounting standards, and 3) the United States Government Standard General Ledger at the transaction level.

The Bureau successfully met the Department of the Treasury's reporting requirements and has maintained accurate and reliable financial information on TTB's program activities. The various administrative modules integrated with the TTB financial system have proven to accurately capture Bureau financial data and provide reliable information to management to inform decision-making.

## **Federal Managers' Financial Integrity Act of 1982 (FMFIA)**

FMFIA requires Federal agencies to perform ongoing evaluations and reports of the adequacy of the systems of internal accounting and administrative control of each executive agency, and for other purposes. To perform this, the Secretary of the Treasury depends on information from component heads regarding their management controls. TTB relies on each office to maintain a cost-effective system of controls to provide reasonable assurance that Government resources are protected against fraud, waste, abuse, mismanagement, or misappropriation.

The Bureau continues to strengthen and improve the execution of its mission through the application of sound internal controls over financial reporting. In response to OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, the Bureau, in concert with Treasury, developed and implemented an extensive testing and assessment methodology that identified and documented internal controls over financial reporting of our revenue accounting activities.

This increased emphasis on management controls has had a positive impact on programs and enabled the Bureau to achieve its intended results. The process also ensures that the utilization of resources is consistent with mission priorities and that programs and resources are being used without waste, fraud, or mismanagement. Also, in addition to the A-123 Appendix A review, TTB conducted an internal control assessment during FY25 of TTB's Revenue Accounting Section and TTB's Office of Permitting and Taxation.

## **1.8 BUREAU CHALLENGES**

As part of effective risk management, TTB maintains an internal controls program to ensure that TTB's tax collection activities comply with laws and regulations and ensure reliable financial reporting. Each year, TTB monitors the internal controls over tax collections. The Bureau plans to revisit and revise these risk management tools, as appropriate, to ensure they reflect the key business processes in operation within TTB's Office of Permitting and Taxation and Revenue Accounting Section. As systems and businesses processes change, in line with strategic improvements implemented through TTB's strategic and annual business plans, the Bureau must continuously track and update the tools used to monitor its tax processing activities to maintain sound internal controls.



# PART II Financial Section

## 2.1 MESSAGE FROM THE CHIEF FINANCIAL OFFICER



TTB remains committed to strong internal controls and sound financial management practices to ensure the collection and verification of over \$15 billion in annual excise tax collections from the alcohol, tobacco, firearms, and ammunition industries. In FY 2025, for the sixteenth consecutive year, TTB obtained an unmodified (clean) audit opinion on its financial statements from an independent Certified Public Accounting firm, demonstrating our dedication to financial reporting excellence. This audit provides reasonable assurance that TTB's financial statements are free from material misstatement and were prepared in accordance with generally accepted accounting principles.

FY 2025 was an exceptional year for the Bureau as we balanced significant program and workforce transformations. We advanced our myTTB initiative, a multi-year plan to integrate modernized permit, labeling, and tax systems into a single platform for all industry interactions with TTB. When complete, myTTB will reduce industry burden, improve service delivery, facilitate voluntary compliance, and strengthen cybersecurity protections for sensitive taxpayer data. These efforts include employing analytics and other technologies to drive increased efficiencies across Bureau programs and maximize the reach of our resources.

Efforts to date have proven effective. In FY 2025, the second full year of administering the new import claims program, TTB approved and paid approximately 10,000 import claims, totaling over \$300 million in tax benefits, through its myTTB systems. TTB paid these refunds in around 20 days on average, supported by system-based validations designed to streamline processing while protecting Federal revenue.

As we transform our operations, TTB recognizes that its workforce is its most critical asset. This year, we experienced higher employee attrition, driven largely by a long-predicted wave of retirements. In response, and consistent with the President's Management Agenda, TTB is reshaping and optimizing its workforce to enhance efficiency and build a modern, agile organization. We are also continuing to reimagine our approach to employee development to better position the Bureau to meet future mission needs, including by expanding the use of cross-training and rotational assignments.

Further, TTB again achieved its overall small business acquisition goals in FY 2025, reinforcing our commitment to supporting economic growth. TTB will continue to strengthen its procurement strategies and contract oversight to leverage the best from the private sector to support our aggressive modernization agenda.

As we look ahead, addressing outdated technology and ensuring workforce readiness will remain central to our mission and long-term success. On both fronts, TTB has proven its dedication and ability to deliver.

**Joseph D. Burruss**  
*Assistant Administrator, Management/CFO*

## 2.2 AUDITORS' REPORTS, FINANCIAL STATEMENTS, AND ACCOMPANYING NOTES



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

### Independent Auditors' Report

Deputy Inspector General  
Department of the Treasury

Administrator  
Alcohol and Tobacco Tax and Trade Bureau:

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of the Alcohol and Tobacco Tax and Trade Bureau (TTB), which comprise the balance sheet as of September 30, 2025, and the related statement of net cost, changes in net position, and custodial activity, and statement of budgetary resources for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TTB as of September 30, 2025, and its net cost, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

##### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the TTB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### *Other Matter - Interactive Data*

Management has elected to reference to information on websites or other forms of interactive data outside the TTB Annual Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

##### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TTB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TTB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Management is responsible for the other information included in the TTB Annual Financial Report. The other information comprises the (1) Table of Contents (2) Introduction; (3) Message from the Administrator; (4) TTB Organization; (5) TTB Office Locations; (6) Message from the Chief Financial Officer; (7) Other Accompany Information (8) Part III: Other Information but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

#### *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2025, we considered the TTB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TTB's internal control. Accordingly, we do not express an opinion on the effectiveness of the TTB's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the TTB's financial statements as of and for the year ended September 30, 2025 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.



*Purpose of the Other Reporting Required by Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TTB's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TTB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C  
February 20, 2026

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU  
BALANCE SHEET  
As of September 30, 2025  
(In Thousands)**

**2025**

**ASSETS**

**Intragovernmental Assets:**

Fund Balance with Treasury (Note 2)	\$ 89,945
Accounts Receivable, Net (Note 3)	1,510
Due from the General Fund (Notes 5 and 8)	5,940
Advances (Note 7)	22

**Total Intragovernmental Assets** 97,417

**Other than Intragovernmental Assets:**

Accounts Receivable, Net (Note 3)	759
Tax Receivables, Net (Notes 4 and 8)	125,535
General Property, Plant, and Equipment, Net (Note 6)	29,514
Advances (Note 7)	714

**Total Other than Intragovernmental Assets** 156,522

**TOTAL ASSETS** (Note 8) \$ 253,939

**LIABILITIES**

**Intragovernmental Liabilities:**

Accounts Payable	\$ 1,007
Payroll and Benefits Payable	646
Unfunded FECA Liability (Note 10)	14
Due to the General Fund (Notes 4 and 5)	106,757
Due to the Wildlife Restoration Fund (Notes 4 and 5)	18,778

**Total Intragovernmental Liabilities** 127,202

**Other than Intragovernmental Liabilities:**

Accounts Payable	8,170
Payroll and Benefits Payable	2,564
Actuarial FECA Liability (Note 10)	77
Unfunded Leave Liability (Note 10)	5,619
Refunds Payable	5,940
Cash Bond Liabilities	10,505
Offers-in-Compromise not yet Accepted (Note 9)	26,193
Other Liabilities	1

**Total Other than Intragovernmental Liabilities** 59,069

**TOTAL LIABILITIES** (Note 10) \$ 186,271

Commitments and Contingencies (Note 19)

**NET POSITION**

Unexpended Appropriations - Funds from other than Dedicated Collections	\$ 42,889
Cumulative Results of Operations - Funds from other than Dedicated Collections	24,779

**TOTAL NET POSITION** 67,668

**TOTAL LIABILITIES AND NET POSITION** \$ 253,939

*The accompanying notes are an integral part of these statements.*

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**  
**STATEMENT OF NET COST**  
For the Year Ended September 30, 2025  
(In Thousands)

	2025
<b>COLLECT THE REVENUE</b>	
<b>Program Costs</b>	
Gross Costs	\$ 79,989
Less: Earned Revenue	(6,746)
Total Net Program Cost	73,243
 <b>PROTECT THE PUBLIC</b>	
<b>Program Costs</b>	
Gross Costs	\$ 89,206
Less: Earned Revenue	(1,844)
Total Net Program Cost	87,362
<b>NET COST OF OPERATIONS</b> (Note 13)	\$ 160,605

*The accompanying notes are an integral part of these statements.*

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**  
**STATEMENT OF CHANGES IN NET POSITION**  
For the Year Ended September 30, 2025  
(In Thousands)

	<b>2025</b>
<b>UNEXPENDED APPROPRIATIONS</b>	
Beginning Balance	\$ 46,546
<b>Budgetary Financing Sources</b>	
Appropriations Received	157,795
Other Adjustments	(706)
Appropriations Used	(160,746)
<b>Total Budgetary Financing Sources</b>	<b>(3,657)</b>
<b>Total Unexpended Appropriations</b>	<b>42,889</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	
Beginning Balance	\$ 14,392
<b>Budgetary Financing Sources</b>	
Appropriations Used	160,746
Transfers-in without reimbursement	900
<b>Other Financing Sources (Non-exchange)</b>	
Imputed Financing from Costs Absorbed by Others (Note 12)	9,346
<b>Total Financing Sources</b>	170,992
<b>Net Cost of Operations</b> (Note 13)	<b>(160,605)</b>
<b>Net Change</b>	<b>10,387</b>
<b>Cumulative Results of Operations</b>	<b>24,779</b>
<b>TOTAL NET POSITION</b>	<b>\$ 67,668</b>

*The accompanying notes are an integral part of these statements.*

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**  
**STATEMENT OF BUDGETARY RESOURCES**  
For the Year Ended September 30, 2025  
(In Thousands)

**2025**

**BUDGETARY RESOURCES** (Note 14)

Unobligated Balance from Prior Year Budget	
Authority, Net	\$ 9,160
Appropriations (discretionary and mandatory)	157,795
Spending Authority from Offsetting Collections (discretionary and mandatory)	9,461
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 176,416</b>

**STATUS OF BUDGETARY RESOURCES**

New Obligations and Upward Adjustments (Note 15)	\$ 169,269
Unobligated Balance, End of Year:	
Apportioned, Unexpired Accounts	5,138
Unexpired Unobligated Balance, End of Year	5,138
Expired Unobligated Balance, End of Year	2,009
Unobligated Balance, End of Year	7,147
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 176,416</b>

**AGENCY OUTLAYS, NET**

Outlays, Gross (discretionary and mandatory)	\$ 163,788
Actual Offsetting Collections (discretionary and mandatory)	(9,532)
Outlays, Net (discretionary and mandatory)	154,256
<b>AGENCY OUTLAYS, NET (discretionary and mandatory)</b>	<b>\$ 154,256</b>

*The accompanying notes are an integral part of these statements.*

**ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**  
**STATEMENT OF CUSTODIAL ACTIVITY**  
**For the Year Ended September 30, 2025**  
**(In Thousands)**

**2025**

**SOURCES OF CUSTODIAL REVENUE**

<b>Revenue Received</b>	
Excise Taxes (Notes 16 and 17)	\$ 15,388,090
Interest, Fines and Penalties (Note 17)	11,250
<b>Total Revenue Received</b> (Note 17)	15,399,340
Less Refunds and Drawbacks (Note 16)	(785,260)
<b>Net Revenue Received</b>	14,614,080
Accrual Adjustment	22,308
<b>Total Sources of Custodial Revenue</b>	14,636,388
Amounts Provided to:	
General Fund	13,408,834
Wildlife Restoration Fund	804,790
Amounts Provided to Fund the	
Federal Government (Note 17)	14,213,624
Amounts Provided to Non-Federal	
Entities (Notes 16 and 17)	400,456
Increase/(Decrease) in Amounts Yet	
to be Provided:	
General Fund	9,310
Wildlife Restoration Fund	(973)
Accrued Refunds	13,971
<b>Total Disposition of Custodial Revenue</b>	14,636,388
<b>NET CUSTODIAL REVENUE ACTIVITY</b>	\$ -

*The accompanying notes are an integral part of these statements.*

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies

### A. REPORTING ENTITY

The Alcohol and Tobacco Tax and Trade Bureau (TTB or Bureau) was established on January 24, 2003, as a result of the Homeland Security Act of 2002. The Act transferred firearms, explosives, and arson functions of the Bureau of Alcohol, Tobacco and Firearms (ATF) to the Department of Justice and retained the tax collection and consumer protection provisions of the Internal Revenue Code (IRC) and Federal Alcohol Administration Act in TTB within the Department of the Treasury. The history of TTB's regulatory responsibility dates back to the creation of the Department of the Treasury and the first Federal taxes levied on distilled spirits in 1791. TTB has two primary programs: Collect the Revenue and Protect the Public. Under the Collect the Revenue program, TTB collects alcohol, tobacco, firearms, and ammunition excise taxes, and under its Protect the Public program, TTB protects the consumer by ensuring that alcohol beverages are labeled, advertised, and marketed in accordance with the law, and facilitates trade in beverage and industrial alcohols.

### B. BASIS OF PRESENTATION

The financial statements were prepared to report the assets, liabilities, and net cost of operations, changes in net position, budgetary resources, and custodial activities of TTB. The financial statements have been prepared from the books and records of TTB in conformity with generally accepted accounting principles (GAAP) in the United States, and form and content guidance for entity financial statements issued by the Office of Management and Budget (OMB) in OMB Circular A-136. TTB's accounting policies are summarized in the note below. GAAP for Federal entities is prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants. These standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

These financial statements consist of the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, the Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, and the Statement of Custodial Activity. The statements and the related notes are prepared in a single-year format to present FY 2025 information.

## C. BASIS OF ACCOUNTING

Transactions are recorded on a proprietary accrual and a budgetary basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. However, under the budgetary basis, funds availability is recorded based upon legal considerations and constraints. As a result, certain line items on the proprietary statements may not equal similar lines on the budgetary financial statements.

The Statement of Custodial Activity is presented on the modified cash basis. The related activity is detailed in Note 1.E.

## D. REVENUE AND FINANCING SOURCES

### (1) Exchange Revenue

Exchange Revenues are inflows of resources to a Government entity that the entity has earned by providing something of value to the public or another Government entity at a price. The majority of the Exchange Revenues earned by the Bureau result from providing services to the Government of Puerto Rico, as well as other federal entities.

### (2) Financing Sources

Financing Sources provide inflows of resources during the reporting period and include appropriations used and imputed financing. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used. Imputed financing sources are the result of other Federal entities financing costs on behalf of TTB.

TTB receives the majority of the funding needed to support the Bureau through congressional appropriations. The appropriations received are annual and multi-year funding that may be used, within statutory limits, for operating and capital expenditures.

### (3) Imputed Financing Sources

Imputed Financing Sources are the result of Federal entities financing costs on behalf of TTB. Those entities pay future benefits for health insurance, life insurance, and pension benefits for TTB employees.

## E. CUSTODIAL REVENUE

For TTB, most Custodial Revenues result from collecting taxes on alcohol and tobacco products, which are transferred to the General Fund, and recognized as a nonexchange revenue on the Federal government's consolidated financial statements. The excise taxes collected by TTB come from businesses, and the taxes are imposed and collected at the producer and importer levels of operations. Members of the regulated industries paying excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of cigarette tubes, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. These taxes are recorded in the records on a modified cash basis of accounting. The Statement of Custodial Activity is also presented on a modified cash basis.

## F. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury is the undisbursed account balance with the Treasury, primarily resulting from undisbursed appropriations. The balance is available within statutory limits to pay current liabilities and finance authorized purchase obligations. The Fund Balance also includes a non-entity balance, primarily the result of custodial activities related to collecting escrow payments designed to finance Offers-in-Compromise and cash bonds held in lieu of corporate surety bonds guaranteeing payment of taxes.

## G. ACCOUNTS RECEIVABLE

Intragovernmental Accounts Receivable consist of amounts due under reimbursable agreements with Federal entities for services provided by TTB. Public Accounts Receivable consist of taxes, penalties, and interest that have been assessed but unpaid at year end.

Receivables due from Federal agencies are considered to be fully collectible. An allowance for doubtful accounts is established for public receivables primarily based on specific identification.

## H. PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment purchased with a cost greater than or equal to \$25,000 per unit and a useful life of two years or more, is capitalized and depreciated. Normal repairs and maintenance are charged to expense as incurred.

TTB also capitalizes internal use software when the unit cost or development costs are greater than or equal to \$25,000. The same threshold also applies to enhancements that add significant functionality to the software. TTB will amortize this software based on its classification. The classifications are as follows: 1) Enterprise and other business software (five years), and 2) Personal productivity and desktop operating software (three years).

Additionally, TTB also capitalizes like assets purchased in bulk when the unit price is greater than or equal to \$5,000 and less than \$25,000, with the aggregated purchase amount greater than or equal to \$250,000.

Assets are depreciated on a straight-line basis beginning the month the asset was put in to use.

## I. ADVANCES

Advances are payments made to cover certain periodic expenses before those expenses are incurred. Advances generally consist of prepaid services agreements for support or maintenance.

## J. NON-ENTITY ASSETS

Non-entity Assets consist primarily of cash and receivables for excise taxes and fees that are to be distributed to the Treasury, other Federal agencies, and other governments. Non-entity assets are not considered a financing source (revenue) available to offset the operating expenses of TTB.

## **K. LIABILITIES**

Liabilities represent the amount of monies, or other resources, that are likely to be paid by TTB as the result of a transaction or event that has already occurred. However, no liability can be paid by TTB absent an appropriation. Liabilities for which an appropriation has not been enacted and for which there is uncertainty an appropriation will be enacted, are classified as a liability not covered by budgetary resources. Also, the Government, acting in its sovereign capacity, can abrogate liabilities of TTB that arise from other than contracts.

Intragovernmental liabilities consist of amounts payable to the Treasury for collections of excise tax, fees receivable, payments to other Federal agencies, and accrued Federal Employees' Compensation Act (FECA) charges. Liabilities also include amounts due to be refunded to taxpayers, as well as amounts held in escrow for Offers-in-Compromise and cash bonds held in guaranteeing payment of taxes.

## **L. LITIGATION CONTINGENCIES AND SETTLEMENTS**

Probable and estimable litigation and claims against TTB are recognized as a liability and expense for the full amount of the expected loss. Expected litigation and claim losses include settlements to be paid from the Treasury Judgment Fund (Judgment Fund) on behalf of TTB and settlements to be paid from Bureau appropriations. The Judgment Fund pays Bivens-type tort claims. Settlements paid from the Judgment Fund for TTB are recognized as an expense and imputed financing source.

## **M. ANNUAL, SICK, AND OTHER LEAVE**

Annual and Compensatory Leave earned by TTB employees, but not yet used, is reported as an accrued liability. The accrued balance is adjusted annually to current pay rates. Any portions of the accrued leave, for which funding is not available, are recorded as an unfunded leave liability on the Balance Sheet. Sick and other leave are expensed as taken.

## **N. INTEREST ON LATE PAYMENTS**

Pursuant to the Prompt Payment Act, 31 U.S.C. 3901-3907, Federal agencies must pay interest on payments for goods or services made to business concerns after their due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services.

## O. RETIREMENT PLANS

Most employees hired prior to January 1, 1984, participate in the Civil Service Retirement System (CSRS), and employees hired between January 1, 1984 and December 31, 1986 are covered under the CSRS Offset system, to which TTB contributes 7.0 percent of pay for employees covered by both. On January 1, 1987, the Federal Employees' Retirement System (FERS) went into effect. FERS is a three-tiered retirement system consisting of a Basic Benefit Plan, Thrift Savings Plan (TSP), and Social Security Benefits. For the FERS Basic Benefit Plan, TTB contributes between 16.5 to 18.4 percent of pay for regular employees. The Bureau has not employed any law enforcement employees. As such, the contribution rates associated with those types of employees are not applicable to TTB.

All employees are eligible to contribute to TSP, a 401(k)-type saving plan. For those employees participating in FERS, a TSP account is automatically established and TTB makes a mandatory 1 percent contribution to this account. In addition, TTB makes matching contributions, ranging from 1 to 4 percent of base pay, for FERS-eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. For most employees hired after December 31, 1983, the Bureau also contributes the employer's matching share for Social Security.

TTB recognized the full cost of providing future pension and other retirement benefits (ORB) for current employees as required. Full cost includes pension and ORB contributions paid out of Bureau appropriations and costs financed by the Office of Personnel Management (OPM). Costs financed by OPM are reported in the accompanying financial statements as imputed costs, which are offset by imputed financing revenue sources. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

## P. FEDERAL EMPLOYEES' COMPENSATION ACT

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job and employees who have incurred a work-related injury or occupational disease. The future workers' compensation estimates were generated from an application of actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using the paid losses development method, which utilizes historical benefit patterns related to a specific incurred period to predict ultimate payments related to that period. The Department of Labor calculates Treasury's FECA actuarial liability. Treasury then allocates shares of the liability to its component organizations, including TTB.

Claims are paid for TTB employees by the Department of Labor (DOL) from the FECA Special Benefit fund, for which TTB reimburses DOL. The accrued liability represents claims paid by DOL for TTB employees, for which the fund has not been reimbursed. The actuarial liability is an estimate of future costs to be paid on claims made by TTB employees. The estimated future cost is not obligated against budgetary resources until the year in which the cost is billed to TTB.

## Q. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

## R. TAX EXEMPT STATUS

As an agency of the Federal Government, TTB is exempt from all income taxes imposed by any governing body, whether it is a Federal, state, commonwealth, local, or foreign government.

## S. SUBSEQUENT EVENTS

Subsequent events and transaction occurring after September 30, 2025, through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. There were no subsequent events warranting disclosure.

## Note 2. Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2025, consisted of the following (in thousands):

	<u>2025</u>
Fund Balances:	
General Funds	\$ 53,247
Other Funds	36,698
Total	<u>\$ 89,945</u>
Status of Fund Balances:	
Unobligated Balance - Available	\$ 5,138
Unobligated Balance - Unavailable	2,009
Obligated Balance Not Yet Disbursed	46,100
Subtotal	<u>53,247</u>
Adjustment for Non-Budgetary Funds	36,698
Total Status of Fund Balances	<u>\$ 89,945</u>

The other funds and non-budgetary fund balance primarily represents cash bonds and Offers-in-Compromise (OIC). Cash bonds are cash payments made to the Bureau by taxpayers, in lieu of obtaining corporate surety bonds, guaranteeing payment of taxes. OICs are payments made to the Bureau, being held in escrow, to finance offers from taxpayers to settle their tax debt at less than the assessed amount.

The unobligated balance that is unavailable is the balance of prior years' expired appropriations.

### Note 3. Accounts Receivable

Accounts Receivable as of September 30, 2025 consisted of the following (in thousands):

	<u>2025</u>
Intragovernmental Accounts Receivable:	
Due from Community Financial Development Institutions Fund	\$ 135
Due from Treasury Executive Office of Asset Forfeiture	1,375
Total Intragovernmental Accounts Receivable	<u>\$ 1,510</u>
Due from the Government of Puerto Rico	\$ 745
Due from Employees	14
Total Accounts Receivable Due from the Public	<u>\$ 759</u>

No allowance for doubtful accounts has been recognized, nor have any accounts been written off in FY2025. All intragovernmental accounts receivable are considered fully collectible. Additionally, other non-Federal receivables consist of a receivable from the government of Puerto Rico, which is collected via an offset to cover-over payments the Bureau remits to Puerto Rico, and employee accounts receivable, which can be collected via salary offsets.

### Note 4. Tax Receivables, Net

Tax Receivables as of September 30, 2025, consisted of the following (in thousands):

<u>2025</u>	<u>Gross</u> <u>Receivables</u>	<u>Allowance</u>	<u>Net</u> <u>Receivables</u>
Excise Tax Receivables	\$ 226,902	\$ (142,684)	\$ 84,218
Interest Receivables	92,586	(78,660)	13,926
Penalties, Fines and Administrative Fees Receivables	121,619	(94,320)	27,299
Criminal Restitution Receivables	52,838	(52,746)	92
Total Tax Receivables	<u>\$ 493,945</u>	<u>\$ (368,410)</u>	<u>\$ 125,535</u>

All tax and trade receivables are non-entity assets. An allowance for uncollectible amounts has been established based on: 1) an analysis of individual receivable balances and 2) the application of historical non-collection rates for similar types of receivables. Because current laws governing the collection period for these tax assessments, 26 U.S.C. 6502, stipulate taxes are collectible for 10 years from the date the taxes were assessed, a large amount of aged receivables that are not likely to be collected have been offset with an allowance but not written off. Net Tax and Trade Receivables have offsetting liabilities reported as Due to the General Fund and Due to the Wildlife Restoration Fund.

## Note 5. Due from the General Fund and Due to the General Fund

Due from the General Fund and Due to the General Fund as of September 30, 2025, consisted of the following (in thousands):

	<u>2025</u>
Due from the General Fund	\$ <u>5,940</u>

In addition to collecting taxes from the alcohol and tobacco industries, the Bureau also is responsible for paying refunds, when applicable, to those same industry members. Amounts due from the General Fund represent a receivable from appropriations to cover the Bureau's accrued refund liability to alcohol and tobacco excise taxpayers.

	<u>2025</u>
Due to the General Fund	\$ 106,757
Due to the Wildlife Restoration Fund	<u>18,778</u>
Total Custodial Liabilities	<u>\$ 125,535</u>

Amounts due to the General Fund primarily represent the balance of receivables related to Alcohol and Tobacco excise taxes. Similarly, receivables related to Firearms and Ammunition excise taxes equate to custodial liabilities payable to the Department of Interior's Wildlife Restoration Fund, as opposed to the General Fund.

## Note 6. Property, Plant, and Equipment, Net (PP&E)

Property, Plant and Equipment as of September 30, 2025, consisted of the following (in thousands):

<u>2025</u>	<u>Estimated Useful Life (Years)</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Internal Use Software	3 - 5	\$ 47,086	\$ (23,723)	\$ 23,363
Equipment	4 - 6	12,584	(10,984)	1,600
Leasehold Improvements	2 - 5	3,607	(3,430)	177
Building	40	9,772	(5,398)	4,374
Total PP&E		<u>\$ 73,049</u>	<u>\$ (43,535)</u>	<u>\$ 29,514</u>

The balance in the buildings account represents TTB's 13.2 percent equity interest in the National Laboratory Center facility in Beltsville, Maryland, which TTB co-owns with ATF.

	<u>2025</u>
Beginning Balance	\$ 19,453
Acquisitions	14,938
Depreciation Expense	<u>(4,877)</u>
Ending Balance	<u>\$ 29,514</u>

Depreciation and amortization are calculated using the straight-line method.

## Note 7. Advances

Advances as of September 30, 2025, consisted of the following (in thousands):

	<u>2025</u>
Beginning Balance	\$ 1,408
Prepayments	71
Liquidations	<u>(743)</u>
Ending Balance	<u>\$ 736</u>

Advances with the public generally consist of prepaid software subscriptions and prepaid service agreements for support or maintenance.

## Note 8. Non-entity Assets

Non-entity Assets as of September 30, 2025, consisted of the following (in thousands):

	<u>2025</u>
Intragovernmental Non-entity Assets:	
Fund Balance with Treasury	\$ 36,698
Due from the General Fund	5,940
Total Intragovernmental Non-entity Assets	<u>42,638</u>
Other than Intragovernmental Non-entity Assets:	
Tax Receivables, Net	<u>125,535</u>
Total Other than Intragovernmental Non-entity Assets	<u>125,535</u>
Total Non-Entity Assets	168,173

## Note 9. Offers-in-Compromise not yet Accepted

Offers-in-Compromise (OIC) are payments made to the Bureau, being held in escrow, to finance offers from taxpayers to settle their tax debt at less than the assessed amount. As of September 30, 2025, 53 offers had been made totaling \$26.2 million.

## Note 10. Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources as of September 30, 2025, consisted of the following (in thousands):

	<u>2025</u>
Unfunded FECA Liability	\$ 14
Total Intragovernmental Liabilities not Covered by Budgetary Resources	<u>14</u>
Actuarial FECA Liability	77
Unfunded Leave Liability	<u>5,619</u>
Total Liabilities with the Public not Covered by Budgetary Resources	<u>5,696</u>
Total Liabilities not Covered by Budgetary Resources	5,710
Total Liabilities Covered by Budgetary Resources	<u>180,561</u>
Total Liabilities	<u>\$ 186,271</u>

## Note 11. Future Funding Requirements

Generally, liabilities not covered by budgetary resources require future funding and can be liquidated only with the enactment of future appropriations. As of September 30, 2025, liabilities not covered by budgetary resources totaled \$5.7 million. The balance has a history of both increasing and decreasing over time, as it is largely a product of the size and maturity of TTB's workforce at any given point in time.

## Note 12. Imputed Financing

Imputed Financing as of September 30, 2025, consisted of the following (in thousands):

	<u>2025</u>
Health Insurance	\$4,637
Life Insurance	11
Pension	4,698
Total Imputed Financing	<u>\$9,346</u>

Imputed financing recognizes actual cost of future benefits to be paid by other Federal entities. These benefits include Federal Employees Health and Benefits Program (FEHB), Federal Employees Group Life Insurance Program (FEGLI), and pensions. Imputed financing also recognizes costs paid by the Judgment Fund. The Fund was established and funded by Congress under 31 U.S.C. 1304 to pay in whole or in part court judgments and settlement agreements negotiated by Treasury on behalf of agencies, as well as certain types of administrative awards. The Judgment Fund did not pay out any awards on TTB's behalf during fiscal year 2025.

TTB does not report CSRS assets, FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to retirement plans because the accounting for and reporting of such amounts is the responsibility of OPM. Based on cost factors provided by OPM, which vary by retirement plan, estimated future pension benefits for TTB employees, to be paid by OPM, totaled \$4.7 for FY 2025, respectively. Similarly, OPM rather than TTB, reports liabilities for future payments to retired employees who participate in the FEHB and FEGLI programs. The FEHB cost factor applied to a weighted average number of employees enrolled in the FEHB program for FY 2025 was \$11,028; resulting in the imputed cost for employees' health benefits for FY 2025 to be \$4.6 million. The cost factor, as provided by OPM, for employees enrolled in the FEGLI program, was .02 percent of employees' basic pay. The FEGLI amounts totaling \$11,000 in FY 2025, is also included as an expense and imputed financing source in TTB financial statements.

### Note 13. Consolidated Gross Cost and Earned Revenue by Budget Functional Classification

Consolidated Gross Cost and Earned Revenue by Budget Function Classification as of September 30, 2025 consisted of the following (in thousands):

Fiscal Year Ended September 30, 2025

Activity	Budget Function Classification (BFC)	BFC Code	Gross Costs	Earned Revenue	Net Costs
Intragovernmental	Central Fiscal Operations	803	\$ 47,727	\$ (3,928)	\$ 43,799
With the Public	Central Fiscal Operations	803	121,468	(4,662)	116,806
Consolidated	Central Fiscal Operations	803	<u>\$ 169,195</u>	<u>\$ (8,590)</u>	<u>\$ 160,605</u>

Central fiscal operations (BFC Code 803) is defined as the general tax collection and fiscal operations of the Department of the Treasury.

Consolidated Intragovernmental Lease Expenses as of September 30, 2025 consisted of the following (in thousands):

	2025
Vehicles	\$ 60
Buildings	<u>3,329</u>
Total Intragovernmental Lease Expense	<u>\$ 3,389</u>

Of TTB's Gross Intragovernmental Costs, Intragovernmental Lease Expenses for FY 2025 totaled \$3.4 million.

## Note 14. Statement of Budgetary Resources vs. Budget of the United States Government

The following chart displays balances from the FY 2024 Statement of Budgetary Resources and actual fiscal year balances included in the FY 2026 President's Budget. There were no differences related to the Salaries and Expense accounts. The FY 2027 budget, which would include FY 2025 actuals, had not been published at the time of this report.

Fiscal Year Ended September 30, 2024 (In Millions)	Statement of Budgetary Resources	President's Budget
Budgetary Resources:		
Appropriations	\$ 158	\$ 158
Spending Authority from Offsetting Collections	9	9
Budgetary Resources Available for Obligation	<u>\$ 167</u>	<u>\$ 167</u>
 New Obligations and Upward Adjustments	 <u>\$ 167</u>	 <u>\$ 167</u>
Outlays:		
Outlays, Gross	\$ 161	\$ 161
Actual Offsetting Collections	(9)	(9)
Outlays, Net	<u>\$ 152</u>	<u>\$ 152</u>

Additionally, for Special and Trust Fund Receipts, the FY 2026 President's Budget disclosed budget authority of \$394 million for FY 2024, which funded cover-over payments to Puerto Rico. These amounts were not reported in the Statement of Budgetary Resources because the cover-over payments and associated tax revenues are reported as custodial activity of the Bureau. The tax revenues are not available for use in the operation of the Bureau and are not reported on the Statement of Net Cost. Likewise, the resultant cover-over payments are not recognized as an operating expense of the Bureau. To present the cover-over payments as an expense of the Bureau on the Statement of Net Cost would be inconsistent with the reporting of the related Federal tax revenue and would materially distort the costs incurred by the Bureau in meeting its strategic objectives. Further, since this activity is not reported on the Statement of Net Cost, it would be contradictory to report the associated budget authority on the Statement of Budgetary Resources.

## Note 15. Apportionment Categories of New Obligations and Upward Adjustments

New Obligations and Upward Adjustments as of September 30, 2025, consisted of the following (in thousands):

Fiscal Year	Apportionment Category	Direct Obligations	Reimbursable Obligations	Total New Obligations and Upward Adjs
2025	Category B	<u>\$ 160,707</u>	<u>\$ 8,562</u>	<u>\$ 169,269</u>

The amount of direct and reimbursable obligations against amounts apportioned under Category B is reported in the table above. Apportionment categories are determined by the apportionment categories reported on the Standard Form 132 *Apportionment and Reapportionment Schedule*. Category B represents apportionments by project. Based on how the Office of Management and Budget views TTB's operations in relation to projects, the Category B apportionments have essentially provided the Bureau full-year apportionments of its appropriations.

New Obligations and Upward Adjustments represents amounts that have been obligated or expended during the year. Whereas Undelivered Orders represents the balance of obligations at the end of the year.

	<u>2025</u>
Undelivered Orders, Paid Federal	\$ 22
Undelivered Orders, Unpaid Federal	1,750
Undelivered Orders, Paid Non-federal	714
Undelivered Orders, Unpaid Non-federal	<u>37,129</u>
Undelivered Orders, End of Year	<u>\$ 39,615</u>

## Note 16. Net Custodial Revenue Activity

### EXCISE TAXES

As an agent of the Federal Government and as authorized by 26 U.S.C., TTB collects excise taxes from alcohol, tobacco, firearms, and ammunition industries. In addition, special occupational taxes are collected from certain alcohol and tobacco businesses. During FY 2025, TTB collected \$15.4 billion in taxes, interest, and other custodial revenues.

Substantially all of the taxes collected by TTB net of related refund disbursements are remitted to the Department of Treasury General Fund. The Department of Treasury further distributes this revenue to Federal agencies in accordance with various laws and regulations. The firearms and ammunition excise taxes are an exception. Those revenues are remitted to the Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937.

### REFUNDS AND OTHER PAYMENTS

During FY 2025, TTB issued \$1.2 billion in refunds, cover-over payments, and drawback payments.

#### ► Tax Refunds

Tax Refunds result when taxpayers file returns for payments made for a given tax period and the result of the return is an overpayment.

#### ► Cover-over Payments

Federal excise taxes are collected under the Internal Revenue Code of 1986, 26 U.S.C., on certain articles produced in Puerto Rico and the U.S. Virgin Islands (USVI) and brought into or imported into the United States. In accordance with 26 U.S.C. 7652, such taxes collected on rum brought into or imported into the United States are custodial revenues and “covered over,” or paid into, the treasuries of Puerto Rico and the USVI.

TTB maintains operations in Puerto Rico to enforce the provisions of chapter 51 in respect to items of Puerto Rican manufacture brought into the United States. These operations include conducting annual revenue, application, and product integrity investigations of large alcohol and tobacco industry members. Except for application investigations, TTB investigates medium and small alcohol and tobacco producers in response to specific problems and risk indicators. Revenue inspections are used to verify that TTB is collecting all of the revenue that is rightfully due from the taxpayer. TTB staff in Puerto Rico also conducts qualification inspections of all distilled spirits producers/processors, wineries, wholesalers, importers, Manufacturer of Nonbeverage Products (MNBPF) claimants, and Specially Denatured Alcohol permit applicants. All costs associated with the functioning and supporting of the Puerto Rico office, \$4.6 million in FY 2025, are offset against the cover-over payments made by the United States to Puerto Rico.

► **Drawbacks**

Under current law, 26 U.S.C. 5134, MNBPs may be eligible to claim a refund of tax paid on distilled spirits used in their products. In the case of distilled spirits, on which the tax has been paid or determined, a drawback shall be allowed on each proof gallon at the rate of \$1 less than the rate at which the distilled spirits tax had been paid or determined. The refund is due upon the claimant providing evidence that the distilled spirits on which the tax has been paid or determined were unfit for beverage purposes and were used in the manufacture or production of medicines, medicinal preparations, food products, flavors, flavoring extracts, or perfume.

► **CBMA Claims**

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 made permanent most Craft Beverage Modernization Act (CBMA) provisions of the Tax Cuts and Jobs Act of 2017, with several amendments, including transferring responsibility for administering the CBMA provisions related to imported alcohol, from U.S. Customs and Border Protection (CBP) to Treasury, as of January 1, 2023. Treasury assigned the new CBMA import claims program to TTB to administer. Under the law, starting in 2023, alcohol beverage importers were no longer eligible for the CBMA tax benefits from CBP at the time of entry; rather, importers were required to pay the full tax rate at entry and submit quarterly refund claims to TTB to receive the benefits.

The claims result from the change in tax rates provided by the law.

Refunds, Drawbacks and Cover-over Payments as of September 30, 2025, consisted of the following (in thousands):

	<u>2025</u>
Alcohol, Tobacco, and Firearms Excise Tax Refunds	\$ 55,026
Drawbacks on MNBPs	410,031
CBMA Claims	318,381
Interest and Other Payments	1,822
Refunds and Drawbacks	<u>785,260</u>
Cover-over Payments - Puerto Rico	394,952
Cover-over Payments - Virgin Islands	5,504
Amounts Provided to Non-federal Entities	<u>400,456</u>
Total Refunds, Drawbacks and Coverover Payments	<u>\$ 1,185,716</u>

## Note 17. Custodial Revenue

Collection and Disposition of Custodial Revenue as of September 30, 2025 consisted of the following (in thousands):

### FY 2025 Collections and Refunds by Tax Year and Type

<u>Revenue Type</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>Pre 2023</u>	<u>FY 2025 Total</u>
Excise Taxes	\$ 14,916,685	\$ 453,653	\$ 3,203	\$ 14,549	\$ 15,388,090
Fines, Penalties, Interest and Other	3,535	4,482	2,048	1,185	11,250
Total Revenue Received	14,920,220	458,135	5,251	15,734	15,399,340
Less: Amounts Collected for Non-federal Entities	(399,301)	(1,155)	-	-	(400,456)
Total	<u>\$ 14,520,919</u>	<u>\$ 456,980</u>	<u>\$ 5,251</u>	<u>\$ 15,734</u>	<u>\$ 14,998,884</u>
<u>Refund Type</u>					
Excise Taxes	\$ 332,452	\$ 390,771	\$ 51,733	\$ 8,482	\$ 783,438
Fines, Penalties, Interest and Other	6	325	324	1,167	1,822
Total Refunds & Drawbacks	<u>332,458</u>	<u>391,096</u>	<u>52,057</u>	<u>9,649</u>	<u>785,260</u>
Amounts Provided to Fund the Federal Government	<u>\$ 14,188,461</u>	<u>\$ 65,884</u>	<u>\$ (46,806)</u>	<u>\$ 6,085</u>	<u>\$ 14,213,624</u>

## Note 18. Reconciliation of Net Cost to Net Outlays

The Reconciliation of Net Cost to Net Outlays details the activity impacting Net Cost but not Budgetary Outlays; and conversely, activity impacting Net Outlays but not Net Cost. The reconciliation does not include custodial activity, as this activity neither impacts Net Cost nor Budgetary Outlays.

Reconciliation of Net Cost to Net Outlays, as of September 30, 2025, consisted of the following (in thousands):

<b>2025</b>	<b>Federal</b>	<b>Non-Federal</b>	<b>Total</b>
Net Cost of Operations (SNC)	\$ 43,799	\$ 116,806	\$ 160,605
Components of Net Cost of Operations not Part of the Budgetary Outlays:			
Depreciation Expense	-	(4,877)	(4,877)
Increase in Accounts Receivable	20	19	39
Increase/(Decrease) in Other Assets	21	(694)	(673)
Increase/(Decrease) in Assets	41	(675)	(634)
(Increase)/Decrease in Accounts Payable	13	(4,885)	(4,872)
(Increase) in Salaries and Benefits Liabilities	(145)	(985)	(1,130)
(Increase) in Liabilities	(132)	(5,870)	(6,002)
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to Agency	(9,346)	-	(9,346)
Transfers (In) Without Reimbursement	(900)	-	(900)
Other Financing Sources	(10,246)	-	(10,246)
Total Components of Net Cost of Operations not Part of the Budgetary Outlays	(10,337)	(11,422)	(21,759)
Components of Budgetary Outlays not Part of Net Cost of Operations:			
Acquisition of Capital Assets	-	14,938	14,938
Decrease in Other Liabilities	2	470	472
Decrease in Liabilities	2	470	472
Total Components of Budgetary Outlays not Part of Net Cost of Operations	2	15,408	15,410
Outlays, Net (Calculated Total)	<u>\$ 33,464</u>	<u>\$ 120,792</u>	<u>\$ 154,256</u>
Related Amounts on the Statement of Budgetary Resources:			
Outlays, Net	<u>\$ 33,464</u>	<u>\$ 120,792</u>	<u>\$ 154,256</u>
Agency Outlays, Net	<u>\$ 33,464</u>	<u>\$ 120,792</u>	<u>\$ 154,256</u>

## **Note 19: Contingent Liabilities**

As of September 30, 2025, TTB is party to four legal actions where legal counsel believes an unfavorable outcome is reasonably possible. Two of the legal actions claim harm by industry members resulting from the purported unconstitutionality of the Internal Revenue Code. The third legal action challenges TTB's inclusion of FDA User Fees in the sales price used to calculate excise taxes on large cigars. The fourth is an Equal Employment Opportunity complaint by a current TTB Employee. The potential liability on the four cases cannot be estimated.

## 2.3 SUPPLEMENTAL INFORMATION

### Required Supplementary Information (Unaudited)

#### BUDGETARY INFORMATION

Budgetary information aggregated for the purposes of the Statement of Budgetary Resources should be disaggregated for each of an entity's major budget accounts (i.e., Appropriated Funds, Trust Funds, Revolving Funds, or other funds) and presented as Supplementary Information. However, for proprietary reporting, TTB only has appropriated funds. Consequently, a Combining Statement of Budgetary Resources disaggregated by fund type has not been presented.

#### EXCISE TAX AND OTHER COLLECTIONS

**Required Supplementary Information  
Excise Tax and Other Collections by Fiscal Year  
Unaudited (In Thousands)**

<b>Fiscal Year</b>	<b>Alcohol</b>	<b>Tobacco</b>	<b>FAET</b>	<b>SOT</b>	<b>FST</b>	<b>Other</b>	<b>Total</b>
2016	\$ 8,075,476	\$ 13,274,371	\$ 749,789	\$ 258	\$ 245	\$ 505	\$ 22,100,644
2017	8,103,714	12,966,317	761,630	227	69	521	21,832,478
2018	7,877,214	12,050,283	624,802	273	7	1,006	20,553,585
2019	7,865,036	11,375,038	567,330	260	5	5,126	19,812,795
2020	8,088,717	11,239,189	665,650	250	-	6,057	19,999,863
2021	8,390,351	10,756,326	1,102,734	212	-	1,235	20,250,858
2022	8,255,829	10,158,504	1,150,848	237	-	755	19,566,173
2023	7,881,700	9,282,193	944,060	228	-	1,370	18,109,551
2024	7,558,324	8,328,605	892,843	240	-	-	16,780,012
2025	7,190,462	7,401,108	807,519	251	-	-	15,399,340
Average	\$ 7,928,682	\$ 10,683,193	\$ 826,721	\$ 244	\$ 33	\$ 1,658	\$ 19,440,530

FAET – Firearms and Ammunition Excise Tax

SOT – Special Occupational Tax

FST – Floor Stocks Tax

TTB collects FAET taxes on behalf of the Department of Interior, U.S. Fish and Wildlife Service, and transfers the collections directly to the Wildlife Restoration Fund. During FY 2025, TTB incurred \$3.4 million of direct and indirect costs associated with collecting the FAET taxes. The law currently does not provide for TTB to recover these costs. The cost of the program was communicated to the U.S. Fish and Wildlife Service so the agency could properly record an imputed cost in its financial records.

## REFUNDS, COVER-OVER PAYMENTS, AND DRAWBACK PAYMENTS

### Required Supplementary Information Refunds, Cover-over Payments, and Drawback Payments by Fiscal Year Unaudited (In Thousands)

<b>Fiscal Year</b>	<b>Cover-over Puerto Rico</b>	<b>Cover-over Virgin Islands</b>	<b>AT&amp;F Excise Tax</b>	<b>Drawbacks MNBP Claims</b>	<b>CBMA Claims</b>	<b>Interest and Other</b>	<b>Total</b>
2016	\$ 416,815	\$ 7,975	\$ 34,799	\$ 355,668	N/A	\$ 162	\$ 815,419
2017	364,804	5,122	55,839	350,055	N/A	136	775,956
2018	446,026	8,708	44,848	273,927	N/A	635	774,144
2019	445,324	8,217	47,277	342,433	N/A	456	843,707
2020	471,073	6,906	45,709	373,438	N/A	550	897,676
2021	519,682	8,787	42,758	402,129	N/A	587	973,943
2022	414,300	6,589	74,854	421,726	N/A	1,415	918,884
2023	362,417	6,535	65,243	372,898	78,261	982	886,336
2024	393,907	5,643	92,277	382,904	301,352	4,291	1,180,374
2025	394,952	5,504	55,026	410,031	318,381	1,822	1,185,716
Average	\$ 422,930	\$ 6,999	\$ 55,863	\$ 368,521	\$ 232,665	\$ 1,104	\$ 925,216

AT&F – Alcohol, Tobacco, and Firearms

MNBP – Manufacturer of Nonbeverage Products

CBMA – Craft Beverage Modernization Act

## Other Accompanying Information (Unaudited)

### Other Information Combined Schedule of Spending For the Year Ended September 30, 2025 Unaudited (In Thousands)

	2025
<b>What Money is Available to Spend</b>	
Total Resources	\$ 176,416
Less: Amount Available but not Agreed to be Spent	(5,138)
Less: Amount Not Available to Be Spent	(2,009)
Total Amounts Agreed to be Spent	<u>\$ 169,269</u>
<b>How was the Money Spent</b>	
Collect the Revenue	
Object Class 11: Personnel Compensation	\$ 31,444
Object Class 12: Personnel Benefits	11,708
Object Class 21: Travel	628
Object Class 23: Rent, Utilities, and Telecommunications Services	1,825
Object Class 25: Contractual Services	25,266
Object Class 31: Equipment and Software	7,974
Other	338
Total Collect the Revenue	<u>79,183</u>
Protect the Public	
Object Class 11: Personnel Compensation	36,450
Object Class 12: Personnel Benefits	13,556
Object Class 21: Travel	440
Object Class 23: Rent, Utilities, and Telecommunications Services	1,943
Object Class 25: Contractual Services	24,282
Object Class 31: Equipment and Software	7,652
Other	282
Total Protect the Public	<u>84,605</u>
Total Spending	163,788
Change in Amounts Remaining to be Spent	5,481
Total Amounts Agreed to be Spent	<u>\$ 169,269</u>
<b>Who did the Money go to</b>	
Federal Recipients	\$38,293
Non-Federal Recipients	<u>125,495</u>
Total Spending	163,788
Change in Amounts Remaining to be Spent	5,481
Total Amounts Agreed to be Spent	<u>\$ 169,269</u>

## INTRAGOVERNMENTAL ASSETS

**Other Information  
Intragovernmental Assets  
As of September 30, 2025  
Unaudited (In Thousands)**

<u>Trading Partner</u>	<u>Agency Code</u>	<u>Fund Balance W/ Treasury</u>	<u>Accounts Receivable</u>	<u>Advances</u>
Department of the Treasury	020	\$ -	\$ 1,510	\$ -
Department of Transportation	069	-	-	4
Department of Defense	097	-	-	18
Treasury General Fund	--	89,945	5,940	-
Total		<u>\$ 89,945</u>	<u>\$ 7,450</u>	<u>\$ 22</u>

Agency Codes, which identify trading partners on intragovernmental transactions, are defined in Treasury's Federal Account Symbols and Titles (FAST) Book, which is a supplement in the Treasury Financial Manual.

## INTRAGOVERNMENTAL LIABILITIES

**Other Information  
Intragovernmental Liabilities  
As of September 30, 2025  
Unaudited (In Thousands)**

<u>Trading Partner</u>	<u>Agency Code</u>	<u>Accrued FECA</u>	<u>Custodial and Other Liabilities</u>
Department of the Interior	014	\$ -	\$ 18,778
Department of Labor	016	14	-
Office of Personnel Management	024	-	462
General Fund	--	-	106,941
Total		<u>\$ 14</u>	<u>\$ 126,181</u>

**INTRAGOVERNMENTAL EARNED REVENUE**

**Other Information  
Intragovernmental Earned Revenue  
For the Year Ended September 30, 2025  
Unaudited (In Thousands)**

<u>Trading Partner</u>	<u>Agency Code</u>	<u>2025</u>
Department of the Treasury	020	\$ 3,928
Total		<u>\$ 3,928</u>

<u>Budget Function Classification (BFC)</u>	<u>BFC Code</u>	<u>2025</u>
Central Fiscal Operations	803	\$ 3,928
Total		<u>\$ 3,928</u>

**INTRAGOVERNMENTAL GROSS COST**

**Other Information  
Intragovernmental Gross Cost  
For the Year Ended September 30, 2025  
Unaudited (In Thousands)**

<u>Trading Partner</u>	<u>Agency Code</u>	<u>2025</u>
Government Printing Office	004	\$ 187
Department of Justice	015	822
Department of Labor	016	5
United States Postal Services	018	15
Department of the Treasury	020	10,539
Office of Personnel Management	024	26,661
General Services Administration	047	4,008
Securities and Exchange Commission	050	10
Department of Transportation	069	3
Department of Homeland Security	070	429
National Archives Records Administration	088	8
Department of Defense	097	124
General Fund	--	4,916
Total		<u>\$ 47,727</u>

During FY 2025, TTB incurred costs with other Federal agencies totaling approximately \$47.7 million. The majority of those costs were associated with the four entities detailed below.

- ▶ **Department of Justice:** TTB paid ATF \$0.8 million in FY 2025 for shared lab space and shared building services.
- ▶ **Department of the Treasury:** The Bureau received law enforcement services from the IRS, as well as administrative services from the Bureau of the Fiscal Service's Administrative Resource Center, in FY 2025 in the amounts of \$10.5 million.
- ▶ **Office of Personnel Management:** TTB incurred \$26.7 million in costs for employee benefits during FY 2025.
- ▶ **General Services Administration:** TTB paid \$4.0 million to GSA for rent and information technology services in FY 2025.
- ▶ **General Fund:** The Bureau paid \$4.9 million in FY 2025 for employee benefits and lockbox fees.





# PART III

## Other Information

### 3.1 PRINCIPAL OFFICERS OF TTB

<b>Administrator</b> .....	Mary Ryan
<b>Deputy Administrator</b> .....	Elisabeth Kann
<b>Assistant Administrator, External Affairs/Chief of Staff</b> .....	Janelle Christian (Acting)
<b>Assistant Administrator, Field Operations</b> .....	Anthony Gledhill
<b>Assistant Administrator, Permitting &amp; Taxation</b> .....	Carrie May
<b>Assistant Administrator, Headquarters Operations</b> .....	Amy Greenberg (Acting)
<b>Assistant Administrator, Management/CFO</b> .....	Joseph Burruss
<b>Assistant Administrator, Information Resources/CIO</b> .....	Greg Greeley
<b>Assistant Administrator, Analytics/CDO</b> .....	Anita Ko
<b>Director, Strategic Planning and Program Evaluation</b> .....	Jill Murphy
<b>Chief Counsel</b> .....	Christina McMahon

For additional information, contact:

Alcohol and Tobacco Tax and Trade Bureau  
1310 G Street, NW, Box 12  
Washington, DC 20005

(202) 453-2000

<https://www.ttb.gov>

## 3.2 CONNECTING TTB TO TREASURY'S FY 2026-2030 STRATEGIC PLAN

STRATEGIC PLAN CROSSWALK ● Lead Organization ○ Supporting Organization	DO	BEP	FINCEN	FISCAL	IRS	MINT	OCC	TTB
	<b>Goal 1: Increase Main Street Growth and Affordability</b>							
1.1 Grow Economy by Expanding Work, Wealth, and Ownership	●				○			○
1.2 Modernize the U.S. Financial System	●		○				○	
1.3 Rebalance Global Trade and End Unfair Practices	●							○
<b>Goal 2: Improve Stewardship of Taxpayer Dollars</b>								
2.1 Manage U.S. Debt Responsibly	●			○				
2.2 Improve Payment Integrity	●		○	○	○			
2.3 Deliver a Modern Taxpayer Experience to Improve Service, Privacy and Collection					●			○
<b>Goal 3: Enhance National Security</b>								
3.1 Monitor Foreign Transaction Flows to Identify and Curtail Illicit Finance and Terrorist Organizations	●		○					
3.2 Secure the Homeland Through Strategic Use of Treasury Financial Tools	●		●		○			
3.3 Expand Investment Security	●							
3.4 Defend Against Cyber Threats	●	○	○	○	○	○	○	○
<b>Goal 4: Improve the Efficiency and Effectiveness of Treasury Operations</b>								
4.1 Improve Enterprise Problem-solving	●	○	○	○	○	○	○	○
4.2 Improve Processes to Increase Customer Value and Mission Outcomes	●	○	○	○	○	○	○	○
4.3 Reshape and Optimize the Workforce	●	○	○	○	○	○	○	○
4.4 Deliver High-quality Common Services to the Treasury Enterprise	●	○	○	○	○	○	○	○
<b>Goal 5: Celebrate American Achievement and Be a Model Host</b>								
	●	○				○		

\*TTB's strategic plan is under review.

## 3.3 TTB STRATEGIC MANAGEMENT FRAMEWORK

Maintaining a robust strategy is vital for the efficacy of TTB, and it is also required by the Office of Management and Budget, pursuant to the GPRA Modernization Act. The Balanced Scorecard is the methodology TTB has chosen for strategic and annual business planning. To execute this plan, TTB has built a robust strategic management framework to manage its priorities and monitor performance.

### Method

The Balanced Scorecard is a planning process and framework that facilitates strategy development and implementation. It builds a strategy through a complete set of perspectives, including customers and stakeholders, financial stewardship, internal processes, and people and tools. In each perspective, TTB developed a series of objectives, or the key areas in which the Bureau needs to excel to achieve its mission and strategic goals. Each strategic objective has a set of performance goals, which are a combination of performance measures and targets. TTB can then monitor its strategy and performance through use of a dashboard, which provides actionable data to help determine where to direct resources.

### Strategy Development and Implementation

To develop its Balanced Scorecard, TTB enlisted a Core Team to develop the TTB strategy with guidance, input, and approval from the Executive Team at key stages in the development process. As accountability is a basic tenet of the Balanced Scorecard, TTB assigns ownership of each Strategic Objective to a Captain. These Captains form a standing Core Team to manage the Balanced Scorecard and serve as an advisory body to TTB leadership on critical Bureau projects and investments.

### Strategic Management

TTB has integrated the Balanced Scorecard into its management processes through a series of tools and processes to help the Bureau actively manage its strategy and measure its progress. Two key aspects of the Balanced Scorecard tools are:

- ▶ **The Dashboard** is a visual representation of performance in each strategic objective. TTB assesses organizational performance based on the measures for each strategic objective. By monitoring the Dashboard, TTB makes informed decisions about where to focus resources to improve performance.

- ▶ **The Initiative Management Framework** is an organized framework through which TTB assesses proposed initiatives in the context of strategic significance. TTB's portfolio of initiatives helps the Bureau achieve its strategic priorities, objectives, and performance goals. By selecting the right initiatives, TTB should see its performance, as shown on the Dashboard, shift in a positive direction over time and in response to targeted efforts.

The framework is managed by two key groups who meet at regular intervals to plan for and execute against the strategic goals of the Bureau: **Executive Team** and **Core Team**.

**Strategic Management Meetings** are the opportunity for the **Executive Team** to hear recommendations for action from the **Core Team**.





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