

Alcohol and Tobacco Tax and Trade Bureau

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2025 Operating Plan	FY 2026 Enacted	FY 2027 Request	FY 2026 to FY 2027 \$ Change	FY 2026 to FY 2027 % Change
Collect the Revenue	\$85,023	\$84,741	\$84,741	\$0	0%
Protect the Public	\$72,772	\$73,054	\$73,054	\$0	0%
Subtotal, Organization Title	\$157,795	\$157,795	\$157,795	\$0	0%
Reimbursables and Offsetting Collections ²	\$8,551	\$9,581	\$9,581	\$0	0%
Unobligated Balances from Prior Years ³	\$4,869	\$4,501	\$4,450	(\$51)	-1%
Transfers In/Out ⁴	\$900	\$500	\$0	(\$500)	-100%
Subtotal Other Resources	\$14,320	\$14,582	\$14,031	(\$551)	-4%
Total Budgetary Resources	\$172,115	\$172,377	\$171,826	(\$551)	0%
Direct FTE	502	443	443	0	0%
Reimbursable FTE	11	11	11	0	0%
Total Full-time Equivalents (FTE)	513	454	454	0	0%

1/ FY 2025 New Appropriated Resources by Budget Activity & FTE reflect levels appropriated in P.L. 119-4, the Continuing Appropriations Act, 2025. FY 2025 Other Resources and Full-time Equivalents (FTE) reflect actuals.

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

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

4/ FY 2025 actual obligations include transfers from TEOAF Secretary's Enforcement Fund and TEOAF Strategic Support Fund. FY 2026 includes a transfer from TEOAF Secretary's Enforcement Fund.

Summary

The Alcohol and Tobacco Tax and Trade Bureau (TTB) is the primary Federal authority for taxing and regulating the alcohol and tobacco industries. TTB administers and enforces provisions of the Internal Revenue Code related to excise taxes on alcohol, tobacco, firearms, and ammunition, as well as the Federal Alcohol Administration Act, which governs the alcohol beverage industry to protect U.S. consumers and promote a fair, competitive marketplace for businesses.

At the FY 2027 funding level, TTB will advance multi-year strategies to modernize systems and regulations, reduce industry burden, improve service delivery, and increase voluntary compliance. In addition, TTB will continue workforce reshaping and optimization efforts to enhance efficiency, improve service delivery, and build a modern, agile workforce.

Providing timely service remains a top priority, as delays in issuing permits or product approvals can significantly impact U.S. businesses. At the FY 2027 funding level, TTB will prioritize processing permits, labels, and formula applications within established service standards. Using advanced analytics, TTB will improve workload management and optimize staffing.

Additionally, TTB will issue timely tax refunds, including import claims to ensure access to tax benefits under the craft beverage modernization tax provisions. TTB will also continue its data-driven, risk-based approach to claims processing to prevent improper payments and fraud.

Overly complex and burdensome regulations hinder taxpayers, consumers, and government efficiency. In FY 2027, TTB will advance regulatory reform in permitting, taxation, and alcohol beverage labeling to consolidate and simplify requirements, reducing unnecessary filings. These changes will ease burdens on businesses, promote voluntary compliance, and enhance data quality to better identify risks and guide enforcement efforts.

Replacing legacy systems is critical to improving taxpayer services and reducing compliance burdens. At the FY 2027 funding level, TTB will invest in replacing legacy systems with modern IT solutions, including the myTTB platform, to provide an integrated online experience for all tax and regulatory transactions. Enhancing usability will increase electronic submissions, improve service, and strengthen compliance. Addressing outdated technology will also mitigate IT and cybersecurity risks, protecting sensitive taxpayer data and preventing service disruptions. FY 2027 investments will support completing the integration of permitting services into myTTB, replacing the legacy Permits Online system. Additional modernization efforts include incorporating alcohol labeling and formulation services into myTTB, progressing toward the replacement of the legacy COLAs Online and Formulas Online systems.

Further, to support these industries as they face increased competition, TTB will leverage technology and compliance data to deliver targeted guidance, outreach, and enforcement, ensuring businesses have the information needed to comply and compete fairly.

Budget Highlights

Dollars in Thousands

	FTE	Amount
FY 2026 Enacted	443	\$157,795
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$223
Pay Annualization (FY 2026 1.0% average pay raise)	0	\$223
Efficiency Savings	0	(\$223)
Contract Reduction	0	(\$223)
Subtotal Changes to Base	0	\$0
FY 2027 Current Services	443	\$157,795
FY 2027 President's Budget Request	443	\$157,795

Budget Adjustments

Maintaining Current Levels (MCLs)+\$223,000 / +0 FTE

Pay Annualization (1.0% in 2026) +\$223,000 / +0 FTE

Funds are requested for annualization of the January 2026 1.0% average pay raise.

Efficiency Savings..... -\$223,000 / -0 FTE

Contract Reduction -\$223,000 / -0 FTE

TTB will reduce costs related to its information technology commercial contracts and shared services contracts, and by re-scoping other commercial contract services.

Legislative Proposals

TTB has no legislative proposals.

Performance Highlights

Budget Activity	Performance Measure	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Target	FY 2027 Target
Collect the Revenue	Amount of Revenue Collected Per Program Dollar (\$)	254	216	199	I	I
	Voluntary Compliance from Large Taxpayers - Overall (%)	94	95	95	95	95
	Electronically Filed Tax Returns - Pay.gov (%)	58	62	67	70	70
	Electronically Filed Operational Reports - Pay.gov (%)	63	67	71	75	75
	Claims Processed within Service Standard (%) 4/	75	92	96	85	85
	Electronically Filed Claims - Overall (%)	36	68	74	70	75
	Auto-Validation Rate for Import Claims (%) 5/	B	19	68	75	80
Protect the Public	Permit Applications Processed within Service Standards (Original - 75 days) (%) 1/	86	85	82	85	85
	Alcohol Beverage Label and Formula Applications Processed within Service Standards (15 days) (%) 2/	93	91	92	85	85
	Initial Error Rate for Permit Applications	62	69	63	25	25
	Initial Error Rate for Label and Formula Applications	28	30	31	25	25
	Electronically Filed Permit Applications - Original (%)	95	96	97	95	95
	Electronically Filed Permit Applications - Amendments (%) 2a/	93	94	94	95	95
	Electronically Filed Label and Formula Applications (%)	99.6	99.6	99.7	I	I
	Customer Satisfaction Rate with eGov Systems - Permits Online	73	74	68	80	80
	Customer Satisfaction Rate with eGov Systems - COLAs Online	83	82	83	80	80
	Customer Satisfaction Rate with eGov Systems - Formulas Online 3/	78	77	81	80	80

1/ Permit 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 2021 through FY 2026.

2/ Labeling service standards are set annually based on TTB analysis of submission volume, error rates, and resource levels. TTB maintained a 15-day service standard in FY 2021 through FY 2026.

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

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

4/ 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. Prior to FY 2025, TTB operated under a 90-day service standard for CBMA Import Claims during the initial months of the new program. The standards account for when interest starts to accrue to the government, as defined by statute. Data reflect the revised method implemented in FY 2024 to include payment time in the service standard.

5/ TTB implemented the CBMA Import Claims program in FY 2023, including a myTTB system for filing and processing claims; additional system-based validations were released in Q3 FY 2024.

Description of Performance

In FY 2025, TTB met or exceeded the performance targets for 10 of its 15 performance measures. TTB also monitored performance through several key indicators that support data-driven decision making across TTB's strategic goals. Despite falling short in five performance goals in FY 2025, TTB made substantial improvements in many key service and operational measures. To meet its performance goals through FY 2027, TTB will continue an ambitious agenda that integrates policy updates, process improvements, modern technology, and data-driven outreach and enforcement.

TTB's Collect the Revenue budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal excise tax on alcohol, tobacco, firearms,

and ammunition products. In ensuring a level playing field for those engaged in the trade of these commodities, TTB takes appropriate enforcement action to detect and address tax evasion and fraud to ensure all alcohol and tobacco products sold in the marketplace are properly taxpaid.

In FY 2025, TTB collected excise taxes totaling \$15.4 billion from a tax base of nearly 44,000 taxpayers. TTB's regulated taxpayers include distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of tobacco products, manufacturers of paper and tubes for tobacco products, and manufacturers and importers of firearms and ammunition.

The investments in the Collect the Revenue activity resulted in the following performance highlights and accomplishments during FY 2025:

- TTB collected nearly \$200 for every program dollar spent on collection activities, demonstrating continued efficiency in tax administration despite higher IT and enforcement costs associated with the implementation of recent craft beverage modernization tax provisions, including the new import claims program.
- Fostering voluntary compliance among taxpayers is a primary tax administration strategy for TTB. TTB evaluates voluntary compliance by measuring the percent of taxpayers who voluntarily file their required tax returns, operational reports, and payments on or before the scheduled due date. In recent years, the Bureau has made progress in reversing the declining filing compliance trend for its large taxpayers, defined as those with \$50,000 or more in annual tax liability. Given the revenue exposure, TTB set a high target for filing compliance for its largest taxpayers at 95 percent. In FY 2025, through effective workforce reshaping and risk-based program tradeoffs, TTB sustained performance at 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 more than 99 percent, indicating that the majority of reported liabilities were paid on time. Compliance rates for tax returns increased 3 percent to 93 percent, and operational reports increased 1 percent to 90 percent in FY 2025, but these areas warrant continued focus in the year ahead to achieve targeted performance. At the
- FY 2027 funding level, improving compliance rates will remain a priority for TTB, including continuing to review large taxpayer accounts based on compliance risk and supporting voluntary compliance across TTB taxpayers, using compliance data to inform the Bureau's annual outreach plan and prioritize the development of new online tax guidance. These strategies will be critical to supporting and increasing compliance by the thousands of small businesses that TTB regulates.
- Electronically filed tax returns and operational reports trended positively in FY 2025, reaching 67 percent for tax returns and 71 percent for operational reports, exceeding the 65 percent target. These tax filings are submitted to TTB via Pay.gov, a Bureau of the Fiscal Service payment system that TTB also relies on for the e-filing of tax returns and operational reports. As part of its IT modernization efforts, TTB plans to migrate its legacy tax system to myTTB, implementing redesigned tax filings to reduce compliance burden and to streamline and improve data collections. These efforts will make it easier for taxpayers to comply, especially for the many small businesses that comprise the vast majority of TTB taxpayers. However, the pace and scale of system modernization efforts are dependent on TTB funding

levels and competing priorities, with efforts in FY 2026 deferred due to exigencies related to migrating TTB's legacy permitting system, Permits Online, to myTTB. Progress in FY 2027 will remain limited as TTB initiates the migration of legacy labeling systems, COLAs Online and Formulas Online, to myTTB.

- Timely tax refunds are 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 approximately \$700 million in tax refunds and drawback payments each year. This includes import claims, a new program implemented in FY 2023 that tripled total TTB claims submissions. Despite heavy demands on its tax administration program in FY 2025, TTB made significant progress in improving timely service across all claim types, nearing or exceeding its performance goal to process 85 percent within the 45-day service standard. In FY 2025, TTB processed and paid over 99 percent of import claims within 45 days, minimizing government costs in administering the new program. For manufacturer of nonbeverage product (MNBP) drawback claims, another high-volume claim type, TTB met the 45-day standard for 83 percent of submissions, up from 72 percent in FY 2024. For other claim types, TTB met the 45-day standard for 87 percent of submissions, up nearly 10 percent from 78 percent in FY 2024. Across claim types, TTB also made significant progress in lowering average processing times, reducing times by half over the past five years from approximately 50 days in FY 2021 to under 20 days in FY 2025. TTB achieved these service gains by improving internal processes through recent IT enhancements and effectively cross-training and redeploying staff to address backlogs. With additional system enhancements, TTB expects to achieve and sustain its service standard for all claim types.

TTB's Protect the Public budget activity funds the programs that ensure the integrity of alcohol beverage products and industry members; promote compliance with Federal laws and regulations by the more than 132,000 businesses that TTB regulates; facilitate fair and lawful domestic and international trade in the alcohol and tobacco commodities; and provide full and accurate alcohol beverage product information to the public as a means to prevent consumer deception.

The investments in the Protect the Public activity resulted in the following performance highlights and accomplishments during FY 2025:

- A TTB permit or registration is required before a business can lawfully operate in the alcohol and tobacco industries, and TTB ensures a fair and lawful marketplace by screening permit applicants to ensure only qualified persons engage in operations. In FY 2025, TTB received approximately 7,200 applications for a Federal permit or registration, and qualified approximately 5,800 new permittees, predominantly small businesses. Although the annual rate of growth has slowed, the overall application volume remains high compared to historic levels, particularly in some of the more complex permit application types related to producing alcohol beverage products. Throughout its workforce reshaping efforts, TTB prioritized providing prompt service to its regulated industries. 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, up from 43 days in FY 2024 but generally holding within service expectations over the last five years. TTB maintained performance by cross-training staff and employing new analytic tools to support more effective workload management and oversight. Going forward, TTB plans to achieve its performance target through regulatory and IT modernization, finalizing deregulatory proposals to simplify and streamline permit application requirements and implementing them in myTTB. At the FY 2027 requested funding level, TTB will continue its IT modernization efforts, completing the migration of its legacy Permits Online system to the myTTB platform, improving the customer experience through enhanced guidance and self-service features to help applicants submit compliant applications.

- Federal law 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. In FY 2025, TTB received nearly 163,000 label applications and 25,000 formula applications for new alcohol beverage product approvals. While the rate of growth has slowed in line with overall market trends, the alcohol beverage industry continues to innovate and demonstrate resilience. TTB ended the year with 92 percent of label applications meeting the 15-day service standard, exceeding the 85 percent target. This was achieved through effective monitoring and management of application backlogs combined with strategic workforce deployment 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, and a significant improvement over the 30 - 45-day standards that the Bureau set and struggled to achieve in the past.
- TTB continues to make progress in reducing the error rate on initial permit, label, and formula applications, a critical strategy to maintaining timely service across these programs. For each application type, TTB is targeting a 25 percent error rate in submissions. TTB has not yet achieved this target but has made significant progress in each application area. For permit applications, the error rate was 63 percent in FY2025, down from 69 percent in FY 2024. TTB expects to near target in FY 2027 as it implements myTTB Permits and simplified permit requirements to make filing easier. For label and formula applications, the error rate was approximately 31 percent in FY 2025, up slightly over prior years. These trends demonstrate the need for broader changes to achieve and sustain the targeted performance level of 25 percent. At the FY 2027 funding level, TTB plans to continue data-driven strategies to better understand customer pain points and high frequency errors to develop effective guidance and industry outreach. TTB will also continue its multi-year IT modernization initiative to improve the online filing experience and facilitate compliant, error-free applications.
- TTB continues to sustain high electronic filing rates, nearing 95 percent or more across TTB's online filing systems – Permits Online, COLAs Online, and Formulas Online. TTB also monitors user satisfaction with its eGov systems, collecting responses via e-mail survey to assess factors such as ease of access, guidance, and overall experience. System enhancements to date have resulted in relatively high rates of customer satisfaction, but

legacy systems limit opportunities to integrate new technologies and broader system-based validations to support timely, compliant filings. 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. However, satisfaction rates for Permits Online continued a multi-year decline, reaching 68 percent in FY 2025, down 11 percent over the last five years. At the FY 2027 funding level, to transform the online user experience, TTB plans to complete the migration to myTTB Permits, and engage in myTTB Labeling development, employing customer-centered service designs and prototyping to improve and accelerate system development.