

Department of the Treasury
Alcohol and Tobacco Tax and
Trade Bureau

Congressional Budget
Justification and Annual
Performance Plan and Report

FY 2027

Table of Contents

Section I – Budget Request	3
A – Mission Statement.....	3
B – Summary of the Request	3
1.1 – Appropriations Detail Table	4
1.2 – Budget Adjustments Table.....	4
C – Budget Increases and Decreases Description.....	4
1.3 – Object Classification (Schedule O) Obligations Table.....	5
D – Appropriations Language and Explanation of Changes	6
E – Legislative Proposals.....	6
Section II – Annual Performance Plan and Report	7
A – Budget and Performance.....	7
2.1 – Budget Activities Table	7
2.2 – Performance Measures Table.....	8
2.3 – Performance Summary.....	9
B – Changes in Performance Measures	16
Section III – Additional Information	17
A – Summary of Capital Investments.....	17

Section I – Budget Request

A – Mission Statement

To collect the taxes due on alcohol, tobacco, firearms, and ammunition; protect consumers by ensuring the integrity of alcohol products; enable qualified businesses to enter and operate in the alcohol and tobacco industries; uphold fair and equitable competition in the alcohol markets; and prevent unlawful markets for alcohol and tobacco products.

B – Summary of the Request

The Alcohol and Tobacco Tax and Trade Bureau (TTB) plays a critical role in supporting the Nation’s economic vitality. By permitting, regulating, and taxing the alcohol and tobacco industries, and taxing the firearms and ammunition industries, TTB ensures a fair and compliant marketplace while securing essential Federal revenue to fund national priorities. In FY 2025, TTB collected more than \$15 billion in excise taxes from these industries.

TTB is committed to transforming its services to meet the evolving needs of regulated businesses, guided by a new operational model aligned with the Administration’s vision for government. 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 to enhance efficiency, improve service delivery, and build a modern, agile workforce.

Timely Service. 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 permit, label, 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 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 or fraud.

Simplified Regulations. 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.

Modern Systems. Replacing legacy IT 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 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 the migration from legacy systems to the myTTB platform. A primary focus will be completing the integration of permitting services into myTTB, replacing the legacy Permits Online system. Additional modernization efforts include incorporating labeling and formulation services into myTTB, progressing toward the

replacement of the legacy COLAs Online and Formulas Online systems.

Clear Guidance. TTB will continue to provide clear, consistent guidance to help businesses submit compliant filings. Errors and omissions in permit and label applications create inefficiencies and delays that hinder industry growth and innovation. To address these challenges, 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.

1.1 – Appropriations Detail Table

Dollars in Thousands

Appropriated Resources	FY 2025 Operating Plan		FY 2026 Enacted		FY 2027 Request		FY 2026 to FY 2027 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources								
Collect the Revenue	248	\$85,023	205	\$84,741	205	\$84,741	0.0%	0.0%
Protect the Public	254	\$72,772	238	\$73,054	238	\$73,054	0.0%	0.0%
Subtotal New Appropriated Resources	502	\$157,795	443	\$157,795	443	\$157,795	0.0%	0.0%
Other Resources¹								
Reimbursables and Offsetting Collections ²	11	\$8,551	11	\$9,581	11	\$9,581	0.0%	0.0%
Unobligated Balances from Prior Years ³		\$4,869		\$4,501		\$4,450	0.0%	-1.1%
Transfers In/Out ⁴	0	\$900	0	\$500	0	\$0	NA	-100.0%
Subtotal Other Resources	11	\$14,320	11	\$14,582	11	\$14,031	0.0%	-3.8%
Total Budgetary Resources	513	\$172,115	454	\$172,377	454	\$171,826	0.0%	-0.3%

1 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 includes a transfer from TEOAF Secretary's Enforcement Fund and TEOAF Strategic Support Fund. FY 2026 includes a transfer from TEOAF Secretary's Enforcement Fund.

1.2 – Budget Adjustments Table

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 Reductions	0	(\$223)
Subtotal Changes to Base	0	\$0
FY 2027 Current Services	443	\$157,795
FY 2027 President's Budget Request	443	\$157,795

C – Budget Increases and Decreases Description

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 Reductions - \$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.

1.3 – Object Classification (Schedule O) Obligations Table

Dollars in Thousands

Object Classification	FY 2025 Actual Obligations	FY 2026 Estimated Obligations	FY 2027 Estimated Obligations
11.1 - Full-time permanent	64,891	60,310	58,105
11.3 - Other than full-time permanent	134	0	0
11.5 - Other personnel compensation	1,591	2,335	2,355
11.9 - Personnel Compensation (Total)	66,616	62,645	60,460
12.0 - Personnel benefits	25,452	23,061	22,329
Total Personnel and Compensation Benefits	\$92,068	\$85,706	\$82,789
21.0 - Travel and transportation of persons	1,042	1,841	1,883
22.0 - Transportation of things	50	44	44
23.1 - Rental payments to GSA	3,324	2,900	2,100
23.3 - Communications, utilities, and miscellaneous charges	586	1,017	1,014
24.0 - Printing and reproduction	230	275	275
25.1 - Advisory and assistance services	23,704	27,897	29,915
25.2 - Other services from non-Federal sources	18,131	22,167	23,691
25.3 - Other goods and services from Federal sources	14,654	16,375	17,987
25.4 - Operation and maintenance of facilities	38	42	42
25.7 - Operation and maintenance of equipment	3,671	3,729	3,619
26.0 - Supplies and materials	331	392	389
31.0 - Equipment	8,853	4,092	3,178
32.0 - Land and structures	320	400	400
Total Non-Personnel	\$74,934	\$81,171	\$84,537
Total Obligations	\$167,002	\$166,877	\$167,326
Full-time Equivalents (FTE)	513	454	454

Amounts reflect obligations of annually appropriated resources, carryover balances, reimbursables, and transfers.

1/ FY 2025 reflects actual obligations totaling \$167 million, of which \$158.5 million was from direct resources (new appropriations, carryover from prior years, and TEOAF transfers) and \$8.5 million was from reimbursable resources/offsetting collections. FY 2026 reflects anticipated obligations totaling \$166.9 million, of which \$157.4 million is from direct resources (new appropriations and carryover from prior years) and \$9.5 million is from reimbursable resources/offsetting collections. FY 2027 reflects anticipated obligations totaling \$167.3 million, of which \$157.8 million is from direct resources (new appropriations and carryover from prior years) and \$9.5 million is from reimbursable resources/offsetting collections.

2/ FY 2025 FTE reflects actual total FTE of 513, of which 502 FTE was from direct resources and 11 FTE was from reimbursable resources/offsetting collections. FY 2026 reflects anticipated total FTE of 454, of which 443 FTE is anticipated from direct resources (including carryover) and 11 FTE is anticipated from reimbursable resources/offsetting collections. FY 2027 reflects anticipated total FTE of 454, of which 443 FTE is anticipated from direct resources (including carryover) and 11 FTE is anticipated from reimbursable resources/offsetting collections.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU <i>Federal Funds</i></p> <p style="text-align: center;">SALARIES AND EXPENSES</p> <p><i>For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, \$157,795,000; of which not to exceed \$6,000 shall be available for official reception and representation expenses; and of which not to exceed \$50,000 shall be available for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement.</i></p>	

E – Legislative Proposals

TTB has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Budget and Performance

Treasury carries a great responsibility for fostering prosperity and security for the American people. We play a critical role both in the U.S. economy and globally to meet the needs of the nation. The [Treasury Strategic Plan 2026–2030](#) charts a course to guide meeting the responsibilities to the public. As the Bureau Strategic Plans are finalized, more information on measures such as validation and verification of data and explanations of results will be developed.

2.1 – Budget Activities Table

Dollars in Thousands

Resource Level	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Enacted	FY 2027 Request
Collect the Revenue	\$62,344	\$64,763	\$85,413	\$86,646	\$90,809	\$90,731	\$90,310
Appropriated Resources	\$57,526	\$59,252	\$79,581	\$80,847	\$84,926	\$84,741	\$84,741
Reimbursable and Offsetting Collections	\$3,654	\$4,556	\$4,955	\$4,479	\$4,805	\$5,365	\$5,444
Unobligated Balances from Prior Years	\$77	\$135	\$127	\$321	\$178	\$125	\$125
Transfers In/Out	\$1,087	\$821	\$750	\$999	\$900	\$500	0
Protect the Public	\$74,763	\$77,508	\$72,285	\$84,920	\$76,193	\$81,646	\$81,515
Appropriated Resources	\$66,811	\$68,815	\$64,447	\$76,948	\$67,756	\$73,054	\$73,054
Reimbursable and Offsetting Collections	\$3,418	\$3,977	\$3,437	\$3,403	\$3,746	\$4,216	\$4,136
Unobligated Balances from Prior Years	\$4,534	\$4,716	\$4,401	\$4,569	\$4,691	\$4,376	\$4,325
Transfers In/Out	0	0	0	0	0	0	0
Budget Activity Total	\$137,107	\$142,271	\$157,698	\$171,566	\$167,002	\$172,377	\$171,826
Full-time Equivalents (FTE)	501	491	497	513	513	454	454

2.2 – Performance Measures Table

Performance Measure	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2025 Target	FY 2026 Target	FY 2027 Target
Collect the Revenue								
Amount of Revenue Collected Per Program Dollar (\$)	375	336	254	216	199	I	I	I
Voluntary Compliance from Large Taxpayers - Overall (%)	93	93	94	95	95	95	95	95
<i>By Payment</i>	99	99.6	99.7	99.7	99.5	-	-	-
<i>By Tax Return</i>	87	87	88	90	93	-	-	-
<i>By Operational Report</i>	87	86	87	89	90	-	-	-
Electronically Filed Tax Returns - Pay.gov (%)	47	51	58	62	67	65	70	70
Electronically Filed Operational Reports - Pay.gov (%)	53	56	63	67	71	65	75	75
Claims Processed within Service Standard (%) 4/	54	52	75	92	96	85	85	85
<i>CBMA Import Claims</i>	-	-	99.8	100	99.3	-	-	-
<i>Drawback Claims</i>	34	35	73	72	83	-	-	-
<i>Other Claims</i>	65	64	73	78	87	-	-	-
Electronically Filed Claims - Overall (%)	-	-	36	68	74	70	70	75
Auto-Validation Rate for Import Claims (%) 5/	-	-	B	19	68	50	75	80
Protect the Public								
Permit Applications Processed within Service Standards (Original - 75 days) (%) 1/	92	91	86	85	82	85	85	85
Alcohol Beverage Label and Formula Applications Processed within Service Standards (15 days) (%) 2/	92	93	93	91	92	85	85	85
Initial Error Rate for Permit Applications	67	64	62	69	63	25	25	25
Initial Error Rate for Label and Formula Applications	31	29	28	30	31	25	25	25
Electronically Filed Permit Applications - Original (%)	95	95	95	96	97	95	95	95
Electronically Filed Permit Applications - Amendments (%) 2/	92	92	93	94	94	95	95	95
Electronically Filed Label and Formula Applications (%)	99.5	99.6	99.6	99.6	99.7	I	I	I
Customer Satisfaction Rate with eGov Systems - Permits Online	79	78	73	74	68	80	80	80
Customer Satisfaction Rate with eGov Systems - COLAs Online	83	83	83	82	83	80	80	80
Customer Satisfaction Rate with eGov Systems - Formulas Online 3/	80	78	78	77	81	80	80	80

Key: I – Indicator

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.

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.

2.3 – Performance Summary

In FY 2025, TTB met 10 of its 15 annual targets for its key performance measures. TTB measures its progress toward meeting strategic goals to facilitate lawful commerce for the protection of U.S. businesses and consumers and to ensure the effectiveness and efficiency of its tax administration functions. This helps TTB monitor the extent to which it is meeting established service standards for permit, label, formula, and claims submissions, as well as the overall customer experience by quantifying the error rate on applications, the usage rate of TTB’s online systems, and the level of satisfaction that users have with these online systems. Through these measures, TTB also demonstrates the effectiveness and efficiency of tax administration in achieving voluntary compliance and the effectiveness of in-system controls to protect Federal revenue.

Collect the Revenue

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, as proposed under the Craft Beverage Modernization Act (CBMA). 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.

The *Amount of Revenue Collected per Program Dollar* indicator monitors the efficiency of its tax administration program by comparing tax revenue to tax collection costs. In FY 2025, despite external trends, TTB sustained a return on investment of approximately \$200 for every

program dollar spent on collection activities. Recent tax changes, combined with downward shifts in production and consumption, have impacted TTB excise tax collections. Federal tax revenue decreased year-over-year across the TTB-regulated commodities, driven by declining tobacco collections, marking the fourth consecutive year of declines. At the same time, TTB's tax administration costs increased in recent years due in part to higher costs for field enforcement and outreach activities. Costs related to IT development have also increased as TTB invests in critical cloud infrastructure in support of myTTB and cybersecurity goals.

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 reverse negative trends in taxpayer compliance. Prior to 2018, filing compliance by TTB's largest taxpayers remained below target, with missing or late filings hindering 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 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. Through its data-driven enforcement, TTB has increased large taxpayer filing compliance from 90 percent in FY 2018 to 95 percent in FY 2025.

Payment compliance rates remain high at over 99 percent, indicating that most reported liabilities were paid on time. Filing compliance rates for tax returns increased 3 percent to 93 percent in FY 2025 and operational reports increased 1 percent to 90 percent, warranting continued focus on these requirements in the year ahead to achieve targeted performance. 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 in the last five calendar years.

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 taxpayer compliance notices, identifying routine filing mistakes by taxpayers that can have tax consequences if not timely addressed. Additionally, TTB plans to improve its education and outreach strategies to drive compliant behavior across taxpayers, using compliance data to inform its annual outreach plan as well as to prioritize the development of new online tax guidance.

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.

E-filing rates for tax returns and operational reports trended positively in FY 2025 but remain low compared to other TTB e-filing systems. Low e-filing rates impede TTB's ability to timely and effectively detect and address non-compliance and add costs to making the data available for routine reconciliation or analytics. 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, up nearly 5 percent since last year in both filing types. TTB attributes these gains 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 to achieve its long-term target of 80 percent.

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 funding levels and competing priorities. In FY 2026, TTB postponed tax IT modernization efforts due to urgent priorities related to migrating TTB's legacy permitting system, Permits Online, to myTTB. Progress will be 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. 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 the new tax forms for wineries and distilled spirits plants to continuously refine proposals, including potential modifications to 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 initiates 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.

TTB also administers claims for a wide variety of tax credits and benefits, issuing approximately \$700 million in tax refunds and drawback payments each year. In FY 2025, TTB received approximately 15,000 claims for tax refunds and drawback payments to manufacturers of non-beverage products (MNBP). This included 11,000 import claims, totaling nearly \$320 million,

and issued more than \$304 million in refund payments, more than doubling the initial projections for these submissions 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*. These are established by claim type and intended to reflect industry expectations while also minimizing costs to the government from interest payments on delayed claims. TTB calculates the total time from 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 96 percent of all tax claims within the 45-day service standard, exceeding the 85 percent target for import claims and other claims types. For MNBP drawback claims, TTB met the 45-day standard for 83 percent of submissions, a year-to-year improvement of over 10 percent and nearly at target. 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. Improving internal processes through recent IT enhancements, combined with effectively cross-training and redeploying staff to address backlogs, helped TTB 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 by continuing to rebalance and redeploy staff to manage workloads. The *Electronic Filing Rate for Claims* measure will also help TTB assess progress toward moving all claim types into myTTB. Currently electronic filing rates for claims only represent CBMA import claims submitted via the myTTB Import Claims system, with rates increasing from zero percent to 74 percent in just three years, in line with the new myTTB systems and related e-filing requirements. Rates will further increase following 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.

The myTTB Import Claims system incorporates external data sets that are used for system-based validations that automate risk flags and efficiently screen for ineligible or fraudulent claims. TTB monitors its performance by measuring the *Auto-Validation Rate for Import Claims*. System-supported screening has helped to speed up the approval of eligible and valid refunds, facilitating timely and proper payments. TTB first deployed this enhancement in May 2024, achieving an auto-validation rate for eligible claims of nearly 30 percent in the first month. In FY 2025, TTB exceeded target, with a 68 percent auto-validation rate for eligible claims.

Protect the Public

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. 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 people obtain a permit to operate. Given the tax liability associated with these regulated commodities, 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.

TTB continued to prioritize 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 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, up from 38 days in FY 2024 but generally holding within service expectations.

TTB maintained 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 improvements, however, will require continued progress on several crosscutting initiatives, including IT modernization.

The legacy Permits Online system, initially built on a commercial software platform, has limited TTB's ability to optimize the application filing and processing experience for users. Starting in FY 2026, TTB plans to transition Permits Online to the modern myTTB platform, engaging users throughout development and testing to provide a seamless and integrated permitting experience. Implementation of myTTB Permits will also simplify application requirements. TTB plans to issue Final Rules to codify new 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.

The *Initial Error Rate on Permit Applications* measure tracks how many applications are submitted either incomplete or with errors. This informs 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, which exceeded 80 percent in prior years. 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 reduced error rates on new permit applications to 63 percent, down from 69 percent in FY 2024. The most significant improvement has been achieved in alcohol wholesaler and importer applications, the highest volume application type. Over the last five years, TTB has reduced total permit application errors to roughly 60 percent, indicating that prior 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.

The *Percent of Electronically Filed Permit Applications - Originals* tracks the electronic filing rate for new business applications. TTB received 97 percent of permit applications via Permits Online in FY 2025. TTB also monitors 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. Planned IT modernization efforts, combined with improved online guidance to help first-time filers navigate the application process, will support TTB in achieving its targets to sustain electronic filing rates at or above 95 percent and reduce error rates on permit applications to 25 percent.

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, continuing a year-over-year erosion in user satisfaction levels, and holding 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.

TTB also protects U.S. consumers by ensuring that alcohol beverage products sold are properly labeled and comply with Federal regulatory standards. 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. 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 application types 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 over the last five years. However, after years of double-digit growth, application volume has slowed. The exception to this trend was distilled spirits submissions, with both label and formula applications continuing to increase in FY 2025, although at a more modest rate. Even so, industry has demonstrated its resilience and

continued to innovate in recent years. Total formula submissions are up more than 70 percent over the past decade, largely due to the use of novel ingredients and market trends toward flavored alcohol beverage products.

Given 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 deploy 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, and a significant improvement over the 30 - 45-day standards that TTB set and struggled to achieve in the past.

TTB intends to maintain its 15-day service standard for label and formula applications, focusing on continuous queue management to facilitate strategic resource alignment, and initiating myTTB development for label and formula submissions. TTB will also work toward its performance target of meeting this standard for 85 percent of applications through initiatives to improve guidance and industry outreach, with particular focus on reducing errors on applications that increase total workload and challenge timely processing.

Application errors are also 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, up slightly over prior years and demonstrating the need for broader changes to achieve and sustain the targeted performance level of 25 percent. While TTB has made gains in reducing error rates across commodity and application types, holding around 30 percent for wine and malt beverages, the error rate for distilled spirits labels remains high at around 50 percent.

In FY 2025, TTB continued to use a data-driven strategy to address the most frequent application errors, with the goal of increasing the number of applications that do not 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 also 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 on web-based tools to make it easier for industry members to determine if products require formula approval prior to filing a label – a high frequency error.

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 final rule 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 system enhancements to COLAs Online and Formulas Online, focusing efforts on compliance validations and embedded help features to address frequent application errors. Legacy systems, however, limit current opportunities to implement broader system-based validations. 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. TTB also 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.

To be successful in this strategy, TTB must maintain high rates of electronic filing for label and formula applications, as measured by 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.

TTB measures *Customer Satisfaction with COLAs Online and Formulas Online* to monitor user satisfaction with the process of submitting an application through its IT systems, collecting responses via e-mail surveys 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 these systems and integrating in myTTB to better meet user expectations and improve customer experience. TTB plans to engage in myTTB Labeling development, using service design 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 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.

B – Changes in Performance Measures

TTB has no changes in performance measures.

Section III – Additional Information

A – Summary of Capital Investments

Information Technology

The TTB Information Technology (IT) Strategic Plan is a five-year roadmap aligned with the Bureau’s mission, vision, and goals from an IT perspective. This plan outlines how TTB will leverage technology to streamline data collection and analysis, expand the use of systems to support the mission and its customers, and develop modern IT solutions that provide an integrated online experience for all tax and regulatory transactions.

Currently, TTB does not have any major IT investments as defined by OMB and Treasury criteria. However, several non-major investments are critical to supporting the Bureau’s mission, strategic priorities, and daily operations. These include:

TTB Mission Investments

- ***TTB Tax System:*** This investment includes several legacy applications along with the new myTTB systems, which support permitting and taxation processes. These systems play a critical role in ensuring the fair and accurate collection of excise taxes on alcohol, tobacco, firearms, and ammunition, while also promoting industry compliance with applicable laws and regulations.
- ***TTB Regulatory System:*** This investment includes legacy applications and myTTB regulatory modules designed to streamline the beverage and non-beverage alcohol formula approval process as well as the issuance of Certificates of Label Approval (COLA). These capabilities ensure efficient processing while maintaining compliance with tax and regulatory requirements.
- ***TTB Mission Applications Support Services (MASS):*** This investment delivers shared software, platforms, and myTTB functionality essential for operating TTB’s core mission systems—the TTB Tax System and the TTB Regulatory System. These components ensure seamless integration and support for critical tax and regulatory processes.

TTB Standard Information Technology (IT) Investments:

As outlined in OMB Circular A-11, standard IT investments refer to expenditures on IT resources that typically include enterprise-wide information systems and services, computing infrastructure, and other technology solutions commonly used across agencies. In alignment with these standards, the following investments support TTB’s IT resources:

- TTB IT Infrastructure Data Center and Cloud
- TTB IT Infrastructure End User Systems and Support
- TTB IT Infrastructure Network
- TTB IT Security and Compliance Program
- TTB IT Management

Beyond leveraging IT to advance the Bureau’s mission, strategy, and daily operations, TTB ensures strategic alignment with OMB and Treasury through enterprise-wide IT initiatives. These initiatives encompass key areas such as Cybersecurity, IT Infrastructure, Electronic Identity and Access Management (HSPD-12), Enterprise-wide Contracts and Services, and

Program Metrics and Milestones. Together, these efforts strengthen security, enhance operational efficiency, and ensure compliance with Federal standards.

Scientific Equipment for Laboratory

This investment will enable TTB's chemists to continue to provide accurate and reproducible scientific data and laboratory results to support regulatory compliance, tax enforcement, tax classification, rulemaking, and investigations for the alcohol and tobacco commodities.

Laboratory instruments require periodic replacement, as they have finite lifecycles due to use and as advances in scientific technology render older instruments obsolete. Periodic replacement of the existing technologies and equipment is essential for TTB laboratories to remain state-of-the-art and effective to support the Bureau's mission, strategy, and day-to-day operations.

A summary of capital investments, including major information technology and non-technology investments, can be accessed at: <https://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>.