

Department of the Treasury  
Alcohol and Tobacco Tax and  
Trade Bureau

Congressional Budget  
Justification and Annual  
Performance Plan and Report

FY 2022

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## **Section I – Budget Request**

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### **A – Mission Statement**

To collect the taxes on alcohol, tobacco, firearms, and ammunition; protect the consumer by ensuring the integrity of alcohol products; ensure only qualified businesses enter the alcohol and tobacco industries; and prevent unfair and unlawful market activity for alcohol and tobacco products.

### **B – Summary of the Request**

Supporting the nation’s economic vitality is at the core of the work performed by the Alcohol and Tobacco Tax and Trade Bureau (TTB). The bureau’s role in permitting, regulating, and taxing the alcohol, tobacco, and firearms industries facilitates a compliant and fair marketplace for those engaged in the manufacture and trade of these commodities, and ensures that the Federal government has the resources needed to fund national priorities. In FY 2020, TTB collected approximately \$20 billion in excise taxes from the alcohol, tobacco, firearms, and ammunition industries.

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

Complex or overly burdensome regulatory requirements do not serve the interests of taxpayers or the government. In FY 2022, TTB plans to pursue three major regulatory reform efforts in permitting, tax, and alcohol beverage labeling to consolidate, clarify, or simplify requirements and, where possible, minimize filing frequency. The revised requirements will ease applicant burden and make it easier for industry members to voluntarily comply. At the same time, TTB plans to tailor the requirements to improve data quality and better detect risk to direct its enforcement efforts.

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

TTB will also continue to focus on providing clear and consistent industry guidance to facilitate the submission of compliant filings. Omissions and errors on permit and alcohol label applications create inefficiencies for TTB and delays in service to industry. Undue delays in service can be a barrier to industry expansion and ongoing product innovation that fuel the economy. Further, to support these industries as they rebound, TTB plans to use compliance data to target and tailor its guidance, industry outreach, and enforcement activities, ensuring that businesses have the information they need to comply and are operating on a level playing field.

Additionally, TTB is working with Treasury on options to administer statutory changes to the import refund program included in the Taxpayer Certainty and Disaster Tax Relief Act of 2020. The law 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 certain provisions related to imported alcohol from U.S. Customs and Border Protection (CBP) to Treasury after December 31, 2022. The law requires that importers submit refund claims to Treasury to receive the reduced CBMA tax rates and credits as opposed to taking them at the time of entry. TTB and Treasury are still assessing the overall impact, including the resources, personnel, and information technology systems needed to implement and administer the import claims program. A report detailing Treasury's plans to implement and administer the refund program starting in 2023 will be submitted to Congress and made publicly available in June 2021 as required by P.L. 116-260.

## 1.1 – Appropriations Detail Table

Dollars in Thousands

Appropriated Resources	FY 2020		FY 2021		FY 2022		FY 2021 to FY 2022	
	Operating Plan <sup>1</sup>		Operating Plan		Request		% Change	
<b>New Appropriated Resources</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>
Collect the Revenue	206	\$57,513	222	\$57,526	222	\$60,761	0.0%	5.6%
Protect the Public	256	\$62,087	265	\$66,811	265	\$70,569	0.0%	5.6%
<b>Subtotal New Appropriated Resources</b>	<b>462</b>	<b>\$119,600</b>	<b>487</b>	<b>\$124,337</b>	<b>487</b>	<b>\$131,330</b>	<b>0.0%</b>	<b>5.6%</b>
<b>Other Resources</b>								
Reimbursable and Offsetting Collections <sup>2</sup>	11	\$6,744	12	\$7,977	12	\$7,977	0.0%	0.0%
Unobligated Balances from Prior Years <sup>3</sup>	22	\$4,577	21	\$4,696	21	\$4,680	0.0%	-0.3%
Transfers In/Out <sup>4</sup>	0	\$349	0	\$350	0	\$0	NA	-100.0%
<b>Subtotal Other Resources</b>	<b>33</b>	<b>\$11,670</b>	<b>33</b>	<b>\$13,023</b>	<b>33</b>	<b>\$12,657</b>	<b>0.0%</b>	<b>-2.8%</b>
<b>Total Budgetary Resources</b>	<b>495</b>	<b>\$131,270</b>	<b>520</b>	<b>\$137,360</b>	<b>520</b>	<b>\$143,987</b>	<b>0.0%</b>	<b>4.8%</b>

1/ FY 2020 New Appropriated Resources by Budget Activity reflect levels appropriated in P.L. 116-93, the Consolidated Appropriations Act of 2020. FY 2020 Full-time Equivalent (FTE) and FY 2020 Other Resources reflect actuals.

2/ Includes reimbursements from the Treasury Executive Office of Asset Forfeiture (TEOAF) Mandatory Fund, Community Development Financial Institution (CDFI) Fund, and Treasury Departmental Offices (DO), and offsetting collections from Puerto Rico cover-over program.

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

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

## 1.2 – Budget Adjustments Table

Dollars in Thousands

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

### C – Budget Increases and Decreases Description

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

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

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

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

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

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

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

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

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

**Program Increases..... +\$3,108,000 / +0 FTE**

MyTTB IT System Modernization +\$2,500,000 / +0 FTE

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

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

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

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

### 1.3 – Object Classification (Schedule O) Obligations

Dollars in Thousands

Object Classification	FY 2020	FY 2021	FY 2022
	Actual Obligations*	Estimated Obligations*	Estimated Obligations*
11.1 - Full-time permanent	55,418	58,541	60,112
11.5 - Other personnel compensation	953	1,005	1,006
11.5 - Overtime	423	584	669
<b>11.9 - Personnel Compensation (Total)</b>	<b>56,794</b>	<b>60,130</b>	<b>61,787</b>
12.0 - Personnel benefits	19,660	21,573	22,986
13.0 - Benefits for former personnel	0	5	5
<b>Total Personnel and Compensation Benefits</b>	<b>\$76,454</b>	<b>\$81,708</b>	<b>\$84,778</b>
21.0 - Travel and transportation of persons <sup>1</sup>	767	1,344	2,364
22.0 - Transportation of things	23	30	32
23.1 - Rental payments to GSA	4,070	4,342	4,425
23.3 - Communications, utilities, and miscellaneous charges	894	1,300	1,325
24.0 - Printing and reproduction	153	315	321
25.1 - Advisory and assistance services	13,829	14,082	15,736
25.2 - Other services from non-Federal sources	14,390	13,533	14,486
25.3 - Other goods and services from Federal sources	8,750	9,388	9,883
25.4 - Operation and maintenance of facilities	2	22	22
25.7 - Operation and maintenance of equipment	3,302	2,595	2,639
26.0 - Supplies and materials	380	375	386
31.0 - Equipment	3,189	3,194	2,890
32.0 - Land and structures	49	0	0
<b>Total Non-Personnel</b>	<b>\$49,798</b>	<b>\$50,520</b>	<b>\$54,509</b>
<b>Total Obligations<sup>2</sup></b>	<b>\$126,252</b>	<b>\$132,228</b>	<b>\$139,287</b>
<b>Full-time Equivalents (FTE)<sup>3</sup></b>	<b>495</b>	<b>520</b>	<b>520</b>

\*Amounts reflect actual and anticipated obligations from all fund sources including annual appropriated resources, carryover balances, reimbursables, offsetting collections, and transfers.

1/ The FY 2022 Request for BOC 21.0 includes \$608 thousand for leasing of electric vehicles through GSA.

2/ FY 2020 reflects actual obligations totaling \$126.3 million, of which \$119.5 million was from direct resources (new appropriations, carryover from prior years, and a TEOAF transfer) and \$6.7 million was from reimbursable resources/offsetting collections. FY 2021 reflects anticipated obligations totaling \$132.2 million, of which \$124.5 million is from direct resources (new appropriations and carryover from prior years) and \$7.7 million is from reimbursable resources/offsetting collections.

FY 2022 reflects anticipated obligations totaling \$139.3 million, of which \$131.6 million is from direct resources (new appropriations and carryover from prior years) and \$7.7 million is from reimbursable resources/offsetting collections.

3/ FY 2020 FTE reflects actual total FTE of 495, of which 484 FTE were from direct resources and 11 FTE were from reimbursable resources/offsetting collections. FY 2021 reflects anticipated total FTE of 520, of which 508 FTE are anticipated from direct resources and 12 FTE are anticipated from reimbursable resources/offsetting collections. FY 2022 reflects anticipated total FTE of 520, of which 508 FTE are anticipated from direct resources and 12 FTE are 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>For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, [\$124,337,000]<i>\$131,330,000</i>; of which <i>\$5,000,000 shall remain available until September 30, 2023</i>; 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>Provided, That of the amount appropriated under this heading, \$5,000,000 shall be for the costs of accelerating the processing of formula and label applications: Provided further, That of the amount appropriated under this heading, \$5,000,000, to remain available until September 30, 2022, shall be for the costs associated with enforcement of and education regarding the trade practice provisions of the Federal Alcohol Administration Act (27 U.S.C. 201 et seq.)</i>] (<i>Department of the Treasury Appropriations Act, 2021.</i>)</p>	<p>The 2022 Budget proposes \$5M in two-year funding to allow greater flexibility to use funds for all FAA Act/IRC enforcement activities that promote a level playing field for industry members.</p>

**E – Legislative Proposals**

TTB has no legislative proposals.



## **Section II – Annual Performance Plan and Report**

### **A – Strategic Alignment**

In accordance with the *Government Performance and Results Act Modernization Act (GPRAMA)* of 2010, Treasury is currently developing the FY 2022 – 2026 Departmental Strategic Plan. The Strategic Plan is scheduled for publication in 2022. The Annual Performance Plan will be updated in the FY 2023 President’s Budget to reflect new departmental strategic goals and objectives. TTB will publish a component plan that aligns bureau activities and priorities to the Department’s by the fall of 2022.

TTB is responsible for administering and enforcing the sections of the Internal Revenue Code of 1986 associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration Act, which provides for the regulation of the alcohol beverage industry for the protection of U.S. consumers. TTB generally administers its jurisdiction according to five strategic goals that support U.S. economic growth and stability: 1) Business Qualification; 2) Labeling Modernization; 3) Tax Compliance; 4) Cross-Border Tax Risk; and 5) Workforce Readiness. TTB’s strategic goal of Workforce Readiness underpins TTB’s performance across all of its goals and objectives.

TTB’s strategic goals to improve Tax Compliance and address Cross-Border Tax Risk ensure that the Federal government has the resources needed to fund national priorities through fair and effective administration and enforcement of tax laws. The FY 2022 funding level continues the investment in a multi-year IT system modernization effort, leveraging technology to improve mission outcomes and reduce paper filings, consistent with the Administration’s priorities. In addition, the industries TTB regulates have grown significantly in recent years, which presents workload and enforcement challenges, particularly in light of recent tax reform legislation. Funding is required to address outdated tax and regulatory systems to support efficient filing and processing. IT modernization also facilitates data analytics to timely detect fraud, tax evasion, and critical compliance issues that undermine a level playing field.

TTB’s strategic goals to enhance Business Qualification and implement Labeling Modernization ensure that lawful U.S. alcohol businesses are competitive and thriving in the global marketplace. Timely service remains a priority for TTB and the businesses it regulates. As the demand for TTB services from these businesses continues to increase, TTB will aim, within FY 2022 resources, to sustain improved service times for permit, label, and formula approvals. TTB will combine IT system modernization efforts with streamlined application requirements and enhanced guidance to achieve its performance goals for customer service. These strategies will help TTB maintain timely service by increasing the number of first-time approvals and reducing delays caused by extensive back-and-forth with industry members in order to correct application errors.

## B – Budget and Performance by Budget Activity

### 2.1.1 – Collect the Revenue Resources and Measures

Dollars in Thousands

Resource Level	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources	\$52,785	\$53,560	\$53,560	\$58,856	\$57,513	\$57,526	\$60,761
Reimbursable & Offsetting Collections	\$3,143	\$3,217	\$3,923	\$3,573	\$4,131	\$4,866	\$4,866
Unobligated Balances from Prior Years	\$170	\$125	\$112	\$214	\$98	\$113	\$125
Transfers In/Out	\$0	\$197	\$902	\$597	\$349	\$350	\$0
<b>Budget Activity Total</b>	<b>\$56,098</b>	<b>\$57,099</b>	<b>\$58,497</b>	<b>\$63,240</b>	<b>\$62,091</b>	<b>\$62,855</b>	<b>\$65,752</b>
<b>Full-time Equivalents (FTE)</b>	<b>234</b>	<b>223</b>	<b>212</b>	<b>213</b>	<b>211</b>	<b>227</b>	<b>227</b>

Performance Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2020	FY 2021	FY 2022
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Amount of Revenue Collected Per Program Dollar (\$)	414	406	369	339	380	I	I	I
Voluntary Compliance from Large Taxpayers in Filing Tax Returns/Payments Timely (by taxpayer) (%) <sup>1</sup>	-	60	69	69	DISC	DISC	N/A	N/A
Voluntary Compliance from Large Taxpayers in Filing Operational Reports Timely (by taxpayer) (%)	-	66	74	76	DISC	DISC	N/A	N/A
Voluntary Compliance from Large Taxpayers - Overall (%)	90	90	90	91	91	95	95	95
<i>By Payment</i>	99	99	99	99	99	-	-	-
<i>By Tax Return</i>	81	79	82	84	84	-	-	-
<i>By Operational Report</i>	82	82	82	83	83	-	-	-
Electronically Filed Tax Returns - Pay.gov (%)	33	35	37	41	43	50	55	65
Electronically Filed Operational Reports - Pay.gov (%)	39	40	42	46	50	50	55	65

Key: DISC – Discontinued; I - Indicator

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

**Collect the Revenue Budget and Performance**

*(\$60,761,000 from new direct appropriations, \$125,000 from unobligated balances from the prior year, and \$4,866,000 from reimbursable sources):*

This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal tax code for alcohol, tobacco, firearms, and ammunition products. TTB collects approximately \$20 billion in Federal tax revenue annually from a tax base of nearly 35,000 businesses. TTB’s regulated taxpayers include distilleries, breweries, and wineries, as well as manufacturers and importers of tobacco and firearms.

TTB extends the reach of its enforcement resources through advanced analytics and risk-based audits and investigations. To ensure a level playing field for those engaged in the trade of these regulated commodities, TTB also takes appropriate enforcement action to detect and address diversion activity to ensure all products sold in the marketplace are properly taxpaid.

**Other Resources.....\$4,991,000**

*Unobligated Balances from the Prior Year.....\$125,000*

*Offsetting Collections/Reimbursables.....\$4,866,000*

Other resources that fund this budget activity include unobligated balances from the prior year appropriation; reimbursement for the operating costs of TTB’s Puerto Rico field office, which are offset against the roughly \$470 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported to the United States; reimbursement from CDFI for IT services provided by TTB; and funding from the TEOAF Mandatory Fund to cover investigative expenses, data systems, and training.

*Description of Performance:*

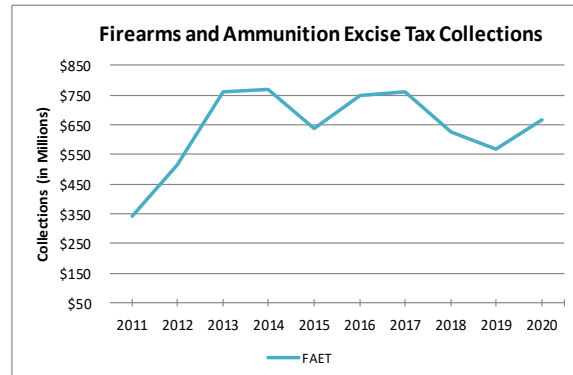
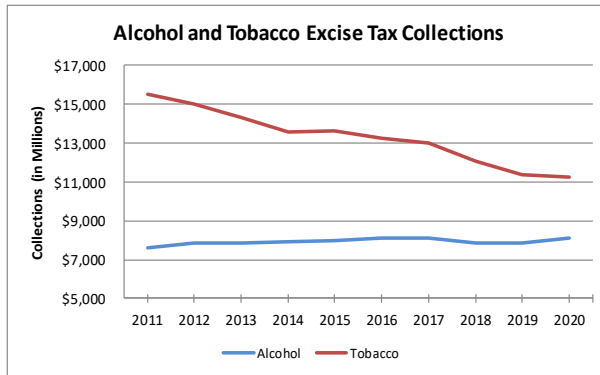
TTB combines measures and indicators to demonstrate the effectiveness and efficiency with which TTB operates its tax administration function, including through facilitating voluntary compliance as well as field enforcement efforts to address critical threats to Federal revenues. Through FY 2022, TTB plans to improve tax compliance by updating its tax filings, processes, and technologies; enhancing its capacity to timely identify and address non-compliance through analytics and other detection tools; and continuing to improve taxpayer education and outreach.

The *Amount of Revenue Collected per Program Dollar* indicator uses annual collections figures and the actual expenditures and obligations for collection activities to quantify the efficiency of the TTB tax collection program. In FY 2020, TTB achieved a return on investment of \$380 for every program dollar spent on collection activities.

Revenue from the alcohol, tobacco, and firearms and ammunition industries increased year-to-year, with alcohol collections up three percent and firearms and ammunition excise tax revenues up 17 percent compared to FY 2019. Tobacco revenues have steadily declined in line with shifts in consumption patterns, product manufacturing, and trade. In total, revenue collections are up approximately one percent compared to FY 2019.

At the same time, TTB’s tax administration and enforcement costs decreased, as TTB significantly curtailed in-person outreach and enforcement activities following the outbreak of COVID-19. TTB anticipates returning to a more robust in-person outreach and enforcement posture in FY 2021, guided by direction from the Administration and public health officials.

Going forward, TTB will continue to monitor its return on investment for its Collect the Revenue activities as a key indicator; however, results will depend on several external factors, including the long-term effects of the craft beverage modernization provisions and the duration of the COVID-19 pandemic.



Dollars in Thousands

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Alcohol	\$ 7,596,587	\$ 7,849,426	\$ 7,851,953	\$ 7,924,951	\$ 7,997,467	\$ 8,075,476	\$ 8,103,714	\$ 7,877,214	\$ 7,865,036	\$ 8,088,717
Tobacco	\$ 15,515,073	\$ 15,015,830	\$ 14,321,017	\$ 13,553,508	\$ 13,623,229	\$ 13,274,371	\$ 12,966,317	\$ 12,050,283	\$ 11,375,038	\$ 11,239,189
Firearms	\$ 344,262	\$ 514,622	\$ 764,675	\$ 768,927	\$ 638,518	\$ 749,789	\$ 761,630	\$ 624,802	\$ 567,330	\$ 665,650
<b>TOTAL</b>	<b>\$ 23,455,922</b>	<b>\$ 23,379,878</b>	<b>\$ 22,937,645</b>	<b>\$ 22,937,645</b>	<b>\$ 22,259,214</b>	<b>\$ 22,099,636</b>	<b>\$ 21,831,661</b>	<b>\$ 20,552,299</b>	<b>\$ 19,807,404</b>	<b>\$ 19,993,556</b>

Fostering voluntary compliance among taxpayers is a primary tax administration strategy for TTB. The *Percent of Voluntary Compliance from Large Taxpayers* is a key performance measure that shows the rate of compliance by large taxpayers (i.e., those that pay more than \$50,000 in annual taxes) in voluntarily filing their required tax returns, operational reports, and payments on or before the scheduled due date. In FY 2020, TTB revised this measure based on a new scoring method to better reflect risk by filing type and revenue exposure. With this update, TTB maintained a comprehensive picture of compliance by taxpayer, but improved the bureau’s ability to rate and prioritize taxpayers based on relative risk to ensure TTB pursues the most serious patterns of non-compliance.

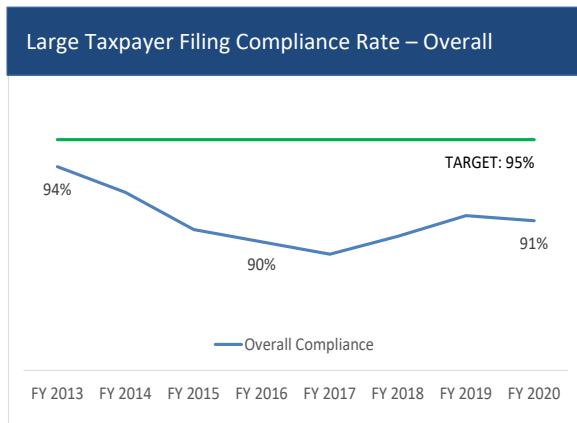
To ensure adequate protection of Federal tax revenue, TTB established a high standard for its largest taxpayers, with a targeted filing compliance rate of 95 percent. In FY 2020, TTB achieved an overall compliance rate of 91 percent from its large taxpayers in meeting all tax filing requirements. Payment compliance rates remained high, at over 99 percent, indicating that the majority of reported liabilities are paid on time. Compliance rates for tax returns and operational reports were 84 percent and 83 percent, respectively. Although below target, these rates held constant with FY 2019, even with disruptions to TTB and industry operations caused by COVID-19.

As the taxpayer universe grows, TTB faces resource challenges in maintaining industry compliance. In the last five years, the number of TTB taxpayers has increased nearly 60 percent, which has created additional workload and enforcement challenges in maintaining industry compliance, particularly in light of recent tax reforms. This growth has cut across industry types, with the most significant increases in small businesses entering the alcohol industry. Over time, with limited resources, TTB outreach efforts to educate industry members on tax requirements have also decreased. More recently, TTB has also faced competing enforcement priorities, including efforts to address illicit trade practice activity in the alcohol industry.

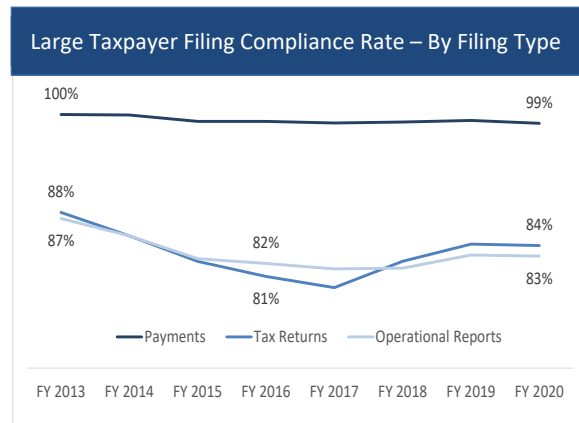
In FY 2020, to improve tax oversight, TTB piloted new analytics tools and internal procedures to address identified non-compliance. TTB created dashboard views of taxpayer compliance scores, including summary and detailed information about each compliance factor (i.e., late/missing returns, late/missing reports, late payments, and underpayments). Based on these scores, TTB tested and validated streamlined procedures for reconciling taxpayer accounts and issuing assessments. At the same time, TTB established and validated new risk criteria for taxpayer referrals for field audits to address serious non-compliance issues that undermine the level playing field. These policy and process improvements proved effective, with TTB assessing approximately \$60 million in delinquent taxes in FY 2020. While these assessments were necessary to protect revenue, at the same time, TTB also provided additional guidance to industry on payment options in cases of financial distress caused by COVID-19.

In fiscal years 2021-2022, improving compliance rates will remain a priority for TTB, as non-compliance undermines the level playing field, which is particularly critical for the small producers who comprise the majority of TTB taxpayers. Plans over the next year include continuing TTB's risk-based reviews of taxpayer accounts, with a focus on improving analytics tools and expanding the pilot to include additional taxpayer segments.

Over the next several years, TTB also plans to improve its education and outreach strategies to drive compliant behavior across TTB taxpayers. TTB will continue to actively manage its online guidance to provide current information on rules and requirements related to the craft beverage modernization provisions, which were permanently enacted in December 2020. TTB plans to use data on common compliance issues and trends to direct its annual outreach plan as well as to prioritize the development of new online tax guidance.



Overall compliance has trended down over the past decade – down from 94% in FY 13 to 91% today – requiring enhanced technology and guidance to support voluntary compliance by the increased number of taxpayers.



Compliance with tax payment remains high; however, lower compliance scores for required tax returns and operational reports pose challenges to verifying the taxes paid. In addition to IT and guidance, TTB plans to issue rulemaking to streamline its tax requirements to minimize filing burden and support voluntary compliance.

TTB will also focus on improving tax compliance through developing the integrated, modernized IT systems supported by the FY 2022 budget request. Today, TTB 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 filings.

E-filing rates for tax returns and operational reports trended positively in FY 2020, but remain low compared to other TTB online systems. TTB ended the year at 43 percent of tax returns and 50 percent of operational reports submitted electronically. These low 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 advanced analytics. Additional Pay.gov promotion may improve e-filing rates in the near term to achieve its FY 2022 target of 65 percent, although more significant tax system modernization is likely required for TTB to achieve its long-term target of 80 percent.

At the FY 2022 funding level, and as part of its IT modernization efforts, TTB intends to implement phased releases to its tax system, including developing a custom external interface for electronic tax filings and enhancing internal workflows to support TTB tax administration. In FY 2020, TTB deployed new document and imaging archives and an internal claims processing module to streamline internal processes and improve service times for issuing refunds on claims – filling a critical need for businesses potentially experiencing cash flow issues during the pandemic. TTB also initiated critical identity management work, laying the groundwork for a single industry member login across TTB’s online systems. Combined, these releases provide foundational infrastructure for the new integrated “MyTTB” system.

Effective tax administration also requires modernized systems to facilitate TTB’s data-driven approach to monitoring compliance and timely identifying potential tax evasion – even more critical in light of recent tax reforms. At present, resource-intensive manual analysis and

reconciliation of multiple reports and returns, in combination with other data sources, by specialists, auditors, and investigators are required to detect and address high-risk activity. In the years ahead, and at the requested funding level, TTB will enhance its tax systems and analytics tools to facilitate TTB's use of its tax information, in combination with other data sources such as import and export data, to more effectively target its limited resources to suspected evasion schemes. This includes continued coordination CPB to support implementation of the import-related provisions of the tax reform legislation, which requires coordinating data and information sharing needs and identifying opportunities for joint enforcement to effectively combat revenue risks.

Starting in January 2023, Treasury will be responsible for administering refund claims to importers eligible for reduced tax rates and credits under CBMA. Currently administered by CBP, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 transferred this jurisdiction from CBP to Treasury as of December 31, 2022. TTB is supporting Treasury in its analysis of options for implementing and administering refund claims to importers, with a proposed plan for implementation and administration due to Congress in June 2021.

At the FY 2022 funding level, TTB also plans to continue pursuing regulatory remedies to improve tax administration and industry compliance. TTB recognizes that a number of current tax-related reporting requirements are burdensome on industry and, in some cases, require significant TTB resources to administer. To address these issues, and to ensure that TTB's tax requirements are commensurate with revenue risk, TTB completed a broad-based review of its tax return and operational report filing requirements.

The review generated recommendations to significantly streamline requirements to decrease both the amount of information collected as well as the frequency with which it is collected. The review also incorporated changes to TTB requirements to address new risks to underreporting introduced by recent tax reforms. The net effect of these revisions would substantially reduce reporting and filing burdens for industry.

This multi-year initiative will require rulemaking to implement. TTB will work these efforts in tandem with the IT modernization efforts funded through FY 2022 to deliver these new requirements through a new tax system interface. As TTB initiates these efforts, the bureau will continuously evaluate and refine its regulatory and statutory options to find solutions to gain efficiencies for industry and TTB, while also boosting overall tax compliance.

## 2.1.2 – Protect the Public Resources and Measures

Dollars in Thousands

Resource Level	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Operating Plan	FY 2022 Request
Appropriated Resources	\$53,654	\$57,879	\$57,879	\$60,744	\$62,087	\$66,811	\$70,569
Reimbursable & Offsetting Collections	\$2,577	\$2,637	\$2,366	\$2,666	\$2,613	\$3,111	\$3,111
Unobligated Balances from Prior Years	\$170	\$125	\$4,166	\$4,865	\$4,479	\$4,582	\$4,554
Transfers In/Out	\$0	\$0	\$87	\$0	\$0	\$0	\$0
<b>Budget Activity Total</b>	<b>\$56,401</b>	<b>\$60,641</b>	<b>\$64,498</b>	<b>\$68,275</b>	<b>\$69,179</b>	<b>\$74,504</b>	<b>\$78,235</b>
<b>Full-time Equivalent (FTE)</b>	<b>246</b>	<b>265</b>	<b>273</b>	<b>282</b>	<b>284</b>	<b>293</b>	<b>293</b>

Performance Measure	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2021 Target	FY 2022 Target
Permit Applications Processed within Service Standards (75 days) (%)	32	48	71	58	84	85	85	85
Alcohol Beverage Label and Formula Applications Processed within Service Standards (15 days) (%) <sup>1</sup>	80	62	84	48	83	85	85	85
Initial Error Rate for Permit Applications	81	83	80	71	62	25	25	25
Initial Error Rate for Label and Formula Applications	44	43	40	37	34	25	25	25
Electronically Filed Permit Applications (%)	81	85	87	89	92	95	95	98
Electronically Filed Label and Formula Applications (%)	97	98	98	99	99	I	I	I
Customer Satisfaction Rate with eGov Systems - COLAs Online	74	82	81	77	80	80	80	80
Customer Satisfaction Rate with eGov Systems - Permits Online	54	68	77	68	78	80	80	80
Customer Satisfaction Rate with eGov Systems - Formulas Online <sup>2</sup>	58	70	79	70	73	80	80	80

Key: I - Indicator

<sup>1/</sup> Service standards are set annually based on TTB analysis of submission volume, error rates, and resource levels. In FY 2016, the service standards were 30 days for labels and 45 days for formulas. In FY 2017, TTB set the service standards at 10 days for both labels and formulas, after receiving dedicated funding to support accelerated processing times. In FY 2018, following a spike in submission volume, TTB established new service standards of 15 days for both labels and formulas; these standards remain in effect through 2020.

<sup>2/</sup> Results represent beverage alcohol filers only (nonbeverage alcohol formula submissions are excluded).



**Protect the Public Budget and Performance**

*(\$70,569,000 from new direct appropriations, \$4,554,000 from unobligated balances from the prior year, and \$3,111,000 from reimbursable sources):*

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

**Other Resources.....\$7,665,000**

*Unobligated Balances from the Prior Year.....\$4,554,000*

*Offsetting Collections/Reimbursables.....\$3,111,000*

Other resources that support this budget activity include unobligated balances from the prior year appropriation; reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly \$470 million in taxes collected on the alcohol beverage products that are manufactured in Puerto Rico and imported into the United States; reimbursement by CDFI for TTB’s IT services; and funding from the TEOAF Mandatory Fund to cover investigative expenses, data systems, and training.

*Description of Performance:*

TTB uses a combination of measures to monitor the degree to which the bureau is meeting its established service standards for permit, label, and formula applications; its effectiveness in reducing error rates on applications to address processing delays caused by incomplete or non-compliant submissions; and the level of satisfaction that industry members have with TTB’s online systems. TTB’s strategies to achieve its performance targets for these measures include a combination of improving internal processes, streamlining application requirements, modernizing its IT systems, and providing clearer guidance to industry members.

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 recent years, the volume of submissions, particularly in the more complex permit application types for alcohol beverage producers, has caused approval times to increase. Approval times spiked to an average of 122 days in FY 2016, and over 200 days for alcohol producer applications, delaying operations for these applicants, many of whom had already made significant upfront investments. Under a two-year Agency Priority Goal (APG) for FY 2018 – 2019, TTB and Treasury set a performance goal to improve the timeliness and consistency of service levels by reducing average processing times for new permit applications by 20 percent and achieving its service standard for 85 percent of applicants.

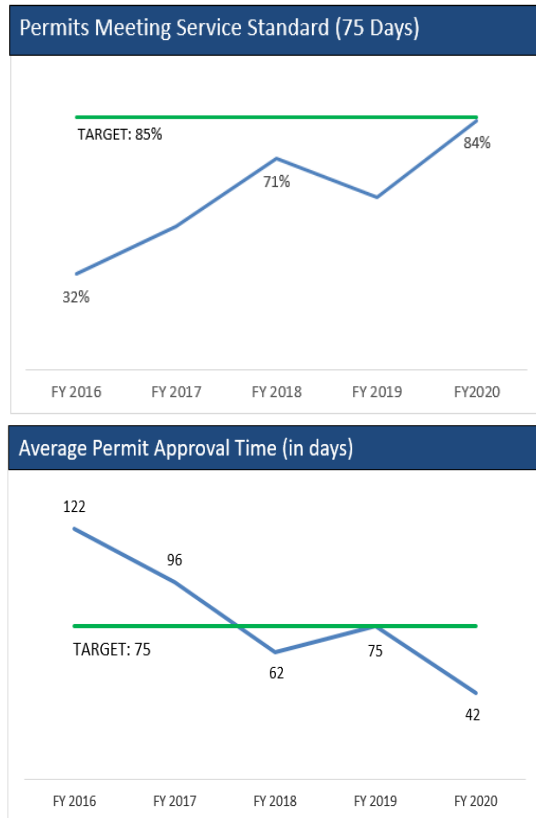
TTB met one of its two APG targets in FY 2019, reducing average approval times to 75 days. However, TTB fell short of its second target to achieve the 75-day service standard for 85 percent of permit applicants. In FY 2020, TTB retained this second prong of its priority goal and, by year-end, nearly achieved the target by meeting the standard for 84 percent of applicants.

Average review times also decreased significantly, down to 42 days overall in FY 2020, with improvements across all application types. TTB attributes these gains to improved backlog management, which was facilitated by new permit application dashboards that display key metrics on the status and age of pending applications to support effective processing and management.

TTB achieved these improvements even as the volume of permit applications spiked in FY 2020, driven by new and amended permits related to hand sanitizer production. TTB expedited its processing of over 2,400 permit applications, facilitating a shift in industry operations to hand sanitizer production following the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the law, Congress provided certain flexibilities for tax-free withdrawals of spirits used to produce hand sanitizer in accordance with U.S. Food and Drug Administration guidance through the end of calendar year 2020. Recognizing the urgency, TTB approved many of these applications within one day.

Sustaining these performance improvements in FY 2022 and beyond will require progress on several cross-cutting initiatives. At the requested funding level, TTB will focus on achieving its performance target through continued process improvements, IT system enhancements, and updates to its permit applications to simplify and streamline requirements. TTB will also continue to update its procedures to screen permit applicants, refining the risk criteria, tools, and procedures used to vet applicants for suitability to hold a Federal permit. TTB will use the results of its field investigations to inform its risk factors to improve the timeliness and effectiveness of its business qualification process.

TTB measures the *Initial Error Rate on Permit Applications*, which tracks how many applications are submitted either incomplete or with errors, to develop directed strategies to maintain timely service by increasing the number of first-time permit application approvals. Errors increase the overall workload volume, requiring extensive back-and-forth with applicants to ensure the application is complete prior to TTB review and verification, which adds to the total processing time. Over the last five years, TTB’s ability to meet its service standard for new permit applications has been challenged by high error rates, which had



consistently remained around 80 percent. Error rates are much higher for prospective breweries, wineries, and distilleries, which have more complex applications compared to non-manufacturers (i.e., wholesalers and importers). With recent system and guidance enhancements, as well as the permit application changes implemented to date, TTB has been able to reduce the high volume of applications submitted with errors. For FY 2020, the error rate on permit applications decreased to 62 percent, with improvements achieved across most application types.

Further, to improve both error rates and approval times, TTB plans to implement recommendations from a review of its process for returning permit applications for corrections. In FY 2020, TTB integrated new tools and processes to streamline the application return process and standardize internal procedures. In fiscal years 2021 - 2022, to continue making progress toward its target of 25 percent, TTB plans to implement system enhancements to provide greater consistency in reviews and improve industry interactions with TTB. Presently, Permits Online, the online filing system for permit applications, does not allow an applicant to add or correct information on the application after it is submitted. This is instead handled via email exchange between the TTB specialist and applicant, creating processing inefficiencies and limiting effective oversight of in-process applications. As part of the MyTTB IT modernization initiative, TTB plans to enable incomplete applications to be returned and corrected within Permits Online, which should result in processing efficiencies, reduced error rates, and a better user experience for industry.

According to its measure of the *Percent of Electronically Filed Permit Applications*, which tracks the electronic filing rate for new business applications, TTB received 92 percent of permit applications via Permits Online in FY 2020. TTB attributes this ongoing increase to TTB.gov improvements following the release of the redesigned Permits Online system in 2018, which included improved guidance for first-time filers to help them navigate the application process. These system changes, combined with the online training available to industry, will support TTB in achieving its FY 2022 targets of increasing the electronic filing rate to 98 percent and reducing the initial error rate on permit applications to 25 percent.

In alignment with its strategy to optimize its electronic filing systems, TTB measures *Customer Satisfaction with the Permits Online eGov System* through an e-mail survey to assess how satisfied businesses are in applying for a permit or registration through Permits Online. In FY 2020, system satisfaction rates increased 10 percent, from 68 percent in FY 2019 to 78 percent in FY 2020. Notably, satisfaction rebounded significantly with improved permit approval times later in the year, demonstrating a strong correlation between service levels and system satisfaction. Although still below the annual target of 80 percent, TTB expects the positive trend to continue in line with overall improvements in service levels, and as TTB initiates broader system modernization efforts supported by FY 2022 funding. TTB will also focus on improving the level of service provided to customers seeking live assistance with the permit application process via TTB's call center.

Broader changes to TTB's application requirements, some of which require rulemaking, are underway and may need to be fully implemented before TTB can achieve and sustain its targeted performance levels for FY 2022, particularly as the alcohol beverage industry continues to

recover from the pandemic. In FY 2020, TTB continued to make progress towards modernizing its permit applications. Using a multi-disciplinary team, TTB has reviewed its permit requirements and developed recommendations to modernize and streamline the applications based on TTB's statutory responsibilities and enforcement needs. These proposals are being informed by industry input on Treasury regulations that can be eliminated, modified, or streamlined to reduce burdens.

Certain changes in the Brewer's Notice application have been implemented in advance of rulemaking, including the elimination of lease or proof of ownership agreements. The bureau intends to publish a series of rulemakings in fiscal years 2021 and 2022 for more significant modifications to TTB permit applications that should result in additional burden reductions for both industry and TTB. Further, simplifying and clarifying TTB's regulatory requirements should also result in a reduced volume of initial permit applications submitted with errors, which would contribute to improved approval times.

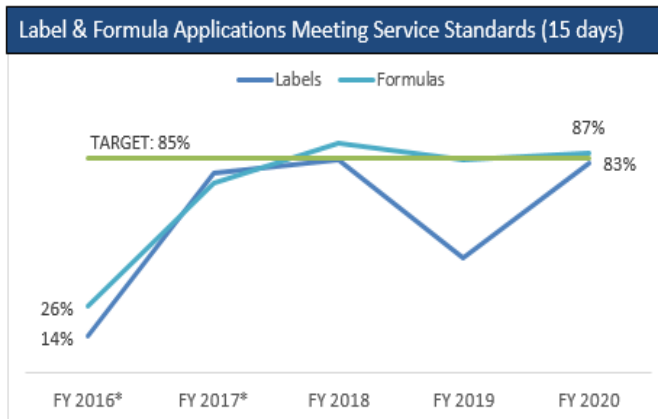
In FY 2020, TTB received approximately 183,000 label applications and 24,000 formula applications for new alcohol beverage product approvals. Given the importance of timely TTB approvals and the negative impact that delays have on U.S. businesses, TTB monitors its ability to provide timely and consistent 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.

In the last five years, in line with industry expansion and product innovation, submission volume has increased nearly 15 percent for labels and nearly 70 percent for formulas. COVID-19 temporarily halted this growth in label applications, with volume down 8 percent overall compared to FY 2019. This decline was driven by reductions in wine and malt beverage label applications, with a decrease of 11 percent in wine and 5 percent in malt beverages in FY 2020. Distilled spirits label applications, however, continued to increase, with another 4 percent growth over prior years, driven by innovation in the craft spirits sector. Formula submissions continued their growth trend, indicating continued industry innovation during the pandemic. Although all alcohol beverage commodities contributed to the increase in formula submissions, malt beverage submissions increased at the fastest rate, up over 40 percent compared to last year, due to the use of innovative ingredients and market trends such as flavored malt beverage products.

In light of customer expectations, as well as ongoing program improvements supported by directed funding enacted in the FY 2020 budget to accelerate approval times, TTB maintained its service standards for beverage alcohol labels and formulas at 15 days in FY 2020. Despite increased submission volume, the formulation area achieved the targeted performance level, and ended the year at 87 percent of formula applications meeting the 15-day standard, exceeding the target of 85 percent. This was achieved through effective monitoring and management of the application backlog combined with strategic workforce management to efficiently deploy staff. By employing similar strategies, label performance nearly achieved the target in FY 2020 at 83 percent. Performance significantly improved for both application types in the latter half of the fiscal year as TTB cleared backlogs while the overall label application volume decreased, with the vast majority of applications processed in 10 days or less.

TTB expects the positive trends to continue through FY 2022 through continuous management of pending applications and strategic resource alignment. TTB plans to maintain its 15-day service standard for label and formula applications, and will work toward its fiscal years 2021 and 2022 targets of meeting this standard for 85 percent of applications through strategic initiatives to upgrade online systems and guidance, with particular focus on reducing application errors that increase total workload and challenge timely processing.

Application errors are a key driver of label and formula processing times due to the additional review required for each resubmitted application. TTB relies on 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 2020, approximately 34 percent of label and formula applications were submitted incomplete or with errors, falling short of the targeted performance level of 25 percent, although demonstrating year-to-year progress.



\*Historic data adjusted to reflect the 15-day service standard for FY 2018 - 2020 to support trend analysis

Commodity	Pre-COVID (10/01/19 - 3/14/20)		Post-COVID (3/15/20 - 9/30/20)	
	% Meeting Standard	Median	% Meeting Standard	Median
DISTILLED SPIRITS	41%	19	75%	8
MALT BEVERAGE	46%	16	86%	6
WINE	91%	5	94%	3
<b>Overall</b>	<b>74%</b>	<b>7</b>	<b>90%</b>	<b>4</b>

Commodity	Pre-COVID (10/01/19 - 3/14/20)		Post-COVID (3/15/20 - 9/30/20)	
	% Meeting Standard	Median	% Meeting Standard	Median
DISTILLED SPIRITS	80%	8	88%	5
MALT BEVERAGE	86%	7	95%	4
WINE	86%	7	91%	4
<b>Overall</b>	<b>83%</b>	<b>7</b>	<b>91%</b>	<b>5</b>

*TTB successfully reduced approval times in the latter half of FY 2020 in efforts to support industry members in maintaining operations during the COVID-19 pandemic.*

In FY 2020, 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. This year, TTB made progress in issuing improved guidance on TTB.gov. This includes detailed examples of compliant label and formula submissions by commodity, as well as web-based tools to make it easier for industry members to determine if their products require TTB formula approval prior to filing a label. Going forward, TTB intends to further reduce error rates by increasing and integrating industry guidance available on TTB.gov and its online systems.

In addition, TTB continued its initiative to modernize Federal alcohol beverage labeling regulations to reflect current TTB policy and modern industry practices. In FY 2020, TTB published a final rule as part of its multi-year labeling modernization rulemaking project. This final rule codified liberalizing proposals that received broad industry consensus. Subsequent phases planned for fiscal years 2021 and 2022 will address specific labeling and advertising proposals for each alcohol beverage commodity, as well as crosscutting labeling issues. TTB will also indicate issues the bureau intends to close or reserve for future rulemaking. Through rulemaking, as well as policy guidance, TTB is seeking to equip industry with the information needed to submit more complete and accurate label and formula applications.

Sustaining service levels will also be supported through ongoing enhancements to TTB's eGov systems. Over the last several years, TTB has deployed system enhancements to COLAs Online and Formulas Online, focusing its efforts on compliance validations and embedded help features to address frequent application errors. These system releases have targeted both application and label compliance errors and, in FY 2020, results indicate that the changes implemented to date have proven effective, with error rates down 4 percent overall for both application types compared to last year, with labels ending the year at 33 percent (down from 37 percent) and formulas at 35 percent (down from 39 percent).

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 99 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. Going forward, through its IT system modernization efforts funded in FY 2022, TTB plans to expand and improve system-based validations. These efforts include testing artificial intelligence techniques to detect text and image errors on label applications, with the goal of alerting users to certain types of errors prior to submitting an application. TTB will also continue to employ user testing and feedback to make iterative enhancements to COLAs Online and Formulas Online to reduce application errors.

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 eGov systems, collecting responses via e-mail survey to assess factors such as ease of access, guidance, and overall experience. In FY 2020, satisfaction rates increased from 77 percent to 80 percent for COLAs Online users and 70 percent to 73 percent for Formulas Online users.

TTB generally attributes these increases to reduced processing times and anticipates that performance will continue to improve through FY 2021 in line with timely service levels. Further, TTB expects that planned system improvements and regular review of survey feedback will help TTB to exceed its user satisfaction target of 80 percent and continue to attract users to its online systems to maintain electronic filing rates above its target of 95 percent.

**C – Changes in Performance Measures**

Performance Measure or Indicator	Proposed Change and Justification
Voluntary Compliance from Large Taxpayers in Filing Tax Returns/Payments Timely (by taxpayer)	Replaced by Voluntary Compliance from Large Taxpayers - Overall. TTB revised its measure of taxpayer compliance for FY 2020, enabling more accurate and timely analysis of compliance trends by taxpayers. The new method provides an overall compliance score based on late and missed tax filings, and also supports separate reporting of compliance rates by payments, tax returns, and operational reports.
Voluntary Compliance from Large Taxpayers in Filing Operational Reports Timely (by taxpayer)	See above.

**D– Evidence-Building Activity**

Type of Evidence-Building Activity	Major Activities and Planned Projects	Resource Types	Use
<p><b>Evaluation</b> <i>Collection and analysis of data to assess effectiveness and efficiency of programs, policies, or procedures</i></p> <p>Estimated share of all Evidence-Building Activities: <b><u>15%</u></b></p>	<p><b>Major activities:</b></p> <ul style="list-style-type: none"> <li>• Requirements Analysis</li> <li>• Customer/User Experience (CX/UX) Research and Analysis</li> <li>• Customer Surveys</li> </ul> <p><b>FY21 and FY22 projects:</b></p> <ul style="list-style-type: none"> <li>• Permit Simplification: Internal evaluation of permit application requirements (Active)</li> <li>• Tax Simplification: Internal evaluation of tax filing requirements (tax returns/operational reports) (Active)</li> <li>• MyTTB IT Modernization UX Testing: Collection of customer feedback on usability of new</li> </ul>	<ul style="list-style-type: none"> <li>• 0301 – Miscellaneous Administration and Program</li> <li>• 0340 – Program Manager</li> <li>• 0343 – Management &amp; Program Analyst</li> <li>• 1530 – Statistics</li> <li>• 1801 – General Inspection, Investigation,</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> For internal policy decision-making</li> <li><input checked="" type="checkbox"/> During internal strategic management processes</li> <li><input type="checkbox"/> By external partners (government)</li> <li><input type="checkbox"/> By external partners (non-government)</li> </ul>

Type of Evidence-Building Activity	Major Activities and Planned Projects	Resource Types	Use
	system features prior to release (Active) <ul style="list-style-type: none"> <li>Customer Satisfaction Survey: Annual survey to collect data on industry demographics, priorities, and satisfaction (Active)</li> </ul>	and Compliance <ul style="list-style-type: none"> <li>Analytics Contract</li> </ul>	<input type="checkbox"/> By unaffiliated external researchers <input type="checkbox"/> Other (describe)
<b>Research</b> <i>Modeling or other systematic use of data to explore emerging issues or potential scenarios to generate new knowledge</i>  Estimated share of all Evidence-Building Activities: <div style="text-align: center;"><u><b>15%</b></u></div>	<b>Major activities:</b> <ul style="list-style-type: none"> <li>Company/Taxpayer Relationships</li> <li>Taxpayer Compliance</li> <li>Alcohol Market Trends</li> </ul> <b>FY21 and FY22 projects:</b> <ul style="list-style-type: none"> <li>Controlled Groups: Compilation of data to identify controlled groups and other company relationships for tax administration and enforcement (Active)</li> <li>Taxpayer Notice Redesign: Apply behavioral science to the design and issuance of taxpayer notices, starting with information sharing with the Internal Revenue Service (Active/Planned)</li> <li>Alcohol Market Trends: Initial research into data sources for analysis of alcohol beverage industry trends based on market data (Planned)</li> </ul>	<ul style="list-style-type: none"> <li>0301 – Miscellaneous Administration and Program</li> <li>0340 – Program Manager</li> <li>0343 – Management &amp; Program Analyst</li> <li>1530 – Statistics</li> <li>1801 – General Inspection, Investigation, and Compliance</li> <li>Analytics Contract</li> </ul>	<input checked="" type="checkbox"/> For internal policy decision-making <input checked="" type="checkbox"/> During internal strategic management processes <input type="checkbox"/> By external partners (government) <input type="checkbox"/> By external partners (non-government) <input type="checkbox"/> By unaffiliated external researchers <input type="checkbox"/> Other (describe)
<b>Analysis</b> <i>Routine and frequent use of data that produces insights for decision making and program management</i>  Estimated share of all Evidence-Building Activities: <div style="text-align: center;"><u><b>50%</b></u></div>	<b>Major activities:</b> <ul style="list-style-type: none"> <li>Management Dashboards</li> <li>Performance Measurement</li> <li>Risk Assessment</li> <li>Industry Guidance &amp; Outreach</li> <li>Workforce Analysis</li> </ul> <b>FY21 and FY22 projects:</b> <ul style="list-style-type: none"> <li>Permit Dashboard: Views of original and amended permit application backlog by type, age, and status (Active)</li> <li>Tax Compliance Dashboard: View of TTB taxpayer</li> </ul>	<ul style="list-style-type: none"> <li>0301 – Miscellaneous Administration and Program</li> <li>0340 – Program Manager</li> <li>0343 – Management &amp; Program Analyst</li> <li>1530 – Statistics</li> <li>1801 – General</li> </ul>	<input checked="" type="checkbox"/> For internal policy decision-making <input checked="" type="checkbox"/> During internal strategic management processes <input type="checkbox"/> By external partners (government) <input type="checkbox"/> By external partners



Type of Evidence-Building Activity	Major Activities and Planned Projects	Resource Types	Use
	<p>compliance scores for filing tax returns, operational reports, and payments (Active)</p> <ul style="list-style-type: none"> <li>• Executive Dashboards: Views of strategic performance measures and other key indicators that serve as the basis for internal strategic management meetings (Active)</li> <li>• Call Center Dashboard: View of call center performance measures (e.g., volume, handled, abandoned, call wait time, handle time) to support management decisions (Active)</li> <li>• Applicant Risk Review: Automated pre-screening of permit applicants based on risk criteria (Active)</li> <li>• TTB.gov Guidance: Prioritizing and developing new and updated web content based on high frequency application errors and/or compliance issues (Active)</li> <li>• Workforce Analysis: Ad hoc analyses of staffing levels and allocation based on workload volume and targeted service level scenarios (Active)</li> </ul>	<p>Inspection, Investigation, and Compliance</p> <ul style="list-style-type: none"> <li>• Analytics Contract</li> </ul>	<p>(non-government)</p> <p><input type="checkbox"/> By unaffiliated external researchers</p> <p><input type="checkbox"/> Other (describe)</p>
<p><b>Statistics</b> <i>Collection, compilation, and processing of data for describing or estimating characteristics or insights concerning groups</i></p> <p>Estimated share of all Evidence-Building Activities: <b><u>20%</u></b></p>	<p><b>Major activities:</b></p> <ul style="list-style-type: none"> <li>• Statistical Releases</li> <li>• Data Quality Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• 0301 – Miscellaneous Administration and Program</li> <li>• 0343 – Management &amp; Program Analyst</li> <li>• 1530 – Statistics</li> <li>• 1801 – General Inspection, Investigation, and Compliance</li> </ul>	<p><input checked="" type="checkbox"/> For internal policy decision-making</p> <p><input checked="" type="checkbox"/> During internal strategic management processes</p> <p><input checked="" type="checkbox"/> By external partners (government)</p> <p><input checked="" type="checkbox"/> By external partners (non-government)</p>

Type of Evidence-Building Activity	Major Activities and Planned Projects	Resource Types	Use
	<b>FY21 and FY22 projects:</b> <ul style="list-style-type: none"> <li>Commodity Statistical Reports: Public data on production and trade of alcohol and tobacco products (Active)</li> <li>Data Quality (DQ) Assessment: Collection and compilation of data quality issues in DQ Monitoring Tool by data characteristic, issue type, and priority level (Active)</li> </ul>	<ul style="list-style-type: none"> <li>Analytics Contract</li> </ul>	<input checked="" type="checkbox"/> By unaffiliated external researchers <input checked="" type="checkbox"/> Other: Tax administration and enforcement

### Section III – Additional Information

#### A – Summary of Capital Investments

##### Information Technology

TTB’s Strategic Plan establishes the vision and objectives for the bureau in the business context. TTB’s Information Technology (IT) Strategic Plan is a five-year plan based on its business strategy, which includes the bureau’s mission, vision, goals, and objectives from an IT perspective. This plan charts the course the bureau will follow in the coming years to develop and implement IT solutions that are aimed at streamlining the collection of data, leveraging web technologies, and continuing to make the internet the method of choice for the reporting and exchanging of information between businesses and TTB. By aligning business and technical strategy, TTB is able to leverage technology to enable the bureau to meet its objectives in the most efficient and cost-effective manner while identifying ways to minimize system redundancy.

TTB has no major IT investments based on the OMB and the Department of Treasury criteria. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of the bureau. These include:

**TTB Tax System:** This investment consists of several component applications that ensure fair and proper collection of revenue from the industry members for alcohol, tobacco, firearms, and ammunition excise taxes and compliance with excise tax laws and regulations.

**TTB Regulatory System:** This investment includes applications that streamline the beverage and nonbeverage alcohol formula approval process and COLA issuance for tax and regulatory compliance.

**TTB General Support Services:** This investment provides TTB users with the infrastructure applications necessary to conduct daily business.

**TTB Enterprise Architecture:** This investment supports strategic management of IT operations (e.g., business process redesign efforts not part of an individual investment, enterprise architecture development, capital planning and investment control processes, procurement

management, and IT policy development and implementation) and costs for Chief Information Officer functions.

In addition to leveraging IT to support the mission, strategy, and day-to-day operations of the bureau, TTB supports and maintains strategy alignment with OMB and Treasury through enterprise-wide IT initiatives. These include Cyber Security; IT Infrastructure; Electronic Identity and Access Management (HSPD-12); Enterprise-wide Contracts and Services; and Program Metrics and Milestones.

#### Scientific Equipment for Laboratories

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 both 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>.