

Alcohol and Tobacco Tax and Trade Bureau

Mission Statement

Our mission is to collect alcohol, tobacco, firearms, and ammunition excise taxes that are rightfully due, to protect the consumer of alcohol beverages through compliance programs that are based upon education and enforcement of the industry to ensure an effectively regulated marketplace; and to assist industry members to understand and comply with Federal tax, product, and marketing requirements associated with the commodities we regulate.

Program Summary by Budget Activity

Dollars in Thousands

Appropriation	FY 2008	FY 2009	FY 2010		
	Enacted	Enacted	Request	\$ Change	% Change
Collect the Revenue	\$47,693	\$50,523	\$52,500	\$1,976	3.9%
Protect the Public	\$45,822	\$48,542	\$52,500	\$3,959	8.2%
Total Appropriated Resources	\$93,515	\$99,065	\$105,000	\$5,935	6.0%
Total FTE	544	525	537	12	2.3%

Note: FY 2010 Total Appropriated Resources includes \$80 million in offsetting receipts collections from fee revenues. To the extent that these allocations differ from the Budget, the reader should refer to the figures presented in this document.

FY 2010 Priorities

- Collect the roughly \$22 billion in excise taxes rightfully due to the federal government.
- Process permit applications that allow for the commencement of new alcohol and tobacco businesses.
- Process applications for Certificates of Label Approval required to introduce alcohol beverage products into the marketplace.
- Conduct investigations to effectively administer the Internal Revenue Code and Federal Alcohol Administration Act provisions with the objective to minimize tax fraud and diversion risks.
- Complete audits of large and at-risk taxpayers who pay federal excise taxes.
- Conduct field investigations of alcohol and tobacco industry members regarding permit applications, consumer complaints, Federal Alcohol Administration Act trade practice violations, tax fraud, and alcohol beverage product integrity verifications.
- Promote e-filing of industry member data, including taxpayer operational reports and tax returns, as well as Certificate of Label Approval applications.
- Detect counterfeit alcohol and tobacco products, as well as those industry products diverted from lawful channels, and collect the taxes rightfully due on these products.
- Enhance the TTB Regulatory and TTB Tax System by adding new features, improving functionality, and streamlining the label approval process to enable industry members to bring their products to market sooner.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Alcohol and Tobacco Tax and Trade Bureau (TTB) serves as the Nation’s primary federal authority in the regulation of the alcohol and tobacco industries. TTB is responsible for the administration and enforcement of federal law, namely those 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 and the protection of consumers of alcohol beverages.

In fiscal year (FY) 2010, TTB will continue to focus its efforts on helping industry members comply with federal alcohol, tobacco, firearms and ammunition laws and regulations, in the interest of collecting all appropriate excise taxes and promoting a marketplace for alcoholic beverages that complies fully with Federal production, labeling, advertising and marketing requirements.

TTB’s priorities are directly linked to the following key strategic objectives:

- ***Collect all Revenue that is rightfully due:***
 - Through partnerships with industry, States, and other Federal agencies, develop methods of promoting voluntary tax compliance.
 - Ensure correct payment of taxes focusing on audits of “major” and “at-risk” taxpayers.
 - Account accurately for the tax assessed and collected.
 - Reduce the taxpayer paperwork burden associated with collection of revenue by creating alternative electronic filing methods.
 - Ensure consistent tax administration.
 - Prevent tax evasion and identify other criminal conduct in the regulated industries, including diversion and smuggling of taxable commodities.
- ***Protect the Public through education, inspection, and investigation:***
 - Ensure the integrity of the products, people, and companies in the alcohol beverage marketplace.
 - Enforce compliance with Federal laws related to the issuance of permits to industry members and the production, labeling, advertising, and marketing of alcohol products.
 - Utilize electronic government solutions to reduce taxpayer burden and improve service with online filing for permit applications and formula submissions, business activity reports, claims, applications, Certificates of Label Approval, and other forms.
 - Perform appropriate testing, laboratory analyses, and review documents of regulated commodities to ensure product safety and integrity.
 - Review and act on labels and formulas for domestic and imported beverage alcohol products and maintain public access to approved Certificates of Label Approval.
 - Respond to industry and consumer complaints.
 - Investigate product contamination and adulteration incidents and allegations.
 - Investigate suspected cases of unfair trade practices and violations of labeling and advertising standards in the beverage alcohol industry.
 - Regulate the international import/export trade in beverage and industrial alcohol.

The total resources required to support TTB activities for FY 2010 are \$109,234,000, including \$25,000,000 from direct appropriations, \$80,000,000 from special fund receipts (annual fees) and \$4,234,000 from offsetting collections, mainly from the Puerto Rico cover-over program.

1B – Program History and Future Outlook

Program History - TTB has two primary budget activities that focus on collecting all the revenue rightfully due the federal government and ensuring products meet regulatory standards.

Collect the Revenue - This activity collects alcohol, tobacco, firearms, and ammunition excise taxes. These products generate nearly \$15 billion in tax revenue annually, making TTB the third largest tax collection agency in the federal government. With the passage of the Children's Health Insurance Program Reauthorization Act legislation, the anticipated annual revenues will climb to \$22 billion.

The excise taxes collected by TTB come from approximately 8,500 businesses, and the taxes are imposed and collected at the producer and importer levels of operations. Members of the regulated industries paying excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of cigarette tubes, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. Approximately 200 of the largest taxpayers account for 98 percent of the annual excise tax collected. In FY 2008, the majority of taxes collected were from alcohol (51 percent) and tobacco (47 percent), with the remainder from firearms and ammunition (2 percent).

Strategies used to collect the revenue rightfully due the federal government focus on identifying any gaps in tax payment, any illegal entities, individuals operating outside the excise tax system, developing a balanced field approach of audits and investigations that targets non-compliant industry members, and establishing an identifiable presence within the industry that encourages voluntary compliance.

Alcohol and tobacco taxes collected by TTB are remitted to the Department of the Treasury General Fund. Firearms and ammunition excise taxes are remitted to the Fish and Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937.

The investments in this activity resulted in the following performance highlights and accomplishments during FY 2008:

- Collected \$14.6 billion in excise taxes, interest, and other revenues from alcohol, tobacco, firearms, and ammunition industries.
- Expanded the e-filing program to allow all excise taxpayers to file and pay taxes and file monthly operational reports electronically through the Pay.gov system. In FY 2008, more than 98 percent of TTB's tax receipts were collected and processed electronically.
- Improved voluntary compliance among taxpayers with greater than \$50,000 in annual excise tax obligations to a compliance rate of 94 percent in FY 2008, measured in terms of timely and accurate tax payments remitted without Agency intervention.

- Processed \$381 million in cover-over payments to Puerto Rico and the Virgin Islands. Federal excise taxes collected on all imported rum, and on rum produced in Puerto Rico and the Virgin Islands and subsequently brought into the United States, are “covered-over” (or paid into) the treasuries of Puerto Rico and the Virgin Islands.
- Processed \$283 million in drawback claims. Under current law, persons who use non-beverage alcohol in the manufacture of medicines, food products, flavors, extracts, or perfume and other non-potable products may be eligible to claim drawback of excise taxes paid on distilled spirits used in their products.
- Also analyzed 457 tobacco product samples for tax classification and rulemaking support. TTB laboratories review formulations and analyze alcohol and tobacco products to determine compliance with TTB tax and classification regulations.
- Established a Tobacco Laboratory to support TTB’s tobacco rulemaking, diversion and counterfeit investigations, and tax classification efforts. The Tobacco Laboratory became a member of the World Health Organization’s Tobacco Laboratory Network, a global tobacco testing network of laboratories from more than 100 countries.
- Completed audits and investigations that recovered almost \$20 million in additional tax, penalties, and interest from industry members in FY 2008.

This table displays the amount of Federal excise tax collections at the Bureau from FY 2004 – 2008 by revenue type.

Revenue Type	2004	2005	2006	2007	2008
Alcohol	\$6,995,540,000	\$7,074,145,000	\$7,183,012,000	\$7,232,154,000	\$7,420,906,000
Tobacco	\$7,434,037,000	\$7,409,689,000	\$7,350,770,000	\$7,194,097,000	\$6,852,009,000
Firearms Ammunition Mfg	\$216,006,000	\$225,818,000	\$249,578,000	\$287,835,000	\$312,622,000
Special Occupational Taxes 1/	\$100,562,000	\$10,190,000	\$2,895,000	\$2,808,000	\$448,000
TOTALS	\$14,746,145,000	\$14,719,842,000	\$14,786,255,000	\$14,716,894,000	\$14,585,985,000

1/ Special Occupational Taxes (SOT) were suspended on most alcohol taxpayers, effective July 1, 2005 and repealed for all alcohol taxpayers effective July 1, 2008. However, the SOT relating to tobacco permittees (manufacturers, importers, and export warehouses) remained intact.

Economic Impact and Tax Collections from the Alcohol Industry

Studies of the wine,¹ distilled spirits,² and beer industries³ disclosed that the annual economic impact from those businesses on the U.S. domestic economy is rapidly approaching \$500 billion (Wine - \$162 billion; Beer - \$189 billion; and Distilled Spirits - \$103 billion) and represents 3 to 4 percent of the GDP. The beverage alcohol industry in the United States pays over \$7 billion in Federal excise taxes each year and also contributes tax revenues for state and local governments. Economic forecasts predict continued modest growth in the alcohol industry, and taxes collected on alcoholic beverages are expected to continue to rise throughout the period FY 2009 – FY 2010. TTB envisions that in the next few years the increase in new alcohol businesses will be most prominent in the number of new alcohol fuel plants (ethanol), wineries, craft breweries, and craft distilleries.

¹ “The Impact of Wine, Grapes and Grape Products on the American Economy 2007,” MKF Research LLC.

² “The National Trade Association Representing Producers and Marketers of American’s Favorite Brands of Distilled Spirits,” Distilled Spirits Council of the United States.

³ “The Beer Industry Economic Contribution Study Prepared for The Beer Institute,” Guerrilla Economics, LLC, April 2007.

Firearms and Ammunition Excise Tax (FAET) Collections

Firearms and ammunition excise taxes are remitted to the Fish and Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937. The firearms and ammunition industry continues to grow. Federal excise tax collections on firearms and ammunition have increased from \$193 million in FY 2003 to \$313 million during FY 2008, an increase of \$120 million over the past 6 years, or a 62 percent growth in federal FAET revenues. The increase in reported tax revenue can be attributed to industry growth, effective outreach initiatives at the bureau, and the presence of field audits which continues to promote voluntary taxpayer compliance.

Protect the Public - This activity ensures the integrity of the alcohol and tobacco industries and of beverage alcohol products found in the marketplace, and regulates roughly 46,200 alcohol and tobacco businesses. Under this activity, TTB enforces federal laws related to the issuance of permits to industry members and the production, importation, exportation, labeling, advertising, and marketing of alcohol products. TTB conducts these activities through investigations, application reviews, laboratory testing, and educational programs. TTB works with industry, foreign and state governments, and other interested parties to make it easier to comply with regulatory requirements and to maintain the appropriate level of oversight to ensure public safety. Education, partnerships, and open communication are paramount strategies in facilitating compliance with regulatory requirements.

The investments in this budget activity have resulted in the following performance highlights and accomplishments during FY 2008:

- Approved 105,000 of the 133,000 Certificate of Label Approval (COLA) applications received; the remaining 28,000 (21 percent) were either rejected, returned for correction, withdrawn, expired, or surrendered. About 62 percent of COLA applications were filed electronically through COLAs Online. This proprietary TTB system has been in operation since 2003.
- Issued approximately 5,200 original and 21,700 amended permits in FY 2008. TTB averaged 64 days to process perfected permit applications. TTB protected consumers by screening permit applicants, analyzing market samples, reviewing labels for accuracy, and investigating unfair trade practices.
- Evaluated more than 5,900 beverage alcohol formulas and processed 13,500 nonbeverage product formulas and samples. The laboratory also analyzed 2,500 beverage alcohol samples in support of audits and investigations, and the product integrity, pre-import, ABSP, 5010 tax credit, and consumer complaints programs.
- Implemented the Alcohol Beverage Sampling Program (ABSP) to validate the proper labeling of distilled spirits products in order to better protect consumers. In the first year, the TTB Laboratory analyzed 54 products to determine if the contents of the bottle matched the label description. This program enables TTB to be proactive rather than reactive to potential threats to the food supply.
- Tobacco Diversion: issued cease and desist letters to tobacco importers operating without permits. By comparing the Customs ACE database with TTB's Integrated Revenue Information System (IRIS), TTB determined that 105 entities, or 22 percent of tobacco importers, were importing product illegally. These importations totaled more than 1.5 million kilograms of tobacco products and approximately \$30 million in federal excise tax.

- Signed a Memorandum of Understanding (MOU) with China's General Administration of Quality Supervision, Inspection, and Quarantine to ensure a long-term economic partnership with China. The MOU establishes a consistent channel for information exchange on imported and exported alcohol and tobacco products and facilitates compliance in trade.
- Conducted about 900 field application investigations of industry members regarding applications, consumer complaints, tax fraud, trade practice violations, and product and labeling integrity verifications. Included in these investigations are roughly 400 field investigations on the most high-risk permit applications to ensure objectives of the Anti-Terrorism Act of 2001 were met.

Specific Challenges in FY 2010

Increase in Federal Tobacco Excise Taxes

On February 4, 2009, the Children's Health Insurance Program Reauthorization Act was signed into law. The Act directly impacts TTB in that it raises the federal excise taxes on tobacco products and contains new tobacco permitting and enforcement provisions. Additionally, the Act directs the Secretary of the Treasury to conduct a study into the magnitude of tobacco smuggling in the United States and to submit to Congress recommendations on reducing tobacco smuggling.

The Act raises the federal excise tax on all tobacco products. It is estimated that the new provisions will increase revenues collected by TTB by \$31.3 billion over the 2009-2013 period. The January 2009 macroeconomic forecast from the Congressional Budget Office anticipates an FY 2010 increase in revenue of \$7.1 billion.

The new tax rates remove the discrepancy between small cigars and cigarettes at the federal level, but there is still incentive to misclassify cigarettes as small cigars in order to avoid payments under the Tobacco Master Settlement Agreement. Additionally, the large difference in rates between pipe and roll-your-own tobacco are likely to encourage diversion where there was none previously. The Act will also require manufacturers and importers of processed tobacco and blunts to obtain permits. The new permittees are subject to the all present-law permit, inventory, reporting and recordkeeping requirements.

TTB's enforcement of the floor stocks tax involves taxpayer education concerning the requirement and how to comply with it, evaluation and reconciliation of required report submissions with submitted floor stocks tax returns and payments, and field visits to verify that the payments are consistent with the floor stocks on hand. The bureau must conduct outreach to educate and provide guidance to roughly 400,000 businesses since the majority of those entities affected by the floor stock tax are not permittees, but retail operations subject to the tax.

Also, the Act directs the Secretary of the Treasury to conduct a study into the magnitude of tobacco smuggling in the United States and to submit recommendations on reducing tobacco smuggling to Congress no later than February 4, 2010. The study is to include a review of federal tax receipts lost due to smuggling and the role of imported tobacco products in the illicit tobacco trade in the United States. Additionally, there is an expectation that problems arising from the disparity in the tax rates between pipe and roll-your-own tobacco will be included in the study.

Law Enforcement

TTB has criminal enforcement authority, and is dependent upon the interest and availability of other agencies to supply law enforcement resources to pursue its criminal tax cases. The law enforcement challenges on the alcohol and tobacco industries revolve principally around tax fraud and label fraud. Tax fraud issues have also arisen in the firearms and ammunition industry. Tax fraud in these industries, through unlawful diversion or other means, represents an extremely high risk to federal revenue while at the same time presenting a lucrative funding source for organized crime and terrorists. In addition to the projected \$1 billion in lost revenue attributable to tax fraud, domestic alcohol and tobacco trade label fraud also represents a serious threat to the economic stability of the alcohol trade. In particular, counterfeit alcohol beverages bearing legitimate domestic brand or trade names jeopardize domestic alcohol beverage commerce by trading on the brand reputation of authentic domestic producers. Likewise, label fraud deceives consumers as to the identity of the product being sold. Typically, the consumer deception involves counterfeit high end products. Unlawful trade practices present a similar threat to free commerce because such practices undermine healthy small business activity and limit consumer choices by allowing influential producers to unlawfully interfere with the supply chain.

Alcohol Fuel Plants (AFPs)

TTB has issued approximately 1,600 active alcohol fuel plant permits. These developments present a serious concern for TTB because of the possibility for significant revenue losses that would result from unlawful diversion. The Energy Independence and Security Act of 2007 mandates the use of 36 billion gallons of renewable fuel per year by 2022. In comparison, total U.S. consumption of beverage distilled spirits is about 420 million gallons per year – and beverage spirits contain less than half the ethanol that is in alcohol fuel. Most alcohol fuel production comes from fewer than 150 large plants, but hundreds of smaller plants have applied for TTB permits in each of the last few years.

Succession Planning

Succession planning is high on the list of TTB strategic priorities, especially regarding TTB's investigative forces. TTB expects to lose 40 percent of its workforce by 2010 due to retirements and other attrition. To mitigate these losses, TTB continues to use the personnel interventions identified in the Pay Demonstration Program to enable the bureau to improve its capacity to recruit, develop, and retain high-caliber employees. TTB uses tailored approaches designed, developed, and implemented specifically for the bureau's continuing and evolving needs in order to meet mission requirements and remain competitive for highly skilled talent. Continuation of the Pay Demonstration authority is a key component in TTB's ability to close skill gaps in mission critical occupations. The FY 2010 budget proposes to continue this program for an additional year.

Rulemaking

Over the next few years TTB anticipates continued industry and interest group petitions, inquiries, and other expressions of interest in more detailed beverage labeling. An advance notice of proposed rulemaking published in mid-2005 on the labeling and advertising of wines, distilled spirits, and malt beverages sought comments on various labeling issues including, among others, information panels, alcohol content, and allergen labeling; this generated over

19,000 comments. In July 2006, TTB published in the Federal Register an interim rule setting forth standards for voluntary allergen labeling of alcohol beverages concurrently with a notice of proposed rulemaking for mandatory allergen labeling for alcohol beverages. In FY 2009, TTB will consider the feasibility of adopting mandatory allergen labeling requirements.

In July 2007, TTB published in the Federal Register for public comment proposed regulatory changes which would require a statement of alcohol content for all beverage alcohol products, expressed as a percentage of alcohol by volume and appearing on any label affixed to the container. Also included in the proposed regulatory changes is a requirement for a Serving Facts panel on alcohol beverage labels, which would include a content statement covering calories, carbohydrates, fat, and protein. Under the proposals, industry members may also disclose on the Serving Facts panel the number of U.S. fluid ounces of pure alcohol per serving as part of a statement that includes alcohol content expressed as a percentage of alcohol by volume. The new regulations would also specify reference serving sizes for wines, distilled spirits, and malt beverages based on the amount of beverage customarily consumed as a single serving rather than based on a definition of a standard drink. The purpose of these proposed regulatory changes is to ensure that beverage alcohol labels provide consumers with adequate information about the products they are consuming. A final rule on this matter has been prepared and is under review for approval prior to publication.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FTE	Amount
FY 2009 Enacted	525	99,065
Changes to Base:		
Base Realignment:	-	\$0
Base Realignment from Collect the Revenue	-	(990)
Base Realignment to Protect the Public	-	990
Maintaining Current Levels (MCLs):	-	
Across the Board Program Reduction	-	(1,556)
Pay Annualization	-	556
Pay Inflation Adjustment	-	1,014
Non-Pay Inflation Adjustment	-	421
Subtotal FY 2010 Changes to Base	-	\$435
Total FY 2010 Base	525	99,500
Program Changes:		
Program Increases:	12	\$5,500
Annual Licensing and Registration Fee Program	12	5,500
Subtotal FY 2010 Program Changes	12	\$5,500
Total FY 2010 President's Budget Request	537	105,000
Special Receipts (Annual Fees)	(410)	(80,000)
Total FY 2010 President's Budget Request (Net)	127	25,000

2A – Budget Increases and Decreases Description

Base Realignment+\$0 / +0 FTE

Base Realignment from Collect the Revenue -\$990,000 / +0 FTE

Realignment of funds from the Collect the Revenue budget activity based on historical spending patterns. The funding realignment equally splits financial resources between TTB's budget activities.

Base Realignment to Protect the Public +\$990,000 / +0 FTE

Realignment from Collect the Revenue to Protect the Public.

Maintaining Current Levels (MCLs)+\$435,000 / +0 FTE

Across the Board Program Reduction -\$1,556,000 / +0 FTE

TTB continues to focus on improving the efficiency of its operations through a disciplined process of productivity improvement.

Non-Pay Inflation Adjustment +\$421,000 / +0 FTE

Funds are requested for non-related items such as contracts, travel, supplies, equipment and GSA rent.

Pay Annualization +\$556,000 / +0 FTE

Funds are requested for the FY 2010 cost of the January 2009 pay raise.

Pay Inflation Adjustment +\$1,014,000 / +0 FTE

Funds are requested for the January 2010 pay raise.

Program Increases+\$5,500,000 / +12 FTE

Annual Licensing and Registration Fee Program +\$5,500,000 / +12 FTE

Legislation will be proposed to establish a permanent program for fiscal year 2010 continuing each fiscal year thereafter, requiring resources to support labor and operating costs. TTB will be responsible for establishing and administering an annual fee proposal, including the collection of roughly \$105 million in annual fee revenues from approximately 350,000 businesses. \$5.5 million is the estimated cost to set up this program. Much if not all of the initial investment costs are expected to be recurring to administer the program. The successful management of this activity will necessitate the long term investment in both government staff (12 FTE), contractor support, and other general and administrative costs, including information technology.

Following are key business activities and details of the amount requested:

- 1) Mailing and processing roughly 350,000 annual fee bills
- 2) Processing approximately 60,000 to 80,000 non-compliance letters
- 3) Maintaining the registry of the client database for the 350,000 businesses
- 4) Responding to customer inquiries (claims, waiver requests, etc.)
- 5) Accounting for the annual fee collections and processing of the revenues

Program Operating Costs	FY 2010 Requested
Salaries and Benefits (12 FTE)	\$1,200,000
Contractor Support	\$2,000,000
Printing and Postage of Annual Fee Bills	\$700,000
Information Technology, Lock Box Fees and General/Program Administration	\$1,600,000
TOTAL Implementation Costs	\$5,500,000

The roughly 350,000 annual fee payers include retailers and wholesale dealers in liquors and beer; every proprietor of distilled spirits plants, bonded wine cellars, bonded wine warehouses, and tax-paid wine bottling houses; every brewer; denatured spirits, recovery and tax free users (industrial alcohol); and nonbeverage domestic drawback claimants.

Alcohol Annual Licensing and Registration Fees—Regulatory Implementation

Amendments to the TTB regulations would be necessary to implement this statutory program. At a minimum, the regulations would cover payment procedures, including the use of a specified form to accompany the payment, and probably related registration, reporting, and recordkeeping requirements.

Adjustments to Request-\$80,000,000 / -410 FTE

Annual Fees -\$80,000,000 / -410 FTE

For annual special receipts (annual fees) will reduce direct funding. The receipts from the annual fee program will be budgeted and accounted for as offsetting collections.

2.2 – Operating Levels Table

Bureau: Alcohol and Tobacco Tax and Trade Bureau	FY 2008 Enacted	FY 2009 President's Budget	Congressional Action Including Rescission	FY 2009 Enacted Level	Proposed Reprogrammings	FY 2009 Proposed Operating Level	FY 2010 Requested Level	% Change FY 2009 to FY 2010
FTE	544	525	0	525	0	525	537	2.29%
Object Classification:								
11.1 - Full-time permanent	43,640	44,940	0	44,940	0	44,940	47,008	4.60%
11.5 - Other personnel compensation	778	778	0	778	0	778	794	2.06%
11.8 - Special personal services payments	0	0	0	0	0	0	0	0.00%
12 - Personnel benefits	11,525	11,235	0	11,235	0	11,235	11,704	4.17%
21 - Travel and transportation of persons	3,363	3,000	0	3,000	0	3,000	3,015	0.50%
22 - Transportation of things	101	101	0	101	0	101	102	0.99%
23.1 - Rental payments to GSA	4,981	5,219	0	5,219	(449)	4,770	4,796	0.55%
23.3 - Comm, utilities, and misc charges	4,931	5,050	0	5,050	0	5,050	5,594	10.77%
24 - Printing and reproduction	378	386	0	386	0	386	567	46.89%
25.2 - Other services	21,733	22,131	165	22,296	(6,710)	15,586	18,886	21.17%
25.3 - Other purchases of goods and services from Govt. accounts	0	0	0	0	7,159	7,159	7,459	4.19%
26 - Supplies and materials	670	670	0	670	0	670	673	0.45%
31 - Equipment	1,415	3,390	2,000	5,390	0	5,390	4,402	-18.33%
Total Budget Authority	\$93,515	\$96,900	\$2,165	\$99,065	\$0	\$99,065	\$105,000	5.99%
Budget Activities:								
Collect the Revenue	47,693	49,420	1,103	50,523	(990)	49,533	52,500	5.99%
Protect the Public	45,822	47,480	1,103	48,542	990	49,532	52,500	5.99%
Total Budget Authority	\$93,515	\$96,900	\$2,165	\$99,065	\$0	\$99,065	\$105,000	5.99%

2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2008 Obligations		FY 2008 Enacted		FY 2009 Enacted		FY 2010 Budget Request		% Change FY 2009 to FY 2010	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collect the Revenue	256	\$46,758	277	\$47,693	268	\$50,523	64	\$12,500	-76.10%	-75.26%
Protect the Public	256	46,758	267	45,822	257	48,542	63	12,500	-75.49%	-74.25%
Subtotal New Appropriated Resources	512	\$93,515	544	\$93,515	525	\$99,065	127	\$25,000	-75.80%	-74.76%
Other Resources:										
Offsetting Collections - (Annual Fees)	0	0	0	0	0	0	410	80,000	100.00%	100.00%
Offsetting Collections - Reimbursable	10	3,755	15	3,755	15	5,154	15	4,234	0.00%	-17.85%
Available multi-year/no-year funds										
Transfers In/Out										
Subtotal Other Resources	10	\$3,755	15	\$3,755	15	\$5,154	425	\$84,234	2733.33%	1534.34%
Total Resources Available for Obligation	522	\$97,270	559	\$97,270	540	\$104,219	552	\$109,234	2.27%	4.81%

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p>DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU Federal Funds</p> <p><u>SALARIES AND EXPENSES:</u> For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, <i>[\$99,065,000] \$105,000,000</i>; of which <i>not to exceed \$5,500,000 for administrative expenses related to implementation of the fees authorized by 27 U.S.C. Section 202, as amended by this Act, to remain available until September 30, 2011</i>; not to exceed \$6,000 for official reception and representation expenses; not to exceed \$50,000 for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement: Provided, <i>That [of the amount appropriated under this heading, \$2,000,000, to remain available until September 30, 2010, is for information technology management] the sum herein appropriated from the general fund shall be reduced as offsetting collections assessed and collected pursuant to the Federal Alcohol Administration Act (27 U.S.C. 201 et seq.), as amended by this Act, are received during fiscal</i></p>	<p>Legislation will be proposed to establish a permanent program for fiscal year 2010 and each fiscal year thereafter, requiring the payment of annual licensing and registration fees.</p>

year 2010, so as to result in a fiscal year 2010 appropriation from the general fund estimated at \$25,000,000: Provided further, That any amount received in excess of \$80,000,000 in fiscal year 2010 shall be available only to the extent provided in subsequent appropriations acts. (Department of the Treasury Appropriations Act, 2009.)

Treasury General Provisions:

Sec. 115. Section 122(g) (1) of Public Law 105-119 as amended (5 U.S.C. 3104 note), is further amended by striking ["10 years"] "12 years" and inserting ["11 years"] "12 years".

TTB proposes to continue the Pay Demonstration Program by amending the language to extend the program for one additional year.

Note: The following are corrections with reference to General Provision below that is found in the Budget:

Section 303(b), line 3, refers to section 301(b); the correct reference is section 301(c).

Section 303(g)(1), line 5, refers to section 305(c); the correct reference is section 305(d).

Section 303(g)(2), line 4, refers to section 305(c); the correct reference is section 305(d).

"§ 303. Exemptions and Exceptions.

"(a) Exemption for small producers.—Section 301(b) shall not apply with respect to any person who is a proprietor of an eligible distilled spirits plant.

"(b) Sales by proprietors of controlled premises.—No proprietor of a distilled spirits plant, bonded wine cellar, taxpaid wine bottling house, or brewery, shall be required to pay the fee under section 301(b) on account of the sale at his principal business office as designated in writing to the Secretary, or at his distilled spirits plant, bonded wine cellar, taxpaid wine bottling house, or brewery, as the case may be, of distilled spirits, wines, or beer, which, at the time of sale, are stored at his distilled spirits plant, bonded wine cellar, taxpaid wine bottling house, or brewery, as the case may be, or had been removed from such premises to a taxpaid storeroom operated in connection therewith and are stored therein.

However, no such proprietor shall have more than one place of sale, as

to each distilled spirits plant, bonded wine cellar, taxpaid wine bottling house, or brewery, that shall be exempt from fee by reason of the sale of distilled spirits, wines, or beer stored at such premises (or removed therefrom and stored as provided in this section), by reason of this subsection.

"(c) Sales by liquor stores operated by States, political subdivisions, etc.—No liquor store engaged in the business of selling to persons other than dealers, which is operated by a State, by a political subdivision of a State or by the District of Columbia, shall be required to pay any fee under this section 301(c), by reason of selling distilled spirits, wines, or beer to dealers qualified to do business as such in such State, subdivision, or District, if such State, political subdivision, or District has paid the applicable fee under section 301(d)(1) and 301(d)(2) as appropriate, and if such State, political subdivision, or District has paid fee under section 301(c)(1) and 301(c)(2) as appropriate, at its principal place of business.

"(d) Casual sales.—

"(1) Sales by creditors, fiduciaries, and officers of court.—No person shall be deemed to be a dealer by reason of the sale of distilled spirits, wines, or beer which have been received by him as security for or in payment of a debt, or as an executor, administrator, or other fiduciary, or which have been levied on by any officer under order or process of any court or magistrate, if such distilled spirits, wines, or beer are sold by such person in one parcel only or at public auction in parcels of not less than 20 wine gallons.

"(2) Sales by retiring partners or representatives of deceased partners to incoming or remaining partners.—No person shall be deemed to be a dealer by reason of a sale of distilled spirits, wines, or beer made by such person as a retiring partner or the representative of a deceased partner to the incoming, remaining, or surviving partner or partners of a firm.

"(3) Return of liquors for credit, refund, or exchange.—No person shall be deemed to be a dealer by reason of the bona fide return of distilled spirits, wines, or beer to the dealer from whom purchased (or to the successor of the vendor's business or line of merchandise) for credit, refund, or exchange.

"(e) Dealers making sales on purchaser dealer's premises.—

"(1) Wholesale dealers in liquors.—No wholesale dealer in liquors who has paid the fee as such dealer shall again be required to pay fee as such dealer on account of sales of wines or beer to wholesale or retail dealers in liquors, or to limited retail dealers, or of beer to wholesale or retail dealers in beer, consummated at the purchaser's place of business.

"(2) Wholesale dealers in beer.—No wholesale dealer in beer who has

paid the fee as such a dealer shall again be required to pay fee as such dealer on account of sales of beer to wholesale or retail dealers in liquors or beer, or to limited retail dealers, consummated at the purchaser's place of business.

"(f) Sales by retail dealers in liquidation.—No retail dealer in liquors or retail dealer in beer, selling in liquidation his entire stock of liquors in one parcel or in parcels embracing not less than his entire stock of distilled spirits, of wines, or of beer to any other dealer, shall be deemed to be a wholesale dealer in liquors or a wholesale dealer in beer, as the case may be, by reason of such sale or sales.

"(g) Sales to limited retail dealers.—

"(1) Retail dealers in liquors.—No retail dealer in liquors who has paid the fee as such dealer under section 301(d) shall be required to pay additional fee under section 301(c) on account of the sale at his place of business of distilled spirits, wines, or beer to limited retail dealers as defined in section 305(c).

"(2) Retail dealers in beer.—No retail dealer in beer who has paid the fee as such dealer under section 301(d) shall be required to pay additional fee under section 301(c) on account of the sale at his place of business of beer to limited retail dealers as defined in section 305(c).

"(h) Coordination of fees under sections 301(c).—No fee as a wholesale dealer in liquor shall be charged with respect to a person's activities at any place during a year if such person has paid the fee as a wholesale dealer in beer with respect to such place for such year.

"(i) Wholesale dealers.—

"(1) Wholesale dealers in liquors.—No fee shall be charged as a retail dealer in liquor or a retailer dealer in beer on any dealer by reason of the selling, or offering for sale, of distilled spirits, wines, or beer at any

location where such dealer is required to pay the fee as a wholesale dealer in liquors.

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"(2) Wholesale dealers in beer.—No fee shall be charged as a retail dealer in beer on any dealer by reason of the selling, or offering for sale, of beer at any location where such dealer is required to pay the fee as a wholesale dealer in beer.

"(j) Business conducted in more than one location.—

"(1) Retail dealers at large.—Any retail dealer in liquors or retailer dealer in beer whose business is such as to require him to travel from place to place in different States of the United States may, under regulations prescribed by the Secretary, cover his activities throughout the

United States with the payment of but one fee as a retail dealer in liquors

or as a retail dealer in beer, as the case may be.

"(2) Dealers on trains, aircraft, and boats.—Nothing contained in this chapter shall prevent the payment, under such regulations as the Secretary may prescribe, of the fee by—

"(A) persons carrying on the business of retail dealers in liquors, or retail dealers in beer, on trains, aircraft, boats or other vessels, engaged

in the business of carrying passengers; or

"(B) persons carrying on the business of retail dealers in liquors or

retail dealers in beer on boats or other vessels operated by them, when such persons operate from a fixed address in a port or harbor and supply exclusively boats or other vessels, or persons thereon, at such port or harbor.

"(3) Liquor stores operated by States, political subdivisions, etc.—A

State, a political subdivision of a State, or the District of Columbia shall

not be required to pay more than one fee as a retail dealer in liquors

under section 301(d) regardless of the number of locations at which such

State, political subdivision, or District carries on business as a retail dealer in liquors.

"(k) Exception for the United States—Section 301(d)(3) shall not apply

to any permit issued to any agency or instrumentality of the United States.

"(l) Exception for certain educational institutions—Section 301(d)(3)

shall not apply with respect to any scientific university, college of

learning, or institution of scientific research which is issued a permit

under section 5271 of the Internal Revenue Code of 1986 and, with respect

to any calendar year during which such permit is in effect, procures

less than 25 gallons of distilled spirits free of tax for experimental or

research use but not for consumption (other than organoleptic tests) or sale.

2C – Legislative Proposals

Extend Pay Demonstration Program

TTB proposes to continue the Pay Demonstration Program (Pay Demo) by amending the General Provision language to extend the program for one additional year. This project was established to enhance Treasury's ability to effectively recruit and retain highly qualified employees. It seeks to do so by implementing changes in personnel management practices for designated occupations. Pay Demo has been extended every year since it was first established in FY 1999, and has been a successful intervention tool in the recruitment and retention of critical staff positions.

Annual Licensing and Registration Fees

The Budget proposes language establishing a permanent program for FY 2010 and each fiscal year thereafter, requiring members of the alcohol industry to pay annual licensing and registration fees. In general, these fees will support the Bureau's core mission and the funds will be used to continue to provide benefits to members of the regulated community, including retailers, wholesalers, breweries, wineries, distilleries, and industrial alcohol businesses.

Benefits to Industry: In general, regulation of the beverage alcohol industry benefits retailers, wholesalers, breweries, wineries, distilleries, and industrial alcohol businesses under this legislative proposal. These industries would pay a fee for the benefits they receive from the Bureau's regulatory and tax collection efforts. In particular, TTB's efforts help ensure that alcohol products are not contaminated, misbranded, or illegally marketed, and prevent dishonest persons from entering into the alcohol distribution system. This promotes fair competition among all industry members. Regulation of these industries also protects the public against adulterated alcohol products, and misleading labels and advertisements.

Benefits to industry members include:

- Investigating applications and issuing permits or notices for the operation of distilleries, bonded wine premises, and breweries to ensure that only qualified persons operate in the industry.
- Regulating the operations of various industrial users of distilled spirits, including manufacturers of nonbeverage products, and tax-free and denatured alcohols to ensure that all taxes due on alcohol are collected.
- Regulating the production, packaging, and storage of alcohol products.
- Regulating the labeling and bottling of alcohol beverages to both protect the revenue due and to ensure a safe, fair and even market in the alcohol trade.
- Regulating the marketing and promotional practices concerning the sale of alcohol beverages by producers, importers, and wholesalers primarily through the investigation of allegations of unfair trade practices to promote fair competition among the industry.

Legislative Proposal on Annual Licensing and Registration Fees

The Budget proposes to amend U.S.C. Title 27 to allow TTB to establish a permanent program to collect annual fees from alcohol producers, distributors, and retailers that will be classified as offsetting receipts. In the first year, the annual estimated offsetting receipt collections will be less, but it is anticipated that the annual collections from this program will reach \$105 million each year.

Key provisions of this legislative proposal include:

- (1) Collected annual fees are authorized to cover the budget activities of the Alcohol and Tobacco Tax and Trade Bureau to the extent provided in annual appropriations acts.
- (2) The Secretary shall provide for increased annual fees consistent with the annual rate of inflation as defined by the Consumer Price Index (CPI), and shall publish any such changes in the Federal Register.

Annual Fee Requirement:

The annual fees to be charged under this program are as follows:

Retailer Dealers in Liquors and Beer	\$300
Wholesaler Dealers in Liquors and Beer	\$500
Alcohol Producers: Distilled Spirits Plant 1/ Bonded Wine Cellar 1/ Bonded Wine Warehouse 1/ Tax paid Wine Bottling House 1/	\$1000
Every Brewer 1/	\$1000
1/ Reduced Fees by substituting "\$500" for "\$1,000" if gross receipts are less than \$500,000 for the most recent taxable year before the 1 st day of the taxable period.	\$500
Denatured Spirits, Recovery and Tax Free Users (Industrial Alcohol)	\$300
Non-beverage Domestic Drawback Claimants	\$500

Certain exemptions and exceptions of the annual fee may apply to certain business as outlined under the legislative proposal.

Section 3 – Budget and Performance Plan

This table lists all FY 2010 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to:
<http://www.treas.gov/offices/management/budget/strategic-plan/>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2009 Enacted	FY 2010 Request	Percent Change
Economic competitiveness	51,119	54,617	6.84%
Revenue collected	53,100	54,617	2.86%
Total	\$104,219	\$109,234	4.81%

3A – Collect the Revenue (\$12,500,000 from direct appropriations, \$40,000,000 from special fund receipts (annual fees), and \$2,117,000 from reimbursable programs):

This activity works toward providing the most effective and efficient systems for the collection of tax revenue, eliminating or preventing tax evasion and other criminal conduct, and providing high quality service while imposing the least regulatory burden on taxpayers. TTB will employ a number of strategies to collect revenue that is rightfully due. The Tax Audit Division will focus its audit resources on large and at-risk taxpayers. The Office of Field Operations will continue to provide industry outreach to facilitate voluntary compliance, investigate allegations or indications of tax fraud, verify destruction of large quantities of taxable commodities, and conduct compliance investigations of permittees who have substantial potential for tax liability.

Reducing taxpayer burden and improving service remain priorities at TTB. The ultimate goal is to allow permittees and taxpayers to file all payments, returns, and applications online with the National Revenue Center. The FY 2010 budget request enables the continuation of efforts to achieve the performance targets supporting TTB's strategic goal of providing the most effective and efficient system for the collection of all revenue that is rightfully due, eliminating or preventing tax evasion and other criminal conduct, and providing high quality service while imposing the least regulatory burden.

Offsetting Collections.....Total \$2,117,000
Non-Federal Sources (Puerto Rico).....\$1,408,000
Federal Sources (Laboratory Services).....\$27,000
Federal Sources (Departmental Offices- OFS/OTI).....\$682,000

The non-federal reimbursable funds cover the costs associated with the functioning and support of the Puerto Rico office, and are paid from the “cover-over” (return) which is offset from the roughly \$381 million in cover-over taxes collected in the United States. Also, the bureau collects a nominal amount of reimbursable funding for lab services performed to support

criminal investigations at the Alcohol Tobacco Firearms and Explosives Agency, and agreements with the Department of the Treasury Office of Financial Stability, and Office of Technical Assistance.

Special Receipts Fund (Annual Fees).....\$40,000,000

The Budget proposes to establish a permanent program requiring alcohol industry participants to pay annual fees to TTB, and permitting the bureau to use those fees to cover the costs of its operation to the extent provided in appropriation acts.

3.2.1 – Collect the Revenue Budget and Performance Plan

Collect the Revenue Budget Activity					
Resource Level	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
	Obligated	Obligated	Obligated	Enacted	Request
Appropriated Resources	\$49,618	\$46,215	\$46,758	\$50,523	\$52,500
Reimbursable Resources	\$935	\$1,512	\$1,878	\$2,577	\$2,117
Total Resources	\$50,553	\$47,727	\$48,636	\$53,100	\$54,617

Budget Activity Total	\$50,553	\$47,727	\$48,636	\$53,100	\$54,617
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Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
		Actual	Actual	Actual	Target	Target
Collect the Revenue	Amount of revenue collected per program dollar (E)	N/A	N/A	313	300	260
Collect the Revenue	Percentage of voluntary compliance from large taxpayers in filing tax payments timely and accurately (in terms of revenue) (Oe)	N/A	N/A	940	92	92
Collect the Revenue	Cumulative percentage of excise tax revenue audited over 3 years (%) (Oe)	93	16	Discontinued	N/A	N/A
Collect the Revenue	Percentage of voluntary compliance in filing tax payments timely and accurately (in terms of number of compliant industry members) (%) (Oe)	75.95	75.00	Discontinued	N/A	N/A
Collect the Revenue	Percentage of voluntary compliance in filing tax payments timely and accurately (in terms of revenue) (%)	87.20	86.00	Discontinued	N/A	N/A
Collect the Revenue	Percentage of total tax receipts collected electronically (%) (E)	98.00	98.00	Discontinued	N/A	N/A
Collect the Revenue	Resources as a percentage of revenue (%) (E)	0.31	0.31	Discontinued	N/A	N/A

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance:

In FY 2008, TTB met all of its performance measures under Collect the Revenue, while showing continued improvements in performance scores. TTB continues to collect nearly \$15 billion in Federal excise taxes in a highly efficient manner. Key performance metrics show that 94 percent of industry members voluntarily file their tax and operational reports on or before the scheduled due date and the filing information is both accurate and reliable. The “amount of revenue collected per program dollar” measure shows that the benchmark \$313 collected for every dollar spent on Collect the Revenue activities continues to showcase TTB as one of the most efficient tax collection agencies in the world.

3B – Protect the Public (*\$12,500,000 from direct appropriations, \$40,000,000 from special fund annual receipts, and \$2,117,000 from reimbursable programs*): This activity ensures the integrity of products and industry members in the marketplace, promotes compliance with laws and regulations by regulated industries, and provides information to the public as a means to prevent consumer deception. Under this activity, TTB enforces compliance with federal laws related to the issuance of permits to industry members and the production, importation, exportation, labeling, advertising, and marketing of alcohol products. TTB conducts investigations, application reviews, laboratory testing, and educational programs in support of its mission. TTB works with industry, other federal and state governments, and other interested parties to make it easier to comply with regulatory requirements, while maintaining the appropriate level of oversight to ensure public safety. Innovation, partnerships, and open communication are paramount to achieving this strategic goal.

TTB monitors trade practices of the alcohol industry and takes enforcement actions on violations or discrepancies, monitors and reviews international trade in alcohol beverages to identify trade barriers and incidents of international fraud and contaminated products, and to promote international agreements on product integrity.

Users of specially denatured alcohol are required to submit a formula to TTB’s laboratory. Likewise, those using alcohol for non-beverage purposes, such as in the manufacture of flavorings or medicines, must also gain approval of their formula in order to file a claim for drawback of excise taxes previously paid. In both cases, the TTB lab reviews the formula and analyzes samples to grant or deny the action requested by the applicant.

TTB also protects the consumer by monitoring alcohol products and investigating incidents of suspected unsafe conditions or product deficiencies related to production and labeling. This is done by testing samples of beverage alcohol sold at the retail level and obtained directly from producers. The purpose of this testing is to ensure that beverage alcohol products marketed in the United States meet formulation and labeling requirements, do not contain unauthorized substances or contaminants, and are properly classified for tax purposes.

<i>Offsetting Collections.....</i>	<i>Total \$2,117,000</i>
<i>Non-Federal Sources (Puerto Rico).....</i>	<i>\$1,408,000</i>
<i>Federal Sources (Laboratory Services).....</i>	<i>\$27,000</i>
<i>Federal Sources (Departmental Offices- OFS/OTI).....</i>	<i>\$682,000</i>

The non-federal reimbursable funds cover the costs associated with the functioning and support of the Puerto Rico office, and are paid from the “cover-over” (return) which is offset from the roughly \$381 million in cover-over taxes collected in the United States. Also, the bureau collects a nominal amount of reimbursable funding for lab services performed to support criminal investigations being conducted at the Alcohol Tobacco Firearms and Explosives Agency, and agreements with the Department of the Treasury Office of Financial Stability, and Office of Technical Assistance.

Special Receipts Fund (Fees).....\$40,000,000

The Budget proposes to establish a permanent program requiring alcohol industry participants to pay annual fees to TTB, and permitting the Bureau to use those fees to cover the costs of its operation to the extent provided in appropriation acts.

3.2.2 – Protect the Public Budget and Performance Plan

Protect the Public Budget Activity		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Resource Level		Obligated	Obligated	Obligated	Enacted	Request
Appropriated Resources		\$40,597	\$44,403	\$46,757	\$48,542	\$52,500
Reimbursable Resources		\$765	\$1,512	\$1,877	\$2,577	\$2,117
Total Resources		\$41,362	\$45,915	\$48,634	\$52,119	\$54,617

Budget Activity Total		\$41,362	\$45,915	\$48,634	\$52,119	\$54,617
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Budget Activity	Performance Measure	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Protect the Public	Percent of electronically filed Certificate of Label Approval applications (%) (E)	38.00	51.00	62.00	53.00	54.00
Protect the Public	National Revenue Center customer service results (Oe)	N/A	N/A	90.00	85.00	85.00
Protect the Public	Average number of days to process an original permit application at the National Revenue Center (E)	N/A	N/A	64.00	72.00	78.00
Protect the Public	Percentage of importers identified by TTB as illegally operating without a federal permit	N/A	N/A	22.00	20.00	19.00
Protect the Public	Percentage of permit applications (original and amended) processed by the National Revenue Center within 60 days (%) (E)	86.00	85.00	Discontinued	N/A	N/A
Protect the Public	Percentage of COLA applications processed within nine calendar days of receipt	44.00	42.00	Discontinued	N/A	N/A
Protect the Public	Unit cost to process a Wine COLA	N/A	34	Discontinued	N/A	N/A
Protect the Public	Percentage of instances where the utilization of International Trade Database System (ITDS) results in identifying importers without permits as a percentage of total permits on file at TTB's National Revenue Center (Oe)	N/A	N/A	15 Discontinued		N/A

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance:

In revising its suite of performance measures, TTB added two original measures in FY 2008 to indicate the bureau's level of success in meeting its consumer protection mission goals. Evaluation also resulted in the discontinuation of three performance measures that represented outdated operating conditions, one of which was replaced with a new customer-oriented measure and another that was updated with revised methodology.

In FY 2008, the TTB National Revenue Center (NRC) initiated a customer survey to measure satisfaction with processing times and the level of service provided to the industry. The survey solicits feedback in two areas: 1) how well specialists assist applicants in filing for an original or

amended permit, and 2) service to industry members who file claims to recover taxes paid on nonbeverage alcohol or overpayments of tax. Based on responses captured by the NRC through telephone interviews, TTB earned a composite score of 90 percent on customer satisfaction for permits and claims processing.

The bureau met its performance measure on the percent of electronically filed certificate of label approval (COLA) applications, which in FY 2008 reached 62 percent of all applications. TTB also chose to discontinue the measure, “Percentage of COLA applications processed within nine calendar days of receipt,” in FY 2008. The nine-day standard for processing COLA applications, set in the 1990's, is no longer representative of staffing or workload levels, given that the number of COLA applications has risen 25 percent in the past three years alone.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

By properly managing its human capital needs, TTB supports the Department of the Treasury's strategic goals:

- Effectively managed U.S. government finances.
- United States and world economies perform at full economic potential.

To accomplish and fulfill both TTB's and the Department of the Treasury's strategic plans, TTB has taken several steps to maintain and improve its current professional workforce. TTB's Human Capital Strategic Plan, which is aligned with the Bureau Strategic Plan, documents strategies to improve skill and competency gaps, demographics, workforce management and performance measurement efforts, and succession planning. The model for strategically assessing TTB's skills gap outlook for future years is predicated on assumptions regarding future changes in the workforce, including retirement eligibility rules and rates of attrition.

Succession planning is a strategic priority for TTB's future transitioning, especially as it relates to the Bureau's mission critical positions. TTB expects to lose approximately 40 percent of its workforce between 2009 and 2013 due to retirements and other attrition. To mitigate these losses, it is vital that TTB continue to have the use of the personnel interventions identified in the Pay Demonstration Project (Pay Demo) to enable the bureau to improve its ability to recruit, develop, and retain high-caliber employees in mission critical positions. TTB has roughly 132 participants in the Pay Demo project that function in mission critical positions such as chemists, industry analysts, auditors, and information technology specialists.

During FY 2008, TTB:

- Developed and executed an FY 2008 Federal Human Capital Survey Action Plan. Actions included the establishment of a Partnership Council with the National Treasury Employees Union (NTEU), implementation of a new performance management system for General Schedule (GS) employees, and initiation of a new Emerging Leaders Program. Also, preliminary feedback from the joint Treasury/Office of Personnel Management (OPM) evaluation of our human resources program was positive and indicated an overall effective program rating.
- Played a crucial role in Treasury's testing and roll out of the Treasury Learning Management System (TLMS). TTB implemented TLMS by providing training to all TTB staff to ensure all internal and external training is tracked and recorded, and supervisors are able to create ad hoc reports of training.
- Finalized a comprehensive Pay Demo policy order for TTB and negotiated with NTEU prior to publication.
- Administered the 2008 Federal Human Capital Survey for TTB in coordination with Treasury and the Office of Personnel Management.

- Underwent the Department of the Treasury's first audit of the Treasury Bureau's Equal Employment Opportunity (EEO) Programs. Preliminary feedback indicated positive results and an overall effective EEO/Diversity Program.
- Completed the OPM 2008 Performance Appraisal Assessment Tool (PAAT) evaluation and reporting. Overall feedback from Treasury on TTB's GS performance management program was very positive.
- Continued to exceed the Treasury hiring goal of 45 days with an annual overall average of 33 days to hire.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Information Technology Investments								
Major IT Investments / Funding Source	Budget Activity	FY 2007 Enacted	FY 2008 Enacted	% Change from FY07 to FY08	FY 2009 Enacted	% Change from FY08 to FY09	FY 2010 Requested Funding	% Change from FY09 to FY10
Subtotal, Major IT Investments		0	0	0.0%	0	0.0%	0	0.0%
Non-Major IT Investments	Collect the Revenue/Protect the Public	2.850	3.980	39.6%	4.480	12.6%	4.480	0.0%
Infrastructure Investments	Collect the Revenue/Protect the Public	15.514	14.915	-3.9%	17.258	15.7%	16.260	-5.8%
EITIO			11.483		13.826		12.828	
WCF			3.432		3.432		3.432	
Enterprise Architecture	Collect the Revenue/Protect the Public	0.477	0.491	2.9%	0.644	31.2%	0.644	0.0%
Total IT Investments	Collect the Revenue/Protect the Public	18.841	19.386	2.9%	22.382	15.5%	21.384	-4.5%

4B – Information Technology Strategy

TTB has a modernization blueprint that focuses information technology (IT) investments on important Bureau functions and defines how those functions will be measurably improved. All TTB systems and projects have business cases that have been approved by the Department of the Treasury's Office of the Chief Information Officer, and 100 percent of IT systems have certification and accreditation. The Bureau will aggressively pursue all e-Gov opportunities that will reduce taxpayer burden for tax filing and increase all regulatory compliance. TTB has established its own investment review board that evaluates and makes preliminary selection decisions by addressing high level questions:

- Does the initiative have value to TTB?
- Is there a balance of benefits against costs and risks?
- Is TTB eliminating duplication and stovepipe projects?

TTB's investment review board ensures compliance with guidance and legislation. A scoring criterion was developed to help ensure that only sound and viable initiatives that support the Bureau's mission and strategic goals are included in the portfolio.

4.2 – Program Assessment Table

Program Name: Collect the Revenue
OMB Major Findings/Recommendations
1. The Collect the Revenue program has a clear purpose and is well designed to achieve its goals.
2. The program has developed adequate long-term performance measures with ambitious targets and timeframes.
Bureau Actions Planned or Underway
1. TTB is updating its Web site to enhance search and navigation; improve content and format; employ plain language principles; and redesign the TTB.gov homepage.
2. TTB is analyzing the results of the first comprehensive TTB-sponsored seminar and implementing changes and improvements to subsequent seminars.

For a complete list of program results visit the following website:

<http://www.whitehouse.gov/omb/expectmore/all.html>