

Alcohol and Tobacco Tax and Trade Bureau

FY 2015
President's Budget

Table of Contents

Section 1 – Purpose	3
1A – Mission Statement.....	3
1.1 – Appropriations Detail Table	3
1B – Vision, Priorities and Context	3
Section 2 – Budget Adjustments and Appropriation Language	9
2.1 – Budget Adjustments Table.....	9
2A – Budget Increases and Decreases Description.....	9
2.2 – Operating Levels Table.....	12
2B – Appropriations Language and Explanation of Changes.....	13
2C – Legislative Proposals.....	13
Section 3 – Budget and Performance Plan	14
3A – Collect the Revenue	14
3.1.1 – Collect the Revenue Budget and Performance Plan	18
3B – Protect the Public	18
3.1.2 – Protect the Public Budget and Performance Plan	22
Section 4 – Supplemental Information	23
4A – Summary of Capital Investments	23

Section 1 – Purpose

1A – Mission Statement

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

1.1 – Appropriations Detail Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau Appropriated Resources	FY 2013		FY 2014		FY 2015		FY 2014 to FY 2015			
	Operating Level		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Collect the Revenue	242	48,927	251	52,470	251	49,940	0	(2,530)	0.00%	-4.82%
Protect the Public	223	45,727	222	46,530	222	46,060	0	(470)	0.00%	-1.01%
Subtotal New Appropriated Resources	465	\$94,654	473	\$99,000	473	\$96,000	0	(\$3,000)	0.00%	-3.03%
Other Resources:										
Reimbursables	15	5,947	9	6,512	9	6,512	0	0	0.00%	0.00%
Transfers In/Out	0	0	0	0	35	5,000	35	5,000	NA	NA
Subtotal Other Resources	15	\$5,947	9	\$6,512	44	\$11,512	35	\$5,000	388.89%	76.78%
Total Budgetary Resources	480	\$100,601	482	\$105,512	517	\$107,512	35	\$2,000	7.26%	1.90%

Note: The FY 2015 Request proposes a transfer of funds in the amount of \$5 million from the Internal Revenue Service's program integrity cap adjustment to TTB for tax enforcement and compliance.

1B – Vision, Priorities and Context

TTB is responsible for the administration and enforcement of those sections of the Internal Revenue Code of 1986 (IRC) associated with the collection of excise taxes on alcohol, tobacco, firearms, and ammunition, and the Federal Alcohol Administration (FAA) Act, which provides for the regulation of the alcohol beverage industry and the protection of U.S. consumers. The TTB mission is carried out according to two principal strategic goals that, briefly stated, are: collect the revenue and protect the public. TTB's strategic goal to collect the revenue is to ensure that industry remits the proper Federal tax on alcohol, tobacco, firearms, and ammunition products. This TTB goal supports the Treasury's strategic goal to fairly and effectively reform and modernize Federal financial management, accounting, and tax systems and the strategic objective to improve the execution of the tax code. TTB's strategic goal to protect the public is to ensure that alcohol and tobacco industry operators meet permit qualifications, and alcohol beverage products comply with Federal production, labeling, and marketing requirements. This TTB goal supports the strategic objective to facilitate commerce by providing trusted and secure U.S. currency, services, and products for the American public and enterprises. Various activities under these two TTB strategic goals contribute to the Treasury's priority goal of increasing paperless transactions with the public.

In Fiscal Year (FY) 2015, TTB will invest its resources in program activities that provide the greatest assurance that these industries are operating in compliance with tax and regulatory requirements, in the interest of collecting the excise taxes due and ensuring fair and lawful market activity. Enabling voluntary compliance remains a priority and, to this end, TTB will

enhance its guidance related to Federal alcohol, tobacco, firearms, and ammunition laws and regulations, and explore diversifying its delivery methods to better reach the business community it regulates. TTB will continue its efforts to verify compliant operations and proper tax payment through its audit and investigation programs, and will employ sophisticated risk modeling to target high-risk activity, for the most effective and efficient use of limited enforcement resources. Enforcing the tax code also requires that TTB address and deter the illicit activity present in the marketplace. Failure to address illicit trade not only deprives governments of revenue, but also gives non-compliant actors an unfair competitive advantage over their lawful counterparts. Specifically, in FY 2015, TTB will deploy joint forensic audit and investigation teams to detect and pursue fraudulent activity in the alcohol and tobacco trade. These teams use the synergy of their members' respective expertise to detect and address concealed unlawful activity that might otherwise appear legitimate.

TTB will also focus on improving its business results in the key service areas that facilitate compliant trade by enabling the electronic filing of all required submissions, and streamlining TTB's processing work so that the bureau can more effectively enforce tax and regulatory compliance. Explosive growth in small alcohol producing businesses has increased the demand for TTB to timely qualify applicants and issue Federal permits, and TTB is improving its e-Gov system and internal processes to avoid degradation to the level of service provided to entrepreneurs applying for a TTB permit. Technology enhancements alone will not entirely address the strain on TTB resources presented by the high volume of formula submissions and alcohol beverage label applications. TTB is continuing its work with industry to assess and implement opportunities to resolve delays that the flood of formula and label applications and scarce resources to process them presents. Such delays may negatively impact businesses, which must have label approval prior to bottling or introducing their products into domestic commerce.

FY 2015 Priorities

- Collect roughly \$23 billion in annual excise tax revenues due to the Federal government;
- Complete audits and investigations of TTB taxpayers based upon risk and random selection to ensure lawful operations and tax reporting and payment compliance;
- Detect and address criminal diversion activity, including counterfeit alcohol and tobacco products, to protect the Federal revenue stream, U.S. consumers, and fair market activity;
- Reduce the burden of compliance by promoting electronic filing options for industry members, including the online system that allows industry members to apply for an original permit to start a new alcohol or tobacco business;
- Conduct marketplace sampling programs to detect and address non-compliance with Federal regulations for alcohol beverages, and tailor enforcement and education programs based on these findings to ensure products sold to U.S. consumers meet Federal alcohol beverage production, labeling, and marketing requirements;
- Enhance TTB product safety activities that focus on the integrity and safety of domestic and imported alcohol beverage products;
- Promote U.S. exports by facilitating industry compliance with foreign requirements and by working with foreign regulators to reduce barriers to trade; and
- Strengthen global tax administration structures through work with trading partners and emerging markets to prevent tax loss from illicit trade and improve tax collection outcomes.

Recent Accomplishments

In FY 2013, TTB collected \$22.9 billion in excise taxes and other revenues from over 9,300¹ taxpayers in the alcohol, tobacco, firearms, and ammunition industries. In all, TTB returned \$457 for every \$1 expended on tax collection activities. Efforts to streamline regulations to reduce the compliance burden, enhance electronic filing systems, and address inefficiencies in internal processes should contribute to continued positive returns on the investment in TTB. The bureau also developed and employed increasingly sophisticated risk modeling to complete targeted audits, examinations, and revenue investigations. These enforcement efforts resulted in a total of nearly \$40 million in identified tax liabilities. These investigations as well as specific intelligence leads result in referrals to TTB's criminal enforcement program, which have resulted in 64 active criminal investigations having an estimated tax liability of more than \$350 million in the last three years. TTB maintains a 100 percent conviction rate in all completed cases.

In support of the nation's continued economic growth, TTB processed over 7,700 original permits, most of which were issued to small businesses. A TTB permit is required before a business can operate in the alcohol and tobacco industries. In addition, TTB processed over 140,000 Certificate of Label Approval (COLA) applications, of which 92 percent were filed electronically. Federal law prohibits the import or domestic bottling of an alcohol beverage without an approved COLA, making this TTB activity a condition of lawful U.S. business operations. TTB also initiated field investigations of industry members in the areas of permit qualification, consumer complaints, trade practice violations, and product integrity verifications, all of which serve the bureau's dual mission of revenue collection and consumer protection.

Challenges in FY 2015

Alcohol and Tobacco Diversion

TTB is the sole agency with jurisdiction over Federal excise tax evasion in relation to alcohol and tobacco products. The diversion of these products outside of legitimate commercial channels without the payment of taxes due threatens Federal revenues, undermines fair competition, and provides a well-established source of funding for criminal enterprises. Diversion schemes vary widely and change in response to targeted enforcement efforts. Schemes include the illicit manufacture of taxable product, diversion of non-taxpaid product, and misclassification of imported product to evade tax. The breadth and variety of tax evasion schemes are outlined by the Government Accountability Office (GAO) in its March 2011 report entitled "Illicit Tobacco Various Schemes Are Used to Evade Taxes and Fees" (GAO-11-313).

Accurately measuring the loss in Federal tax receipts from alcohol and tobacco diversion is difficult because of the clandestine nature of the activity.² However, in any case where the intrinsic value of a product is dwarfed by its tax value, there is incentive to evade the tax to gain an illegal profit. An increased tobacco tax rate of roughly 150 percent for cigarettes under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) has served to

¹ Of the 15,475 TTB permittees whose business operations are subject to Federal excise taxes, approximately 9,300 (60 percent) had activity that required them to file a tax return and pay excise tax in FY 2013.

² In February 2010, the Department of the Treasury issued a report to Congress ("Report to Congress on Federal Tax Receipts Lost Due to Illicit Trade and Recommendations for Increased Enforcement"), which included an effort to estimate the amount of Federal tax receipts lost as a result of cigarette diversion. The study emphasized the substantial uncertainty surrounding the magnitude of the Federal tax receipts lost due to cigarette diversion.

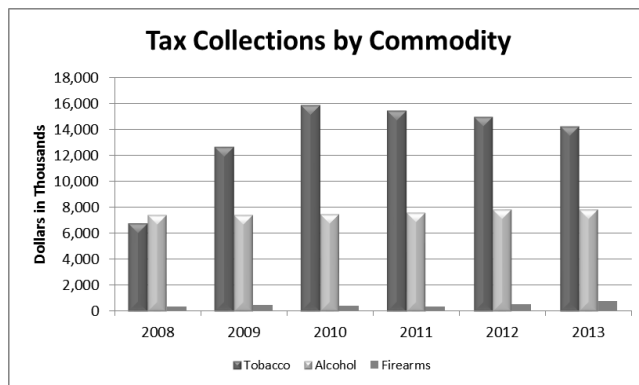
enhance the potential for illegal gains. In just three years of operations, TTB's criminal enforcement program opened 64 cases for investigation and identified approximately \$350 million in excise tax liabilities, with an additional \$117 million in seizures and forfeitures. Enforcement experience also indicates that there is criminality in the alcohol trade, with non-taxpaid product removals, illegal imports, and fraudulent labeling just a few of the schemes used to evade taxes and defraud American consumers.

In FY 2013, TTB had \$1.9 million in designated funding to continue a law enforcement program initiated in FY 2011. The program utilizes the services of law enforcement agents on a reimbursable basis from the Internal Revenue Service Criminal Investigation (IRS CI) division. Alcohol and tobacco diversion are long-term tax enforcement challenges given the high profits to be gained from illegal activity, the relative ease of diversion, and the substantial revenue loss that it represents. In FY 2015, the Administration proposes a transfer of \$5 million in appropriated funds from the IRS's program integrity cap adjustment for TTB tax enforcement and compliance programs to narrow the tax gap in the tobacco and alcohol industries and reduce the deficit through increased revenue collections. Of this \$5 million, TTB will use \$2 million to continue funding its interagency agreement with IRS CI for agent support to maintain the current program at present levels, and direct the additional \$3 million to new enforcement personnel to heighten enforcement of tax compliance, including alcohol and tobacco diversion.

Operating Environment

TTB Tax Collections and the Regulated Industries

TTB is the third largest tax collection agency in the U.S. Government, after the IRS and U.S. Customs and Border Protection (CBP). Annual revenues from the alcohol, tobacco, firearms and ammunition industries are approximately \$23 billion.



Alcohol Tax Collections

The alcohol beverage industry in the United States accounts for approximately 30 percent of the excise tax revenue collected by TTB. In FY 2013, TTB collected approximately \$7.9 billion in revenue from U.S. wineries, breweries, and distilleries, down slightly compared to the prior year. Industry trade association reports state that the alcohol beverage industry contributes directly or indirectly to the U.S. economy by providing nearly 4 million jobs and roughly \$400 – \$500 billion in economic activity. While economic forecasts predict continued modest growth in the U.S. alcohol industry as a whole, excise tax collections will likely remain relatively flat due to a number of variables, including increasing volumes in imports and exports, and declining sales by

volume from the country's largest breweries, who account for over 90 percent of the beer sold in the U.S. The rapid expansion of new small alcohol beverage producers, including small wineries and "craft" breweries and distilleries, will not entirely offset the declines in sales and tax payments by the large companies because these producers have lower production volumes and small beer and wine producers are eligible for reduced tax rates based on their production volume. This trend is expected to continue into FY 2015.

Tobacco Tax Collections

In FY 2013, TTB collected \$14.3 billion in tobacco tax revenue, a decrease of approximately 5 percent compared to FY 2012 collections. In forecasting tobacco revenue, the Congressional Budget Office predicted that Federal collections would decline after peaking in FY 2010 due to the significantly increased tax rates on cigarettes and other tobacco products enacted by the CHIPRA. This legislation provided for a tax increase on all tobacco products (except large cigars), cigarette papers, and cigarette tubes, effective April 1, 2009. Higher prices on tobacco products have historically resulted in decreased consumption and increased illicit trade, which indicates that tobacco revenue will continue to decline. Further, recent analysis of tobacco collections has shown significant market shifts for tobacco products since the passage of CHIPRA. The law introduced large Federal excise tax disparities among tobacco products, which created opportunities for tax avoidance and led manufacturers and price sensitive consumers to shift toward lower-taxed products. The growing popularity of untaxed electronic tobacco products, such as e-cigarettes, may further contribute to declining tobacco revenue. TTB efforts in enforcing both its civil and criminal tax jurisdiction support voluntary tax compliance and act to deter illicit trade, and TTB will continue to act to address the revenue threat posed by the diversion of alcohol and tobacco products to ensure the collection of the taxes due.

Firearms and Ammunition Excise Tax (FAET) Collections

TTB also collects the Federal excise taxes on firearms and ammunition. These taxes are remitted to the Fish and Wildlife Restoration Fund. This trust fund was established by statute and is overseen by the U.S. Fish and Wildlife Service, which apportions the money to state governments for wildlife restoration and research and hunter education programs. In the past decade, collections have increased from \$216 million in FY 2004 to \$763 million in FY 2013, an increase of \$547 million over the past decade, or a 253 percent growth in tax revenue. Significant revenue shifts occurred between fiscal years 2011 and 2013, with collections increasing nearly 50 percent year-to-year. Historically, the increase in reported tax revenue can be attributed to external factors, such as increased sales, as well as TTB's enforcement presence, which increases collections and promotes voluntary compliance.

Expansion of U.S. Exports

TTB is actively engaged with the Office of the U.S. Trade Representative in facilitating fair and open trade in alcohol beverages to support new opportunities for U.S. businesses in overseas markets. Overseas demand for the products TTB regulates continues to grow, with U.S. exports of all alcohol beverages totaling \$3.2 billion in 2012, the most recent full year of data available. In line with increases in overall export volume, U.S. exports of distilled spirits totaled more than \$1.4 billion, which represents a 10 percent increase from 2011. Over the same period, U.S. exports of wine increased by three percent, to \$1.3 billion. Meanwhile, U.S. exports of beer increased by 21 percent, to \$446 million.

As the U.S. tax and regulatory authority for alcohol beverages, TTB must issue certificates for U.S. producers in order for the producers to be able to export their products to many foreign countries. In FY 2013, TTB issued more than 15,000 export certificates for beer, wine, and distilled spirits. Without these certificates, which are only issued by TTB, U.S. producers of alcohol beverages cannot sell their products in certain major markets abroad. In order to facilitate and expedite the issuance of certificates, TTB implemented an enhancement to its Permits Online system to enable the electronic submission of certificate requests. Through its international outreach, TTB has arranged for the elimination or reduction of certification requirements when able to do so for wine exported to various countries.

In supporting domestic economic growth and stability, TTB works to open burgeoning markets to U.S. producers, including member economies of the Asia-Pacific Economic Cooperation forum. Emerging markets commonly issue technical trade barriers, and educating their regulators about the U.S. system will help prevent those countries from issuing technical barriers that impede U.S. exports. TTB also continues to engage with regulators from Canada, China, the European Union, France, Italy, and Mexico, and the new world wine producers of the World Wine Trade Group—all of which offer important export markets for U.S. producers—through its international agreements. These agreements ensure that markets remain open for U.S. businesses and illegal activity in international trade is addressed cooperatively and promptly.

Human Capital Management – Federal Employee Viewpoint Survey

Employee satisfaction is critical to a productive workplace. Each year, the Office of Personnel Management administers the Federal Employee Viewpoint Survey to measure the satisfaction of the Federal workforce. Based on this survey data, the Partnership for Public Service determines rankings for the Best Places to Work in the Federal Government; in FY 2013, TTB ranked 25th out of 300 sub-component agencies. TTB continues to strive for the highest levels of employee satisfaction, and will use the survey results to develop an action plan to address opportunities for improvement. In the current environment, it is even more critical that TTB recognize outstanding employee performance and provide opportunities for professional development to ensure employee satisfaction and retention. Notably, within the next five years, approximately 48 percent of TTB's workforce will be eligible to retire, emphasizing the importance of succession planning and training to ensure its workforce has the skills and abilities to meet the mission.

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 2014 Enacted	473	\$99,000
Changes to Base:		
Adjustment to Request:	-	(\$2,000)
Funding for Special Agents Provided in Cap Adjustment Transfer	-	(\$2,000)
Maintaining Current Levels (MCLs):	-	\$1,824
Pay-Raise	-	\$677
FERS Contribution Increase	-	\$514
Non-Pay	-	\$633
Efficiency Savings:	-	(\$2,824)
Contract Reduction Savings	-	(\$1,900)
Infrastructure Cost Reduction	-	(\$156)
Other Efficiency Savings from Operations	-	(\$768)
Subtotal Changes to Base	-	(\$3,000)
Total FY 2015 Base	473	\$96,000
Program Changes:		
Program Increases:	35	\$5,000
Alcohol and Tobacco Enforcement Program	35	\$5,000
Total FY 2015 Operating Level:	508	\$101,000
Program Integrity Cap Adjustment Included in IRS Budget Request	-	(\$5,000)
Total FY 2015 Net Appropriation Request	508	\$96,000

2A – Budget Increases and Decreases Description

Adjustment to Request **-\$2,000,000 / +0 FTE**

Funding for Special Agents Provided in Cap Adjustment Transfer -\$2,000,000 / +0 FTE

In FY 2015, the Administration proposes to fund criminal enforcement activities and agents by including a request in the IRS budget for a program integrity cap adjustment for both TTB and IRS to cover tax enforcement and compliance, with a transfer of funds to be made from the IRS to TTB to cover these activities. TTB will reimburse the IRS for the use of its special law enforcement agents to target tobacco smuggling and other criminal diversion activities.

Maintaining Current Levels (MCLs) **+\$1,824,000 / +0 FTE**

Pay-Raise +\$677,000 / +0 FTE

Funds are requested for the proposed January 2015 pay-raise and the annualization of the 2014 pay-raise.

FERS Contribution Increase +\$514,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$633,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies, and equipment.

Efficiency Savings **-\$2,824,000 / +0 FTE**

Contract Reduction Savings -\$1,900,000 / +0 FTE

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

Infrastructure Cost Reduction -\$156,000 / +0 FTE

During the past few years, TTB has launched an aggressive telework program. This has enabled TTB to close half of its field offices, with the remaining field offices being vital to TTB's mission. TTB is now reconfiguring and reducing its headquarters office space in Washington, D.C. TTB expects to achieve cumulative savings of \$506,000 over fiscal years 2014 and 2015, of which \$156,000 will be realized in FY 2015 from reduced rent, utilities, and security costs.

Other Efficiency Savings from Operations -\$768,000 / +0 FTE

TTB will further reduce its operating costs through savings in administrative overhead and its program operations.

Program Increases **+\$5,000,000 / +35 FTE**

Alcohol and Tobacco Enforcement Program +\$5,000,000 / +35 FTE

The FY 2015 President's Budget includes a proposal to amend section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, to provide a program integrity cap adjustment of \$5 million (of which \$2 million will be used for agent support) for TTB's tax enforcement and compliance program to narrow the tax gap in the tobacco and alcohol industries and reduce the deficit through increased revenue collections.

This specific funding request will be included under the IRS budget, which will include the tax enforcement and compliance program integrity cap adjustment for both the IRS and TTB. The proposed cap adjustment for TTB tax enforcement and compliance activities includes \$5 million in new, revenue-producing tax compliance initiatives in FY 2015 and \$5 million in additional new initiatives each fiscal year from 2016 through 2019 and continued through FY 2024. TTB will target known points in the supply chain that are susceptible to diversion activity and prioritize forensic audits and investigations of high-risk entities in the alcohol and tobacco industries. Because these new initiatives, as well as current enforcement activities, must be sustained over time in order to maximize their potential taxpayer returns, the total above-base adjustment funding is \$193 million over the 10-year period. Over this same time period, these additional investments will generate an estimated \$285 million in additional tax revenue over the 10-year period. The net savings from these investments is \$92 million.

TTB Excise Tax Enforcement and Compliance Funding Summary
(In millions of dollars)

	2015	2016	2017	2018	2019	2015-2024
Cap Adjustment, Proposed BBEDCA (Discretionary Budget Authority)	5	10	14	19	23	193
Change from Prior Year		5	4	5	4	
Revenue	(3)	(7)	(14)	(21)	(30)	(285)
Change from Prior Year		(4)	(7)	(7)	(9)	
Net 10-Year Savings						(92)

Program Integrity Cap Adjustment Included in IRS Budget Request -\$5,000,000 / +0 FTE

This adjustment ensures that the program increase for TTB's Alcohol and Tobacco Enforcement Program is reflected only once in the 2015 President's Budget as part of the IRS's program integrity cap adjustment.

2.2 – Operating Levels Table

Dollars in Thousands

Alcohol and Tobacco Tax and Trade Bureau	FY 2013	FY 2014	FY 2015	FY 2015	FY 2015
Object Classification	Actual	Enacted	Request	Transfer from IRS	Total Discretionary Appropriation
11.1 - Full-time permanent	44,253	45,663	45,936	2,230	48,166
11.5 - Other personnel compensation	337	719	719	27	746
11.9 - Personnel Compensation (Total)	44,590	46,382	46,655	2,257	48,912
12.0 - Personnel benefits	13,123	12,956	13,574	442	14,016
Total Personnel and Compensation Benefits	\$57,713	\$59,338	\$60,229	\$2,699	\$62,928
21.0 - Travel and transportation of persons	1,768	1,979	1,979	220	2,199
22.0 - Transportation of things	32	48	49	0	49
23.1 - Rental payments to GSA	4,435	4,639	4,566	0	4,566
23.3 - Communication, utilities, and misc charges	1,277	1,416	1,441	0	1,441
24.0 - Printing and reproduction	226	253	257	0	257
25.2 - Other services	19,645	20,873	19,387	41	19,428
25.3 - Other purchases of goods & serv frm Govt accounts	6,691	7,126	5,521	2,000	7,521
26.0 - Supplies and materials	405	467	478	8	486
31.0 - Equipment	1,617	2,861	2,093	32	2,125
Total Non-Personnel	36,096	39,662	35,771	2,301	38,072
Subtotal New Appropriated Resources	\$93,809	\$99,000	\$96,000	\$5,000	\$101,000
Budget Activities:					
Collect the Revenue	53,139	55,921	53,391	5,000	58,391
Protect the Public	46,072	49,591	49,121	0	49,121
Total Budgetary Resources	\$99,211	\$105,512	\$102,512	\$5,000	\$107,512
FTE	476	482	482	35	517

2B – 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> SALARIES AND EXPENSES</p> <p>SALARIES AND EXPENSES For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, [\$99,000,000] \$96,000,000; of which 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: <i>Provided</i>, That of the amount appropriated under this heading, [\$2,000,000 shall be for the costs of criminal enforcement activities and special law enforcement agents for targeting tobacco smuggling and other criminal diversion activities.] <i>such sums as are necessary shall be available to fully support tax enforcement and compliance activities including tax compliance to address the Federal tax gap, as specified for purposes of Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. (Department of the Treasury Appropriations Act, 2014.)</i></p>	

2C – Legislative Proposals

TTB has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Collect the Revenue

(\$49,940,000 from direct appropriations, \$3,451,000 from reimbursable resources, and a transfer of \$5,000,000):

This budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal excise taxes due on alcohol and tobacco products, and firearms and ammunition, and supports the Treasury objective to improve the execution of the tax code. TTB collects approximately \$23 billion in Federal tax revenue annually from roughly 9,300 businesses, making TTB the third largest tax collection agency in the Federal government. Members of the regulated industries that are subject to excise taxes are distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of cigarette papers and tubes, manufacturers of tobacco products, and manufacturers and importers of firearms and ammunition. TTB uses an interagency approach in applying its enforcement strategies, which involves cooperation with local, state, Federal, and foreign government counterpart agencies to maximize the deterrent impact of enforcement actions. In ensuring a level playing field for all those engaged in the trade of these strictly regulated commodities, TTB also takes appropriate enforcement action to detect and address diversion activity and ensure all products sold in the marketplace are properly taxpaid. The goal owner for this budget activity is the TTB Assistant Administrator for Field Operations.

Other Resources (Offsetting Collections/Reimbursables)..... \$3,451,000

The offsetting collections include reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly \$400 million in taxes collected on the commodities that are manufactured in Puerto Rico and brought into the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB’s IT services; and a nominal reimbursable from the Bureau of Alcohol, Tobacco, Firearms, and Explosives for laboratory services.

Description of Performance – Collect the Revenue:

In FY 2013, TTB met both of its two annual targets for the performance measures under the Collect the Revenue budget activity. Taken together, TTB’s measures of the Amount of Revenue Collected per Program Dollar and the Percent of Voluntary Compliance from Large Taxpayers in Filing Payments Timely and Accurately demonstrate the effectiveness and efficiency with which TTB operates its revenue collection mission. These measures also serve as key indicators for Treasury’s goals and objectives to fairly and effectively reform and modernize tax systems and administration of the tax code. Achieving results for both measures will be supported by the active application of technology to streamline internal and external processes and an effective tax enforcement presence that leverages both real-time intelligence data and interagency partnerships with counterpart enforcement agencies.

Improve Efficiency of Tax Collection

The Amount of Revenue Collected per Program Dollar measure uses annual collections figures and the actual expenditures and obligations for collection activities to quantify the efficiency of the TTB tax collection program. The return on investment for TTB’s tax collection activities consistently exceeds 400:1 and, in FY 2013, reached 457:1. Effective enforcement combined

with process improvements and streamlining efforts should contribute to continued positive returns on the investment in TTB, and contribute to Treasury’s goal of a modern and effective tax system.

In setting its FY 2015 performance target, TTB examined historical collections trends across each of its regulated commodities, as well as other predictors that influence consumer behaviors. Specifically, shifts in consumption patterns, product manufacturing, and trade will impact Federal revenues in the years ahead. In accounting for these types of marketplace shifts, TTB used Congressional Budget Office revenue projections for tobacco excise tax collections to determine the targeted performance level of 400:1 for fiscal years 2014 – 2015.

Excise Tax and Other Collections by Fiscal Year

Dollars in Thousands

Fiscal Year	Alcohol	Tobacco	FAET	SOT	FST	Other	Total
2004	\$ 6,995,366	\$ 7,433,852	\$ 216,006	\$ 100,562	\$ -	\$ 359	\$14,746,145
2005	7,074,076	7,409,608	225,818	10,190	9	141	14,719,842
2006	7,182,940	7,350,058	249,578	2,895	638	146	14,786,255
2007	7,232,138	7,194,081	287,835	2,808	-	32	14,716,894
2008	7,420,576	6,851,705	312,622	448	-	634	14,585,985
2009	7,424,292	11,548,504	452,693	272	1,192,375	970	20,619,106
2010	7,476,789	15,913,479	360,813	300	8,558	180	23,760,119
2011	7,594,330	15,515,073	344,262	268	5,220	2,257	23,461,410
2012	7,856,391	15,002,616	514,622	249	5,942	61	23,379,881
2013	7,851,953	14,321,017	762,836	280	1,521	38	22,937,645
Average	<u>\$ 7,410,885</u>	<u>\$10,853,999</u>	<u>\$ 372,709</u>	<u>\$ 11,827</u>	<u>\$ 121,426</u>	<u>\$ 482</u>	<u>\$18,771,328</u>

FAET - Firearms and Ammunition Excise Tax SOT - Special Occupational Tax FST - Floor Stock Tax Other - Suspense Account

At the FY 2015 request level, to meet its performance target of \$400, TTB will continue to improve efficiencies and results in its tax enforcement program by improving its systems and processes related to tax verification. On the front end, TTB will evaluate plans to increase automation in the detection, notification, assessment, and collection of excise taxes, in order to preserve staff time for substantive tax analysis. On the back end, TTB will continue to develop and build risk models based on multiple data sources to identify high-risk activity or high-risk taxpayers for audit and investigation. Continuous refinements to these models and sound intelligence enable TTB to efficiently deploy its limited enforcement resources. A primary focus for TTB tax enforcement continues to be tobacco manufacturers and importers, including importers of processed tobacco. Transfers of this non-taxpaid tobacco product carry a high revenue risk, as the product may be diverted for the illicit manufacturing of cigarettes. TTB’s investigations into this area have resulted in multiple civil and criminal cases that have identified more than \$180 million in potential revenue loss from the diversion of more than 10 million pounds of processed tobacco to non-permitted entities. TTB will continue these and other priority enforcement initiatives in FY 2015, successfully combining data analytics and advanced field investigative techniques to detect and address tax evasion.

This measure will be impacted should the program integrity cap adjustment requested in FY 2015 receive approval. As TTB’s intelligence capabilities and risk modeling have become more

sophisticated, the bureau needs additional enforcement resources to act on the leads generated by these tools. The requested cap adjustment would enable TTB to continue its current enforcement activities, and expand its enforcement initiatives to include other points in the supply chain that are at-risk for diversion activity. Exports pose a significant revenue threat because alcohol and tobacco products intended for export may be placed in a customs bonded warehouse, foreign trade zone, or tobacco export warehouse without payment of tax because they are not intended for the U.S. market. Some tax evasion schemes involve diversion of these products into domestic commerce to evade Federal excise taxes. According to TTB data, non-taxpaid removals of alcohol and tobacco products from bonded premises have an annual excise tax exposure of about \$380 million and \$1 billion, respectively. Given additional resources, and in partnership with CBP, TTB could expand its proven intelligence and investigative techniques to make significant inroads into identifying tax evasion schemes that involve the diversion of non-taxpaid products intended for export. TTB anticipates a positive return on investment at the FY 2015 request level; however, the anticipated significant increases to additional collections from the planned enforcement initiatives will not occur until year three, once new personnel reach full performance levels.

Increase Voluntary Compliance from Taxpayers

Fostering voluntary compliance among excise taxpayers is a primary tax administration strategy for TTB and supports the Agency Priority Goal of the Department of the Treasury to Increase Voluntary Tax Compliance. The Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately is a key performance metric 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 tax payments on or before the scheduled due date. After a drop in compliance rates in FY 2012, TTB set a performance target of 90 percent in FY 2013; at year-end, TTB achieved a 92 percent rate of compliance from its large taxpayers. The voluntary compliance rate continues to be significantly lower in the latter half of the year as efforts to enforce tax compliance result in the submission of additional late filings by TTB taxpayers. Perhaps counterintuitively, improvements in the bureau's ability to detect non-compliance due to the effective deployment of its automated tool for the identification of late, missing, and errant tax returns and operational reports have caused a temporary decrease in performance. As TTB continues to enhance the functionality of this automated tool, TTB expects that its reported compliance rate for timely filings may continue to decline before these enforcement efforts lead to demonstrable improvements in industry compliance.

By FY 2015, TTB expects to meet or exceed its established performance target of a 92 percent voluntary compliance rate for its large taxpayers. During a period of economic recovery, TTB believes that this is an aggressive target for taxpayer compliance and will demonstrate the effectiveness of TTB's strategies to improve industry understanding of and compliance with Federal tax requirements. TTB will employ complementary strategies to meet its FY 2015 performance target that focus on enhancing electronic filing options to enable taxpayers to file complete, accurate, and timely tax returns and payments; improving online guidance, particularly for the large number of newly permitted industry members; and maintaining an enforcement presence to encourage voluntary compliance. Moving forward on all three fronts will ensure that TTB strikes the appropriate balance between supporting new businesses in setting up compliant

operations while ensuring adequate coverage of the high-risk activity that undermines lawful business activity.

Beginning now and continuing in FY 2015, TTB will intensify its efforts to increase the electronic filing rate of its taxpayers. TTB expanded the e-filing program to allow all excise taxpayers to file required tax returns, reports, and payments online through the Pay.gov system, with approximately 23 percent of excise tax returns and 34 percent of operational reports submitted electronically through Pay.gov in FY 2013. As part of a comprehensive strategy to promote e-filing by TTB taxpayers, TTB plans to address a primary hindrance for industry members in using Pay.gov by enabling the system to accept credit card payments. This enhancement would also address a timing issue that requires those who file electronically to remit tax payments early. TTB is partnering with the Bureau of the Fiscal Service in this effort, which supports both of the Department's Agency Priority Goals related to improving voluntary tax compliance and increasing paperless transactions.

The FY 2015 request will also support online enhancements to improve guidance, transparency, and collaboration between TTB and industry. Given the increase in new industry members, TTB will provide online training and Webinars to ensure that these taxpayers understand and are able to adhere to complex Federal tax and regulatory requirements. These activities will promote compliance across the regulated industries and support TTB's achievement of its performance target.

As an identifiable enforcement presence is a well-established driver of compliance rates, TTB expects to achieve higher rates of voluntary compliance at the FY 2015 request level, which provides funding for the expansion of TTB enforcement initiatives. TTB has identified criminal activity across the industries it regulates, with 61 percent of diversion cases related to tobacco products, 33 percent related to alcohol beverage products, 5 percent involving alcohol and tobacco products, and 1 percent related to evasion of the firearms and ammunition excise tax. The FY 2015 request includes a \$5 million transfer from the IRS program integrity cap adjustment, of which \$2 million will fund special agents to support TTB's criminal enforcement efforts, which together with auditors, investigators, and data scientists comprise a complete tax enforcement program. Between fiscal years 2011 and 2013, TTB has initiated 64 criminal cases (17 of which were opened in FY 2013) with a total estimated Federal excise tax liability of over \$350 million, and combined seizures and forfeitures totaling more than \$117 million. TTB had a higher than 94 percent acceptance rate for cases presented to an Assistant U.S. Attorney in FY 2013, with a 100 percent conviction rate in all completed cases. The total amount of tax loss at issue in cases recommended for prosecution in FY 2013 exceeded \$57 million. Going forward, TTB will target a voluntary compliance rate of 92 percent, and establish a visible enforcement presence that includes special agents to place a check on this revenue threat, and to ensure that businesses that voluntarily comply are not competing against illegitimate competitors peddling non-taxpaid products.

3.1.1 – Collect the Revenue Budget and Performance Plan

Dollars in Thousands

Collect the Revenue Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Operating Plan	Enacted	Request
Appropriated Resources	\$47,693	\$50,524	\$53,000	\$50,399	\$50,939	\$48,927	\$52,470	\$49,940
Reimbursable Resources	\$1,733	\$1,898	\$2,117	\$1,979	\$2,464	\$3,277	\$3,451	\$3,451
Appropriations Transferred from IRS Program Integrity Cap Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000
Budget Activity Total	\$49,426	\$52,422	\$55,117	\$52,378	\$53,403	\$52,204	\$55,921	\$58,391

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Amount of Revenue Collected Per Program Dollar	313.0	427.0	478.0	468.0	449.0	457.0	400.0	400.0
Percent of Voluntary Compliance from Large Taxpayers in Filing Tax Payments Timely and Accurately (In Terms of Revenue)	94.0	94.0	94.0	95.0	92.0	92.0	91.0	92.0

Key: DISC - Discontinued and B - Baseline

3B – Protect the Public

(\$46,060,000 from direct appropriations, and \$3,061,000 from reimbursable resources):

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 the 65,500 businesses that TTB regulates, facilitate fair and lawful commercial 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. These activities support Treasury’s goal of domestic economic growth and stability and the objective to facilitate commerce by providing trusted and secure U.S. currency, services, and products for the American public and enterprises. The goal owner for this budget activity is the TTB Assistant Administrator for Headquarters Operations.

Other Resources (Offsetting Collections/Reimbursables)..... \$3,061,000

The offsetting collections include reimbursement for the operating costs of the TTB Puerto Rico field office, which are offset against the roughly \$400 million in taxes collected on the commodities that are manufactured in Puerto Rico and brought into the United States (cover-over payments); reimbursement by the Community Development Financial Institutions Fund (CDFI) for TTB’s IT services; and a nominal reimbursable from the Bureau of Alcohol, Tobacco, Firearms, and Explosives for laboratory services.

Description of Performance – Protect the Public:

In FY 2013, TTB met two of its three annual targets for the performance measures under the Protect the Public budget activity. TTB tracks its success in meeting the Department's objective to facilitate lawful commerce and TTB's goal to ensure consumer protection through three principal performance measures that indicate how timely the bureau is in issuing permits to qualified alcohol and tobacco businesses, how effective TTB is in deterring illicit importation of tobacco products by non-permitted entities, and the efficiency of the bureau's alcohol beverage label application processing activity. Taken together, these measures reflect the priorities of a service-oriented organization, which applies technology to the greatest extent in order to perform its consumer protection role and in order to assure that commerce is fair, lawful, and open. TTB's strategies to achieve its performance targets in this budget activity include a combination of streamlining its internal procedures, implementing enhancements to its online filing systems, and publishing clear guidance to industry members.

Improve Efficiency and Effectiveness of Permitting Process

TTB protects consumers by screening permit applicants to ensure only qualified persons engage in operations in the alcohol, tobacco, firearms, and ammunition industries. For this purpose, in FY 2013, TTB processed approximately 7,700 original and 18,000 amended permits, and performed 275 investigations into high-risk applicants to meet TTB's business integrity objective. TTB also monitors its timeliness in processing permit applications through its measure of the Average Number of Days to Process an Original Permit Application for a New Alcohol or Tobacco Business. Undue delays in permit application processing impede domestic economic growth, primarily in the small business sector, as taxable commodities, such as finished wine, beer or spirits products, cannot be lawfully produced without a Federal permit from TTB. In support of Treasury's objective to facilitate commerce through the provision of services to the American enterprises, TTB targeted a 65-day turnaround time for original permit applications in FY 2013, but resource challenges resulted in average processing times of 81 days.

TTB completed its rollout of the Permits Online system in FY 2012, with the dual goals of improving permit processing times and increasing the number of paperless transactions with the business community TTB serves. Over the past several years, however, the volume of applications has increased, making it difficult to maintain service levels. Between 2008 and 2011, TTB experienced an average annual increase of 3 percent in original permits applications. In FY 2012, however, the number of original permit applications received increased 33 percent, primarily due to growth in the craft brewers and alcohol wholesalers segments. In FY 2013, following a year of unprecedented growth, original permit applications remained well above the five-year average.

Even with greater than anticipated adoption rates for the Permits Online system, which reached 70 percent for the year, TTB does not anticipate achieving sustained reductions to its permit application turnaround time until various additional system enhancements are implemented in the latter quarters of FY 2015. Rather, the immediate benefit of Permits Online has been cost savings, with system efficiencies contributing to nearly \$1 million in budget reductions. Although these reductions (equivalent to 9 FTE) have produced budget savings, they have slowed anticipated improvements in service delivery. TTB projects to average 75 days to process an original permit application at the close of FY 2014, and 62 days by the close of FY

2015. Given the demand for TTB service, and the reductions to TTB staff, these targeted performance levels will demonstrate TTB's effectiveness and the success of its new e-filing system, without which processing times would exceed 90 - 120 days.

At the FY 2015 request level, TTB intends to meet the FY 2015 performance target of 62 days through a combination of streamlining its internal procedures, industry outreach, and ongoing system enhancements. TTB will update its risk model and its procedures used to process permit applications, adding new financial data sources and improving its risk criteria to vet applicants for suitability to hold a Federal permit in the alcohol and tobacco industries. Increased focus on risk modeling and statistical sampling will help TTB maintain its assurance that it is permitting only qualified applicants while managing workloads. In addition, TTB will continue to promote use of the Permits Online system by all permit applicants, including through Webinars and online training modules.

TTB also understands that the customer experience with the system is a critical driver of adoption rates. TTB routinely updates the business rules and customer support features embedded in the system to help prospective industry members submit complete and accurate information on their permit application the first time. By receiving complete applications, TTB can reduce the time spent in returning applications to customers for correction and reviewing corrected submissions, thus improving the time from application to permit issuance.

TTB is also taking steps to speed its transition to an entirely online processing environment. System enhancements in development for fiscal years 2014 and 2015 include the data upload of historical permit application data from TTB's legacy permit and tax database to the Permits Online system. This initiative will allow the approximately 60,000 TTB permittees who originally filed a paper permit application to file for amendments to their permit (i.e., change in control or change in address) electronically through Permits Online. As TTB receives an average of 18,000 – 20,000 permit amendments annually, this project will result in efficiencies for both TTB and the businesses it serves. These enhancements are necessary to increase the rate of electronic filing by industry.

Ensure Compliance with Importer Permit Requirement

Maintaining lawful operations in the trade of alcohol and tobacco commodities is a principal TTB objective and also supports the Treasury objective to facilitate commerce by ensuring all businesses operate on a level playing field. TTB continues its enforcement of Federal permit requirements, targeting entities identified as importing cigarettes and other tobacco products without a TTB permit. Through its measure of Percentage of Importers Identified by TTB as Illegally Operating without a Federal Permit, TTB monitors international trade data supplied by Customs to ensure active importers have a permit on file with TTB, which enables the bureau to identify and take action against those entities engaging in unlawful operations. In FY 2013, TTB set a performance target of 14 percent. TTB met its target, as just 11 percent of entities reporting importations of tobacco products had done so without a permit. The vast majority of unpermitted importers consist of individuals purchasing tobacco products from overseas via the Internet. TTB's issuance of cease and desist letters, and appropriate follow up activities, ensured that the responsible parties ended operations or obtained a permit.

At the FY 2015 request level, TTB intends to meet its FY 2015 performance target of 11 percent for this measure by continuing to monitor and take action to address imports of tobacco products by non-permitted parties. Due to TTB's enforcement efforts, the rate of non-permitted tobacco importers that have declared entries of tobacco products to U.S. Customs has declined from 22 percent to 11 percent over the past six years. As tobacco products are often smuggled into the U.S. through undeclared importations, however, TTB must continue to supplement these data mining efforts and to monitor importer activity through audits, investigations, and other intelligence efforts to detect undeclared importations and address the substantial potential tax losses that they represent. TTB also will continue to focus its enforcement efforts on the importation of processed tobacco to ensure that importers comply with Federal law. Processed tobacco is the subject of intense TTB enforcement scrutiny, as it is a non-taxpaid tobacco product that may be diverted for illegal manufacturing purposes. TTB will incorporate import data into its risk models for audit and investigation targets to help deter illegal importations of tobacco.

Improve Efficiency and Effectiveness of Alcohol Beverage Label Processing

TTB protects U.S. consumers by ensuring that the alcohol beverage products offered at retail outlets are properly labeled and comply with Federal production standards. This activity also facilitates compliant commerce, a critical Treasury objective, as a TTB label approval is required before an industry member can introduce their products into interstate commerce. In FY 2013, TTB met both objectives through the approval of 118,800 of the 140,300 COLA applications received; the remaining applications were rejected, returned for correction, withdrawn, or expired. In furtherance of the Treasury-wide goal to increase paperless transactions, the bureau targeted and met its performance level of 92 percent electronic filing for COLA applications. The ongoing rise in electronic filing is due to system improvements made in response to customer feedback that simplify the filing process for industry members.

At the FY 2015 request level, TTB has set a performance target of 94 percent for this electronic filing measure and, to meet this performance goal, the bureau will use targeted outreach to reach the segments of the industry that have not migrated to the online filing environment. In FY 2013, TTB modified its internal operating procedures to process paper label applications electronically. This move to a paperless processing environment has improved communications with industry members regarding rejected applications or applications that TTB returns to the applicant for correction.

Even with high rates of electronic filing, the volume of label applications necessitates consideration of broader efforts to streamline the alcohol beverage label application process. Between 2008 and 2012, the number of applications increased by 14 percent. Actions taken in fiscal years 2012 and 2013 to expand the number and type of changes that industry may make to an alcohol beverage label without submitting a new COLA application have reduced the volume of submissions by 8 percent compared to the prior year. Though TTB labeling program changes in 2012 and 2013 were successful in bending the curve for label applications, rapid annual growth in the industry may cause label applications to increase in the future. Addressing the volume of label applications requires TTB to continue its efforts to update and streamline its labeling program. Through changes to its forms, guidance, and internal processing procedures, as well as planned modernization of the Federal alcohol labeling regulations, the bureau will

prepare to shift from a pre-approval process for reviewing label applications to a more useful marketplace review of labels. By redirecting resources to marketplace enforcement, TTB intends to improve program results by continuing to ensure that labels that reach consumers are accurate and not deceptive while improving service by reducing the time it takes industry to enter compliantly labeled alcohol beverages into the marketplace. TTB plans to publish a proposed modernization of its labeling and advertising regulations in FY 2015.

3.1.2 – Protect the Public Budget and Performance Plan

Dollars in Thousands

Protect the Public Budget Activity

Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Operating Plan	Enacted	Request
Appropriated Resources	\$45,822	\$48,541	\$50,000	\$50,399	\$48,939	\$45,727	\$46,530	\$46,060
Reimbursable Resources	\$1,733	\$1,898	\$2,117	\$1,979	\$2,464	\$2,670	\$3,061	\$3,061
Budget Activity Total	\$47,555	\$50,439	\$52,117	\$52,378	\$51,403	\$48,397	\$49,591	\$49,121

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Average Number of Days to Process an Original Permit Application for a New Alcohol or Tobacco Business	64.0	64.0	65.0	77.0	69.0	81.0	75.0	62.0
Percent of Electronically Filed Certificate of Label Approval Applications	62.0	74.0	79.0	88.0	91.0	92.0	93.0	94.0
Percentage of Importers Identified by TTB as Illegally Operating without a Federal Permit (%)	22.0	15.0	15.0	14.0	13.0	11.0	12.0	11.0

Key: DISC - Discontinued and B - Baseline

Section 4 – Supplemental Information

4A – 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 the business strategy, which includes the bureau's mission, vision, goals, and objectives from the 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 making the Internet the method of choice for the reporting and exchanging of information. 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 to ensure compliance with the excise tax regulations.

TTB Regulatory System: This investment includes applications that streamline the beverage and non-beverage 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 chemists 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 scientific advances continue to evolve. Technologies applied at these laboratories eventually become obsolete and the instruments are not serviceable as vendors stop carrying parts and software. Periodic replacement of the existing technologies 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 investment resources, including major information technology and non-technology investments, can be viewed/downloaded at: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>