



Amy R. Greenberg, Director
Regulations and Rulings Division
Alcohol Tobacco and Trade Bureau (TTB)
1310 G St NW Ste 400
Washington, DC 20005

Re: Comments to Proposed Information Collections - Notice No.89

Dear Director Greenberg:

I am writing on behalf of the American Craft Spirits Association (ACSA) in response to Alcohol Tobacco and Trade Bureau (TTB) Docket No. 2023-0005, Notice No.89, which requests comments on certain information collected by the agency.

ACSA is the only registered national nonprofit trade group dedicated to representing the U.S. craft spirits industry and its suppliers. We appreciate the opportunity to comment on the information currently being collected by the TTB.

While we recognize the collection of data and detailed reporting helps the TTB understand the sources of excise tax revenue, our members are small businesses who do not have the same operating structure as large distillers. As the craft distillery industry has grown to more than 2700 companies in 2023, it has become apparent to each craft producer just how cumbersome and mismatched the reality of their operations is to the current reporting structure.

First, we understand that when dealing with multinational corporations and their massive production served by entire compliance departments, the TTB may find many of the reporting requirements important and useful in understanding the statistics of overall production of the industry (especially Part IV of the Processing Report). Craft distillers, even at their largest size, add a miniscule impact to any of the statistics collected. Thus, it seems to be an unnecessary and anti-competitive burden to impose on these small businesses. At a certain production level, sufficient scale exists to provide meaningful data in the Processing Report regarding the sales and production of different spirits in the industry. If, in fact, those statistics are deemed useful, perhaps that is where the complexity of data collection is warranted.

For craft producers especially, a form akin to OMB No. 1513-0007 Brewer's Report of Operations, should be the default until a certain production size is reached. This seems

an appropriate level of responsibility and reporting for small businesses like our members. We note however, that unlike beer, which is most commonly stored for short periods of time in sealed containers or wine which is stored in barrels for less than a few years, spirits are commonly stored in barrels for, in some cases, many decades. This is a fundamental difference between some producers in our industry and the wine and beer producers. It leads to long-term discrepancies between what is produced, what is removed, and what is actually on hand at any time. Thus, we suggest the removal of the storage report and the bond requirement for producers under a certain size, or a rational, simple way of assessing the on-hand tax liability in storage, without having to gauge every barrel to calculate proof gallons (which can have detrimental effects to quantity in old spirits).

Second, the imposition of separate reports for Production, Storage, and Processing operations does not echo the reality of operations in a craft distillery and causes unnecessary complexity, confusion, time spent, and expense to record keeping in small distilleries. When distilleries are filing amended returns, an overwhelming number of those returns are amended because of errors in which accounts transactions are taking place. Our survey data shows that contrary to the TTB's current estimates, the time burden per response is significantly higher than the estimate of 2 hours per response. Our members estimate spending 10 hours or more each month on the recordkeeping and report filing process, and 70% of them are using a commercial software package to assist in that effort. Without software, most distilleries report that the time spent doubles.

Third, although many distilleries report that the process has improved through Pay.gov, 28% of our survey respondents report struggles accessing, navigating, or even integrating the forms with their commercial software. This causes delays, errors and amended returns. So many of the issues tie in with the extraordinary complexity of the forms being misaligned with the operational flows of craft distilleries.

Fourth, if a distillery chooses to use commercial software designed for the purpose of record-keeping and compiling the federal reports, the costs can range from \$2400 to \$33000 each year, depending on production level, and averaging over \$500 per month - a significant financial burden on craft distilleries making at the low end, only a few thousand cases of spirits each year. Without investing in expensive software, it is very difficult for small producers to translate their records into the appropriate forms in a straightforward, accurate, and speedy manner. Keeping the different accounts balanced according to unclear and poorly understood rules of which account a given activity occurs in, creates opportunities for a lot of errors and confusion to consistently complete the TTB reports.

Finally, addressing the issue of frequency of excise tax payment, our survey data shows 70% of craft distillery respondents are filing returns quarterly, which is consistent with the small size and sales of most of our members. Of the remainder, 25% are paying every two weeks, in most cases before they have even been paid for the products leaving bond. Most would prefer a less frequent schedule, with a significant number stating that monthly payment to coincide with report filing would be convenient. As TTB

evaluates the new pilot program, making excise tax filings coincide with operations reports would be opportune and appreciated by craft distillers.

We appreciate TTB's attention to reporting which has been a significant and anti-competitive expense to craft distilleries for a very long time. We believe that the agency can continue to monitor the industry and collect the revenue owed with a much less onerous burden on the agency. Moreover, it would provide relief to the small businesses who comprise the majority of the entities TTB is charged with regulating, but who generate a small fraction of the revenue TTB is charged with collecting.

Sincerely,

A handwritten signature in cursive script that reads "Margie A. S. Lehrman". The signature is written in black ink and is positioned to the right of a light gray rectangular box.

Margie A. S. Lehrman, CEO