

## Alcohol and Tobacco Tax and Trade Bureau

### Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2023	FY 2024	FY 2025	FY 2024 to FY 2025	
	Operating Plan <sup>1</sup>	Annualized CR	Request	\$ Change	% Change
Collect the Revenue	\$76,896	\$80,219	\$86,048	\$5,829	7%
Protect the Public	\$71,967	\$68,644	\$73,631	\$4,987	7%
<b>Subtotal, TTB</b>	<b>\$148,863</b>	<b>\$148,863</b>	<b>\$159,679</b>	<b>\$10,816</b>	<b>7%</b>
Reimbursable and Offsetting Collections <sup>2</sup>	\$8,392	\$9,539	\$9,539	\$0	0%
Unobligated Balances from Prior Years <sup>3</sup>	\$4,592	\$4,568	\$4,367	(\$201)	-4%
Transfers In/Out <sup>4</sup>	\$750	\$300	\$0	(\$300)	-100%
<b>Subtotal Other Resources</b>	<b>\$13,734</b>	<b>\$14,407</b>	<b>\$13,906</b>	<b>(\$501)</b>	<b>-3%</b>
<b>Total Budgetary Resources</b>	<b>\$162,597</b>	<b>\$163,270</b>	<b>\$173,585</b>	<b>\$10,315</b>	<b>6%</b>
Direct FTE	487	518	548	30	6%
Unobligated Balances from Prior Years FTE	16	21	20	(1)	-5%
Reimbursable FTE	10	11	11	0	0%
<b>Total Full-time Equivalents (FTE)</b>	<b>513</b>	<b>550</b>	<b>579</b>	<b>29</b>	<b>5%</b>

1/ FY 2023 New Appropriated Resources by Budget Activity reflect levels appropriated in P.L. 117-328, the Consolidated Appropriations Act, 2023. FY 2023 Other Resources and Full-time Equivalents (FTE) reflect actuals. FY 2024 New Appropriated Resources by Budget Activity & FTE reflect levels appropriated in P.L. 118-15, the Continuing Appropriations Act, 2024 and Other Extensions Act (Division A of Public Law 118-15, as amended).

2/ Includes reimbursements from the Treasury Executive Office of Asset Forfeiture (TEOAF) Mandatory Fund, the Community Development Financial Institutions Fund (CDFI Fund) along with offsetting collections from the Puerto Rico cover-over program.

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

4/ FY 2023 actual obligations include transfers from TEOAF Secretary's Enforcement Fund and TEOAF Strategic Support Fund. FY 2024 includes a transfer from TEOAF Secretary's Enforcement Fund.

### Summary

The Alcohol and Tobacco Tax and Trade Bureau (TTB) serves as the Nation's primary Federal authority in the taxation and regulation of the alcohol and tobacco industries. TTB is responsible for the administration and enforcement of the Internal Revenue Code (IRC) provisions for 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 to protect U.S. consumers and ensures a fair and competitive marketplace for U.S. businesses.

At the FY 2025 funding level, and in support of the Administration's economic recovery and growth priorities, TTB plans to continue to focus on timely service levels and improving taxpayer experience by simplifying tax and regulatory requirements, modernizing online filing systems, and issuing clear and timely industry guidance to facilitate voluntary compliance.

Service remains a top priority, as delays to issuing permits or product approvals have financial consequences for the viability of businesses. At the FY 2025 funding level, TTB expects to restore staffing levels necessary to maintain permit, label, and formula approval times within service standards. Further, TTB will ensure access to tax benefits available to alcohol producers and importers under the permanent craft beverage modernization tax provisions, including by issuing timely refunds on import claims. In FY 2025, TTB plans to continue its data-driven and risk-based approach to administering the new import claims program. The budget request

supports ongoing enhancements to online registration and filing systems as well as the necessary tax administration and enforcement staff to administer this program.

Complex or overly burdensome regulatory requirements do not serve the interests of taxpayers, consumers, or government effectiveness. In FY 2025, TTB plans to continue its major regulatory reform efforts in permitting, tax, and alcohol beverage labeling to consolidate, clarify, and simplify requirements and, where possible, minimize filings. The newly simplified requirements will ease burdens placed on new and existing businesses and make it easier to voluntarily comply. At the same time, TTB plans to tailor the requirements to improve data quality and better detect risk to direct enforcement efforts. Further, TTB will prioritize rulemaking to promote fair competition, including proposals that would expand information on alcohol beverage labels to provide greater transparency for consumers and alcohol producers.

At the FY 2025 funding level, TTB will also continue to make critical investments in its information technology (IT) modernization strategy to develop an integrated online experience for all tax and regulatory transactions with TTB, known as myTTB. By improving the ease and usability of its online platforms, TTB aims to increase electronic submissions, improve timely filings, and support taxpayer compliance. Outdated and aging technology is also increasing IT and cyber risks. Investments in FY 2025 will enable TTB to migrate additional legacy online systems to the new myTTB platform, starting with permitting due to an urgent need caused by changes in the underlying commercial software.

### ***Budget Highlights***

Dollars in Thousands

	FTE	Amount
<b>FY 2024 Annualized CR</b>	<b>518</b>	<b>\$148,863</b>
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	0	\$3,833
Pay Annualization (2024 5.2% average pay raise)	0	\$1,173
Pay Raise (2025 2.0% average pay raise)	0	\$1,371
Non-Pay (2025 2.2% non-pay inflation)	0	\$1,289
Restore Staffing Levels	30	\$5,199
Subtotal Changes to Base	30	\$9,032
<b>FY 2025 Current Services</b>	<b>548</b>	<b>\$157,895</b>
<b>Program Changes:</b>		
Program Increases:	0	1,784
Service Improvement - IT Modernization	0	1,784
Subtotal Program Changes	0	1,784
<b>FY 2025 President's Budget Request</b>	<b>548</b>	<b>\$159,679</b>

***Budget Adjustments***

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**Maintaining Current Level (MCLs).....+\$3,833,000 / +0 FTE**

Pay Annualization (5.2% in 2024) +\$1,173,000 / +0 FTE

Funds are requested for annualization of the January 2024 5.2% average pay raise.

Pay Raise (2.0% in FY 2025) +\$1,371,000 / +0 FTE

Funds are requested for a 2.0% average pay raise in January 2025.

Non-Pay (2.2% in FY 2025) +\$1,289,000 / +0 FTE

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

**Restore Staffing Levels .....+\$5,199,000 / +30 FTE**

TTB requests \$5.199 million and 30 FTE to restore staffing levels across programs that were reduced to cover FY 2024 MCLs. In FY 2023, TTB added staff late in the fiscal year, largely to implement the CBMA program. Operating under a CR in FY 2024 would necessitate reduced overall staffing levels in order to absorb inflationary cost increases. This restoration of base resources is necessary to avoid significant and long-term disruptions to core taxpayer services, including issuing new or amended permits, product label and formula approvals, and tax refund claims.

**Program Increases.....+\$1,784,000 / +0 FTE**

Service Improvement - IT Modernization +\$1,784,000 / +0 FTE

TTB requests \$1.784 million for myTTB IT modernization to build an integrated online filing system and improve the customer experience with TTB services. With this investment, TTB will deploy a custom myTTB Permits system, delivering a central myTTB component as well as critical service improvements for new and existing businesses.

TTB learned in late FY 2023 that the IT platform underpinning Permits Online, its current permitting system, will no longer be supported by the software vendor as of December 2025. This funding is necessary for TTB to timely complete the migration of this legacy system to the new myTTB platform without significant mission disruption. With this system modernization, TTB also plans to optimize its online permit applications and processes to support the timely review and approval of applications for wineries, breweries, and distilleries. Once complete, the myTTB online filing system will reduce burden on industry by integrating all online interactions with TTB: permit applications, tax returns and reports, label and formula applications, and claims.

***Legislative Proposals***

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TTB has no legislative proposals.

## Performance Highlights

Budget Activity	Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
		Actuals	Actuals	Actuals	Target	Target
Collect the Revenue	Amount of Revenue Collected Per Program Dollar (\$) *	375	336	254	I	I
Collect the Revenue	Voluntary Compliance from Large Taxpayers - Overall (%)	93	93	94	95	95
Collect the Revenue	<i>By Payment</i>	99	99.6	99.7	-	-
Collect the Revenue	<i>By Tax Return</i>	87	87	88	-	-
Collect the Revenue	<i>By Operational Report</i>	87	86	87	-	-
Collect the Revenue	Electronically Filed Tax Returns - Pay.gov (%)	47	51	58	65	65
Collect the Revenue	Electronically Filed Operational Reports - Pay.gov (%)	53	56	63	65	65
Collect the Revenue	Claims Processed within Service Standard (30-45 days) (%) <sup>1</sup>	59	58	73	85	85
Protect the Public	Permit Applications Processed within Service Standards (75 days) (%)	92	91	86	85	85
Protect the Public	Alcohol Beverage Label and Formula Applications Processed within Service Standards (15 days) (%) <sup>2</sup>	92	93	93	85	85
Protect the Public	Initial Error Rate on Permit Applications	67	64	63	25	25
Protect the Public	Initial Error Rate for Label and Formula Applications	31	29	28	25	25
Protect the Public	Electronically Filed Permit Applications - Original (%)	95	95	95	95	95
Protect the Public	Electronically Filed Permit Applications - Amendments (%) <sup>3</sup>	92	92	93	95	95
Protect the Public	Electronically Filed Label and Formula Applications (%) *	99.5	99.6	99.6	I	I
Protect the Public	Customer Satisfaction Rate with eGov Systems - Permits Online	79	78	73	80	80
Protect the Public	Customer Satisfaction Rate with eGov Systems - COLAs Online	83	83	83	80	80
Protect the Public	Customer Satisfaction Rate with eGov Systems - Formulas Online <sup>4</sup>	80	78	78	80	80

Key: I - Indicator

\*Performance indicators do not have a target

1/ Claims services standards are set annually and vary by type: Manufacturer of Nonbeverage Products = 30 days; Other Claims = 45 days; CBMA Import Claims = TBD. Current standards account for when interest starts to accrue to the government, as defined by statute.

2/ Service standards are set annually based on TTB analysis of submission volume, error rates, and resource levels. In FY 2018, following a spike in submission volume, TTB set service standards of 15 days for both label and formula applications. TTB has maintained this standard through FY 2025.

3/ Results represent amendment submissions, with multiple permit amendment types often submitted on a single submission; the ability to submit multiple amendments via a single submission took effect in Q4 FY 2018. Updated actuals for FY 2020 – FY 2022 due to data quality issue detected in FY 2023 that resulted in undercounting electronic submissions.

4/ Results represent beverage alcohol filers only (nonbeverage alcohol formula submissions are excluded).

## Description of Performance

In FY 2023, TTB met or exceeded the performance targets for 5 of its 13 performance measures. TTB also monitored performance through several key indicators that support data-driven decision making across TTB's strategic goals. Despite falling short in eight performance goals in FY 2023, TTB made substantial improvements in many key service and operational measures. To meet its performance goals in FY 2025, TTB will continue an ambitious agenda that

integrates policy updates, process improvements, modern technology, and data-driven outreach and enforcement.

TTB's Collect the Revenue budget activity includes all tax processing, verification, enforcement, and outreach efforts related to administering the Federal excise tax on alcohol, tobacco, firearms, and ammunition products. In ensuring a level playing field for those engaged in the trade of these commodities, TTB takes appropriate enforcement action to detect and address tax evasion and fraud to ensure all alcohol and tobacco products sold in the marketplace are properly taxpaid.

In FY 2023, TTB collected excise taxes totaling \$18.1 billion from a tax base of nearly 41,000 taxpayers, comprised of \$9.3 billion for tobacco products, \$7.9 billion for alcohol beverage products, and \$0.9 billion for firearms and ammunition. TTB's regulated taxpayers include distilleries, breweries, bonded wineries, bonded wine cellars, manufacturers of tobacco products, manufacturers of paper and tubes for tobacco products, and manufacturers and importers of firearms and ammunition. The investments in the Collect the Revenue activity resulted in the following performance highlights and accomplishments during FY 2023:

- TTB collected \$254 for every program dollar spent on collection activities, demonstrating continued efficiency in tax administration despite higher IT and enforcement costs associated with the implementation of recent craft beverage modernization tax provisions, including the new import claims program.
- Electronically filed tax returns and operational reports trended positively in FY 2023, with roughly 60 percent of these tax filings submitted to TTB via Pay.gov, a Bureau of the Fiscal Service system that TTB relies on for the e-filing of tax returns, tax payments, and operational reports. As part of its IT modernization efforts, TTB plans to implement phased releases to its tax system, including updates to implement redesigned tax filing requirements to reduce compliance burden and to streamline and improve data collections. These efforts will make it easier for taxpayers to comply, especially for the many small businesses that comprise the vast majority of TTB taxpayers. However, the pace and scale of system modernization efforts are dependent on TTB funding levels and competing IT priorities or mandates. At the FY 2025 funding level, TTB expects limited progress on tax system modernization due to the urgent need to migrate its legacy permitting system, Permits Online, to myTTB.
- Fostering voluntary compliance among taxpayers is a primary tax administration strategy for TTB. TTB evaluates voluntary compliance by measuring the percent of taxpayers who voluntarily file their required tax returns, operational reports, and payments on or before the scheduled due date. In recent years, the Bureau has made progress in reversing the declining filing compliance trend for its large taxpayers, defined as those with \$50,000 or more in annual tax liability. Given the revenue exposure, TTB set a high target for filing compliance for its largest taxpayers at 95 percent. In FY 2023, TTB achieved an overall compliance rate of 94 percent from its large taxpayers in meeting all tax filing requirements, improving upon progress achieved last year. Payment compliance rates remain high at more than 99 percent, indicating that the majority of reported liabilities were paid on time. Compliance rates for tax returns increased to 88 percent, and operational reports increased to 87 percent in FY 2023, but these areas warrant continued focus in the year ahead to achieve targeted performance. At the FY 2025 funding level, improving compliance rates will remain a priority for TTB. Strategies to advance them include continuing to review large taxpayer accounts based on compliance risk, implementing ongoing enhancements to analytics tools,

and expanding compliance reviews into the next tier of taxpayer segments. To support taxpayers seeking to voluntarily comply, TTB plans to improve its taxpayer education and outreach strategies, using customer feedback, user testing, and compliance data to prioritize TTB outreach as well as the development of new online tax guidance. These strategies will be critical to supporting and increasing compliance by the thousands of small businesses that TTB regulates.

- In FY 2023, TTB focused its IT development efforts on implementing the statutory mandate to administer the new import claims program as well as other improvements to support existing claims processes. Prior to FY 2023, TTB received approximately 5,000 claims each year, totaling approximately \$400 million in tax refunds and drawback payments on taxes paid by Manufacturers of nonbeverage products. In FY 2023, the volume of claim submissions increased substantially with the implementation of the import claims program. In the first six months of the program, TTB received nearly 3,000 additional claims for tax refunds on imported alcohol products, totaling more than \$110 million in tax refunds. In the year ahead, TTB anticipates that import claim submissions will nearly double its total claims workload as industry continues to adjust to the new import claim paradigm. Despite heavy demands on its tax administration program this year, TTB made significant progress in improving timely service across all claim types. TTB reduced average processing times to approximately 30 days, cutting times in half over the last three years. This performance was possible due to an infusion of funding in FY 2023 to provide the staffing, IT, and analytics resources necessary to administer the new CBMA import claims program without diverting resources from other programs.

With these resources, TTB hired an additional 40 staff, and developed and deployed two new myTTB systems to enable importers to receive assignments for CBMA tax benefits from foreign producers and to file refund claims with TTB. Both systems incorporate external data sets and initial system-based validations of registrants and claims submissions – a first-of-its-kind IT development effort for TTB. TTB also improved consistency in service levels. For drawback claims, the highest volume claim type, TTB met the 30-day standard for 67 percent of submissions, up from 46 percent in FY 2022, a year-to-year improvement of 21 percentage points. For other claim types, TTB met the 45-day standard for 77 percent of submissions, up 8 percentage points from 69 percent in FY 2022. TTB achieved these service gains by improving internal processes through IT enhancements and effectively deploying staff to address backlogs. With additional system enhancements, TTB also expects to set and achieve its service standard for import claims.

TTB's Protect the Public budget activity funds the programs that ensure the integrity of alcohol beverage products and industry members in the marketplace; promote compliance with Federal laws and regulations by the more than 122,000 businesses that TTB regulates; facilitate fair and lawful domestic and international trade in the alcohol and tobacco commodities; and provide full and accurate alcohol beverage product information to the public as a means to prevent consumer deception.

The investments in the Protect the Public activity resulted in the following performance highlights and accomplishments during FY 2023:

- Federal law prohibits the import or domestic bottling of an alcohol beverage without an approved Certificate of Label Approval, making this service integral to U.S. businesses and

economic recovery priorities. In FY 2023, TTB received nearly 198,000 label applications and 27,000 formula applications for new alcohol beverage product approvals. While the rate of growth has slowed in line with rising costs for labor and materials, particularly for breweries, the industries TTB regulates continue to demonstrate economic resilience. TTB ended the year with 94 percent of label applications meeting the 15-day service standard, exceeding the 85 percent target. This was achieved through effective monitoring and management of the application backlog combined with strategic workforce deployment in response to submission fluctuations. In terms of formula applications, after years of double-digit growth, applications decreased again in FY 2023, down six percent compared to the high point in FY 2021. By employing similar strategies, TTB exceeded the targeted performance level, ending the year at 92 percent of formula applications meeting the 15-day standard, despite staffing challenges due to attrition.

- A TTB permit or registration is required before a business can lawfully operate in the alcohol and tobacco industries, and TTB ensures a fair and lawful marketplace by screening permit applicants to ensure only qualified persons engage in operations. In FY 2023, TTB received approximately 8,500 applications for a Federal permit or registration, and qualified approximately 7,100 new businesses, predominantly small businesses. Although the annual rate of growth has slowed, the overall application volume remains high compared to historic levels, particularly in some of the more complex permit application types related to producing alcohol beverage products. Despite these trends, TTB has achieved and sustained significant improvements in its service levels for permitting in recent years, with average approval times of 40 days in FY 2023. Additionally, TTB surpassed its target to issue permits within the 75-day service standard for 85 percent of applicants, ending the year at 86 percent. TTB achieved these performance gains in part due to TTB's improved management of in-process permit applications and by continuing to cross-train specialists to allow management to redeploy staff as necessary to cover workload fluctuations across application types. Going forward, TTB plans to achieve its performance target through ongoing process improvements and updates to its permit applications to simplify and streamline requirements. At the FY 2025 requested funding level, TTB will continue its IT modernization efforts by deploying a custom myTTB Permits system. By migrating its legacy Permits Online system to the modern myTTB platform, TTB will improve the customer experience, including through enhanced guidance and self-service features to help applicants submit compliant applications.
- TTB continues to make progress in reducing the error rate on initial permit, label, and formula applications, a critical strategy to maintaining timely service across these programs. For each application type, the Bureau is targeting a 25 percent error rate in submissions to TTB. Although TTB has not yet achieved this target, the Bureau has made significant progress in each application area. For permit applications, the FY 2023 error rate was 63 percent, an improvement of approximately 12 percent over the past five years, indicating that efforts to streamline applications and processes are resulting in sustained improvements. The Bureau expects additional progress in the coming years as it continues to simplify permit requirements and modernize IT systems to make filing easier. TTB also continued to substantially reduce error rates for label and formula applications in FY 2023, with error rates at 28 percent and 23 percent, respectively. These gains demonstrate the ongoing effectiveness of prior year strategies that focused on reducing errors through targeted guidance, system validations, and analysis of high frequency errors. At the FY 2025 funding

level, TTB plans to continue its data-driven strategy to better understand customer pain points to develop effective guidance and industry outreach that will facilitate compliance and reduce errors on TTB submissions.

- System enhancements to date have resulted in high rates of customer satisfaction with TTB's online filing systems. TTB monitors user satisfaction with the process of submitting an application through its eGov systems, collecting responses via e-mail survey to assess factors such as ease of access, guidance, and overall experience. In FY 2023, satisfaction rates held at 83 percent for COLAs Online users, exceeding the 80 percent performance target. Satisfaction rates also held at 78 percent for Formulas Online users, while Permits Online satisfaction rates declined from 78 percent to 73 percent for Permits Online users. At the FY 2025 funding level, TTB expects system satisfaction rates to exceed the 80 percent target as the Bureau implements a new myTTB Permits system and initiates broader modernization efforts to provide applicants with a single integrated online filing experience, including through regular customer engagement and review of survey feedback.
- TTB also continues to sustain high electronic filing rates. In FY 2023, nearly 100 percent of all label and formula applications continued to be submitted via COLAs Online and Formulas Online, and 95 percent of permit applications were submitted via Permits Online. TTB attributes the high rates of electronic filing to ongoing promotion at industry conferences and seminars. Rates for electronic filing of permit application or registration amendments increased to 93 percent from 87 percent in FY 2019, indicating system improvements intended to streamline amendment submissions are resulting in higher e-filing rates.