

ADDRESS:

\_\_\_\_\_  
(Headquarters street address)

\_\_\_\_\_  
(City, state, ZIP code)

DATE: \_\_\_\_\_

ADDRESS:

\_\_\_\_\_  
(Street address)

\_\_\_\_\_  
(City, state, ZIP code)

DATE: \_\_\_\_\_

**ATTACHMENT A  
ESTABLISHMENTS  
[format for individual establishments]**

*Business*

A & B Hairstylists  
xx-xxxxxxx  
Street address  
City, state, zip code

**[format for chains]**

*Business* (parent, if applicable)

XYZ Corp.  
yy-yyyyyyy  
Street address  
City, state, zip code

*Establishments* (if applicable)

AB Restaurant  
Street address  
City, state, zip code

CD Restaurant  
Street address  
City, state, zip code

*Related entity* (if applicable)

UVW Corp.  
zz-zzzzzzz  
Street address  
City, state, zip code

*Establishments* (if applicable)

EF Restaurant  
Street address  
City, state, zip code

**Proposed Revised Tip Reporting  
Alternative Commitment (TRAC)  
Agreement for Use in the Food  
and Beverage Industry**

**Announcement 2000-22**

The Internal Revenue Service is expanding its Tip Rate Determination/Education Program (TRD/EP), which is designed to enhance tax compliance among tipped employees through taxpayer education and voluntary advance agreements

instead of traditional audit techniques. This announcement solicits comments on a draft agreement entitled Tip Reporting Alternative Commitment (For use in the food and beverage industry).

**OVERVIEW**

The Service developed its TRD/EP in 1993 as a means of enhancing tax compliance while reducing taxpayer burden. In essence, the TRD/EP envisioned that the Service and taxpayers in industries in which tipping is common would work to-

gether to improve tax compliance. The TRD/EP currently offers employers the opportunity of entering into one of two types of agreements. The Tip Rate Determination Agreement (TRDA) requires the determination of tip rates; the Tip Reporting Alternative Commitment (TRAC) agreement emphasizes education and tip reporting procedures. The agreements also set forth an understanding that employers that comply with the terms of the agreement will not be subject to challenge by the Service. The TRDAs set forth sim-

ilar understandings with respect to employees who participate in the agreements. Although not set forth in the TRAC agreements, employees who properly report tips also will not be subject to challenge by the Service. The decision to enter into either a TRDA or a TRAC agreement is entirely voluntary on the part of the employer.

In 1995, the Service developed the TRAC agreement for use in the food and beverage industry. The agreement has been both popular and effective. The industry has expressed interest in making the educational program and tip reporting procedures more flexible.

To ensure consistency in the agreements offered to taxpayers and to provide an opportunity for public comment before making agreements available for use, a revised TRAC agreement is attached to this announcement. The revised agreement is more flexible.

The Service also announces that it will treat an electronic system (including point-of-sale systems) that prompts an employee to report tips after each sale as meeting the TRAC requirement that an employer educate its employee at least quarterly. The

Service requests comments on other electronic tip reporting system.

#### COMMENTS

Written comments must be received by July 7, 2000. Send submissions to Office of Specialty Taxes, c/o CC:DOM:CORP:R (Announcement 2000-22), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: Specialty Taxes, c/o CC:DOM:CORP:R (Ann. 2000-22), Courier's desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site at [http://www.irs.ustreas.gov/tax\\_regs/reglist.html](http://www.irs.ustreas.gov/tax_regs/reglist.html).

#### OTHER TRDA AND TRAC AGREEMENTS

The Service is simultaneously proposing by announcement in this Internal Rev-

enue Bulletin four other agreements: (1) a revised TRDA for use in the food and beverage industry (Announcement 2000-23), (2) a revised TRAC agreement for use in the cosmetology and barber industry (Announcement 2000-21), (3) a new TRAC agreement for use in industries, other than the food and beverage industry and the cosmetology and barber industry, in which tipped employees receive both cash and charged tips (Announcement 2000-19), and (4) a new TRDA for use in any industry other than the food and beverage industry and the gaming industry (Announcement 2000-20).

#### DRAFTING INFORMATION

The principal author of this announcement is Karin Loverud of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations). For further information regarding this announcement, contact Ida Volz of the Office of Specialty Taxes on (202) 622-4177 (not a toll-free call).

Release date: April 24, 2000

### TIP REPORTING ALTERNATIVE COMMITMENT

(For use only in the food and beverage industry)

between

Department of the Treasury—Internal Revenue Service

and

\_\_\_\_\_ [Name of Employer]

This Tip Reporting Alternative Commitment (TRAC) agreement is part of the Tip Rate Determination/Education Program that the Internal Revenue Service implemented in 1993 to promote tip reporting compliance by employees in accordance with the Internal Revenue Code of 1986.

Section 6053(a) of the Code requires employees to furnish one or more written statements to their employers reporting all tips received in each calendar month. The statements must be furnished to the employer by the 10th day of the following month.

#### I. DEFINITIONS

A. *Service Representative* means the Internal Revenue Service employee or delegate authorized to execute or terminate this TRAC agreement on behalf of the Internal Revenue Service.

B. *Employer* means \_\_\_\_\_ [insert name, address, and EIN].

C. *Establishment* means each of the establishments or divisions listed by name, address, and identifying number in Attachment A. [sample attached]

1. *One place of business*. If the Employer has one place of business, that place of business is an Establishment, and no attachment is necessary.

2. *Additional establishment*. If the Employer subsequently wishes to include an additional establishment in this TRAC agreement, the Employer must notify the Service Representative in writing. The notification must include the name, address, and identifying number of the additional establishment.

D. *Employee* means a person employed by the Establishment who directly or indirectly receives tips of at least \$20.00 per month during the course of the employee's employment.

## II. COMMITMENT OF EMPLOYER

### A. Education.

1. *New Employees.* The Employer will establish an educational program that trains newly hired Employees that the law requires them to report all their cash and charged tips to their employer. At a minimum, the program will give each Employee—

a. A short oral explanation of the reporting requirements and the records maintenance requirements. The material in IRS Publication 1244, *Employee's Daily Record of Tips and Report to Employer*, is suitable for this purpose;

b. Written informational materials, which may include any of the following IRS documents: Publication 1244, *Employee's Daily Record of Tips and Report to Employer*, Publication 531, *Reporting Tip Income*, and Publication 1872, *Tips on Tips* for employees in the food and beverage industry; and

c. An explanation of the Employer's tip reporting procedures.

2. *Existing Employees.* The Employer will establish a quarterly education program for existing Employees.

B. *Employee tip-reporting procedures.* Each Establishment will establish a procedure or procedures under which a written or electronic statement is prepared and processed on a regular basis (no less frequently than monthly), reflecting all tips for services attributable to each Employee. These procedures are to enable Employees to meet their reporting requirements under section 6053(a) of the Code. An Employer may provide different procedures for cash and charged tips, as well as for directly tipped and indirectly tipped Employees. IRS Publication 1875, *Tips on Tips* for employers in the food and beverage industry, includes an example of an acceptable TRAC statement that an employer can use for both directly and indirectly tipped Employees.

### C. Returns, taxes, and records.

1. *Filing returns and paying and depositing taxes.*

a. *In general.* The Employer (or employing Establishment) will comply with the requirements for filing all required federal tax returns and paying and depositing all federal taxes.

b. *Form 8027.* For each Establishment that is a "large food or beverage establishment," the Employer will comply with the requirements for filing Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*, and send an additional copy of each Form 8027 to the IRS.

2. *Maintaining records.* Each Establishment will maintain records of the following:

a. Gross receipts subject to tipping, and

b. Charge receipts showing charged tips.

The Employer will retain these records for at least 4 years after the April 15 following the calendar year to which the records relate.

3. *Making records available.* Upon the request of the Service Representative, the Employer will make the following quarterly totals available, by Establishment, for statistical samplings of its Establishments:

a. Gross receipts subject to tipping,

b. Charge receipts showing charged tips,

c. Total charged tips, and

d. Total tips reported.

## III. COMMITMENT OF INTERNAL REVENUE SERVICE

A. *Tip examinations.* The IRS will not initiate any tip examinations of the Employer (or Establishment) for any period for which this TRAC agreement is in effect.

B. *Section 3121(q) notice and demand.* Any section 3121(q) notice and demand issued to the Employer (or Establishment) relating to any period during which this TRAC agreement is in effect will be based solely on amounts reflected on—

1. Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*, filed by an Employee with his or her Form 1040, or

2. Form 885-T, *Adjustment of Social Security Tax on Tip Income Not Reported to Employer*, prepared at the conclusion of an employee tip examination.

C. *Compliance review.* The IRS may evaluate the Employer for compliance with the provisions of this TRAC agreement.

D. *Assistance.* Upon request, the IRS will assist any Employer or Establishment in establishing, maintaining, or improving its educational program or tip reporting procedures.

## IV. TERMINATION OF AGREEMENT

A. *Termination by Employer.* If the Employer no longer wishes this TRAC agreement to apply to one or more Establishments, the Employer may terminate this TRAC agreement with respect to the Establishment(s) by providing written notification to the Service Representative identifying the Establishments(s). If the termination applies to all the Establishments of the Employer, the TRAC agreement will be terminated.

B. *Termination by Internal Revenue Service.* The IRS may terminate this TRAC agreement only if—

1. The Service Representative determines that the Employer (or any Establishment) has failed to substantially comply with section II.A (pertaining to Education for Employees) or II.B (pertaining to Employee tip reporting procedures);

2. The Employer (or any Establishment) fails to meet any of the requirements of section II.C (pertaining to filing returns and

paying and depositing taxes, maintaining records, and making records available); or

3. The IRS pursues an administrative or judicial action relating to the Employer, Establishment, or any other related party to this TRAC agreement.

C. *Effective date of termination.* Except for a termination described in section IV.B.1, any termination will be effective the first day of the first calendar quarter after the terminating party notifies the other party in writing. In the case of a termination under section IV.B.1, the Service Representative may elect an earlier termination date, but no earlier than the first day of the first calendar quarter of the substantial noncompliance.

D. *Renewal after termination.* The Employer and the Service Representative may at any time enter into a new TRAC agreement.

## V. EFFECTIVE DATE OF AGREEMENT

A. *General rule.* This TRAC agreement is effective on the first day of the first calendar quarter following the date the Service Representative signs the TRAC agreement.

B. *Additional establishment.* This TRAC agreement is effective with respect to an additional establishment on the first day of the quarter in which notification of the additional establishment is made.

## VI. MISCELLANEOUS

A. *Examinations and/or inspections of books and records.* For purposes of this TRAC agreement—

1. *Compliance review.* A compliance review is not an examination or an inspection of the taxpayer's books of account or records for purposes of section 7605(b) of the Code, and is not a prior audit for purposes of section 530 of the Revenue Act of 1978.

2. *Examination.* The inspection of books of account or records pursuant to a tip examination is not an inspection of books or records for purposes of section 7605(b) of the Code, and is not a prior audit for purposes of section 530 of the Revenue Act of 1978.

B. *Notices.* The parties will send all correspondence pertaining to this TRAC agreement, including a notice of termination, to the addresses stated below, unless notified in writing of a change of address. In the event of a change of address, the parties must send all correspondence to the new address. All notices are deemed to be sent or submitted on the date of the postmark stamped on the envelope or, in the case of a notice sent by certified mail, the sender's receipt.

C. *Authority.* The Employer represents that it has the authority to enter into this TRAC agreement on behalf of itself and the Establishment(s) listed in Attachment A.

D. *General termination and sunset provision.* The Commissioner of Internal Revenue may terminate all TRAC agreements at any time following a significant statutory change in the FICA taxation of tips. After May 31, 2005, the Commissioner may terminate prospectively the Tip Rate Determination/Education Program and all TRAC agreements.

## VII. PAPERWORK REDUCTION ACT

The collections of information contained in this document have been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1549.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number. The collections of information in this document are in sections I.C, II.A, II.B, II.C.2 and 3, and IV.A. This information is required to comply with sections 6053(a) and 6001 of the Internal Revenue Code and to assist the Internal Revenue Service in its compliance efforts. This information will be used to monitor the Employer's performance under the TRAC agreement. The collections of information are required to obtain the benefits available under the TRAC agreement. The likely respondents are business or other for-profit institutions.

The estimated total annual reporting and/or recordkeeping burden is 42,296 hours.

The estimated annual burden per respondent/recordkeeper varies from 7 hours to 30 hours, depending on individual circumstances, with an estimated average of 14 hours. The estimated number of respondents and/or recordkeepers is 6,600.

The estimated annual frequency of responses (used for reporting requirements only) is on occasion.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by section 6103 of the Code.

## VIII. SIGNATURES

By signing this TRAC agreement, the parties certify that they have read and agreed to the terms of this document, including Attachment A, Establishments.

EMPLOYER:

INTERNAL REVENUE SERVICE:

\_\_\_\_\_  
(Name of Employer)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

BY: \_\_\_\_\_

BY: \_\_\_\_\_

(Service Representative's Name)

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS:

ADDRESS:

\_\_\_\_\_  
(Headquarters street address)

\_\_\_\_\_  
(Street address)

\_\_\_\_\_  
(City, state, ZIP code)

\_\_\_\_\_  
(City, state, ZIP code)

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**ATTACHMENT A  
ESTABLISHMENTS  
[format for individual establishments]**

*Employer*

A & B Company

xx-xxxxxxx

Street address

City, state, zip code

**[format for chains]**

*Employer* (parent, if applicable)

XYZ Corp.

yy-yyyyyyy

Street address

City, state, zip code

*Establishments* (if applicable)

AB Restaurant

Street address

City, state, zip code

CD Restaurant

Street address

City, state, zip code

*Related entity* (if applicable)

UVW Corp.

zz-zzzzzzz

Street address

City, state, zip code

*Establishments* (if applicable)

EF Restaurant

Street address

City, state, zip code

GH Restaurant

Street address

City, state, zip code

**Proposed Revised Tip Rate Determination Agreement (TRDA) for Use by Employers in the Food and Beverage Industry**  
**Announcement 2000-23**

The Internal Revenue Service is expanding its Tip Rate Determination/Education Program (TRD/EP), which is designed to enhance tax compliance among tipped employees through taxpayer education and voluntary advance agreements instead of traditional audit techniques. This announcement solicits comments on a draft agreement entitled Tip Rate Determination Agreement (For Use in the Food and Beverage Industry).

**OVERVIEW**

The Service developed its TRD/EP in 1993 as a means of enhancing tax compliance while reducing taxpayer burden. In essence, the TRD/EP envisions that the Service and taxpayers in industries in which tipping is common would work together to improve tax compliance. The TRD/EP currently offers employers the opportunity of entering into one of two types of agreements. The Tip Rate Determination Agreement (TRDA) requires the determination of tip rates; the Tip Reporting Alternative Commitment (TRAC) agreement emphasizes education and tip reporting procedures. The agreements also set forth an understanding that employers that comply with the terms of the agreement will not be subject to challenge by the Service. The TRDAs set forth sim-

ilar understandings with respect to employees who participate in the agreements. Although not set forth in the TRAC agreements, employees who properly report tips also will not be subject to challenge by the Service. The decision to enter into either a TRDA or a TRAC agreement is entirely voluntary on the part of the employer.

In 1993, the Service developed the TRDA for use in the food and beverage industry. In 1995, the Service developed the TRAC agreement for use in the food and beverage industry. Small employers often find that the TRDA better meets their needs and have requested that the TRDA be simplified.

To ensure consistency in the agreements offered to taxpayers and to provide an opportunity for public comment before making the agreement available for use, a revised TRDA for use in the food and beverage industry is attached to this announcement. The Service has simplified the TRDA.

**COMMENTS**

Written comments must be received by July 7, 2000. Send submissions to Office of Specialty Taxes, c/o CC:DOM:CORP:R (Announcement 2000-23), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: Specialty Taxes, c/o CC:DOM:CORP:R (Ann. 2000-23), Courier's desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washing-

ton, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site at [http://www.irs.ustreas.gov/tax\\_regs/regslst.html](http://www.irs.ustreas.gov/tax_regs/regslst.html).

**OTHER TRDA AND TRAC AGREEMENTS**

The Service is simultaneously proposing by announcement in this Internal Revenue Bulletin four other agreements: (1) a revised TRAC agreement for use in the food and beverage industry (Announcement 2000-22), (2) a revised TRAC agreement for use in the cosmetology and barber industry (Announcement 2000-21), (3) a new TRAC agreement for use in industries, other than the food and beverage industry and the cosmetology and barber industry, in which tipped employees receive both cash and charged tips (Announcement 2000-19), and (4) a new TRDA for use in any industry other than the food and beverage industry and the gaming industry (Announcement 2000-20).

**DRAFTING INFORMATION**

The principal author of this announcement is Karin Loverud of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations). For further information regarding this announcement, contact Ida Volz of the Office of Specialty Taxes, on (202) 622-4177 (not a toll-free call).

Release date: April 24, 2000

**TIP RATE DETERMINATION AGREEMENT**  
(For use by employers in the food and beverage industry)

between

Department of the Treasury—Internal Revenue Service  
and

\_\_\_\_\_ [Name of Employer]

This Tip Rate Determination Agreement (TRDA) is part of the Tip Rate Determination/Education Program implemented by the Internal Revenue Service in 1993 to promote tip reporting compliance by employees in accordance with the Internal Revenue Code of 1986.

Section 6053(a) of the Code requires employees to furnish one or more written statements to their employers reporting all tips received in each calendar month. The statements must be furnished to the employer by the 10th day of the following month.

**I. DEFINITIONS AND ATTACHMENTS**

A. *Definitions.*

1. *Service Representative* means the Internal Revenue Service employee or delegate authorized to execute or terminate this TRDA on behalf of the Internal Revenue Service.

2. *Employer* means \_\_\_\_\_ [insert name, address, and EIN].

3. *Establishment* means each of the establishments or divisions listed by name, address, and EIN in Attachment A [sample attached].

a. *One place of business*. If the Employer has one place of business, that place of business is an Establishment, and no attachment is necessary.

b. *Additional establishment*. If the Employer subsequently wishes to include an additional establishment in this TRDA, the Employer must notify the Service Representative in writing. The notification must include the name, address, and identifying number of the additional establishment.

4. *Employee* means a person whose Occupational Category is listed in Attachment B [sample attached], and who is employed by an Establishment, and who directly or indirectly receives tips of at least \$20.00 per month during the course of the employee's employment.

5. *Occupational Category* describes a group of employees performing a particular type of service to which a stated tip rate is assigned. Employees performing the same service at different locations or during different shifts may be assigned different Occupational Categories.

6. *Participating Employee* means an Employee who gives to the Employer a signed Tipped Employee Participation Agreement (TEPA), which includes the language set forth in Attachment C, indicating participation in the tip reporting program.

7. *Tip Rate* means the applicable rate described in Section III.

#### B. Attachments

1. *Attachment A*, Establishments, lists the Employer's establishments participating in this TRDA.

2. *Attachment B*, Occupational Categories and Initial Tip Rates, lists the Employee occupational categories and tip rates subject to this TRDA.

3. *Attachment C*, Tipped Employee Participation Agreement, is the document signed by an Employee agreeing to report tips at or above the rate established for the Employee's Occupational Category.

4. *Attachment D*, Formula for Tip Rate Calculation, is the calculation described in section III.A.1 for determining tip rates.

## II. COMMITMENT OF EMPLOYER

A. *Maintaining records*. While this TRDA is in effect, and in addition to records otherwise required to be maintained, the Employer will maintain the following records:

1. *Employee records*. For each Employee, the Employee's name, address, social security number, reported tips, and shift(s) and hours.

2. *Tip rates records*. All records of data used to determine the tip rates.

The Employer will retain the records listed in this section II.A. for at least 4 years after the April 15 following the calendar year to which the records relate.

B. *Furnishing information*. The Employer will furnish to the Service Representative the following documents:

1. *Quarterly report of employees*. A quarterly report showing, as of the last day of each quarter, (1) the total number of Employees, and (2) the total number of Participating Employees. The report is due on the last day of the month following each calendar quarter.

2. *Annual report of nonparticipating Employees*.

a. *General rule*. For each Employee who is a nonparticipating Employee on the last day of the calendar year, an annual report showing the Employee's name, address, social security number, shift(s), and hours. The report may list all Employees, indicating those Employees who are nonparticipating Employees, as long as the required information is included for all nonparticipating Employees. The report is due on March 31 following each calendar year.

b. *Exception*. No report is required for an Occupational Category for any calendar year for which all the Employees in the Occupational Category reported tips at a rate equal to or greater than the rates established under section III of this TRDA.

C. *Making records available*. At the request of the Service Representative, the Employer will furnish any of the records identified in section II.A.

D. *Filing returns and paying and depositing taxes*.

1. *In general*. The Employer or employing Establishment will comply with the requirements for filing all required federal tax returns and paying and depositing all federal taxes.

2. *Form 8027*. For each Establishment that is a "large food or beverage establishment," the Employer will comply with the requirements for filing Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*, and send an additional copy of each Form 8027 to the IRS.

## III. TIP RATES

A. *Tip rates*.

1. *Determining tip rates*. The Employer will determine tip rates based on the formula set forth in Attachment D, Formula for

Tip Rate Calculation. If information necessary for the formula is unavailable or insufficient, the Employer will determine tip rates based on information available to the Employer, historical information provided by the Service Representative, and generally accepted accounting principles. The rates will generally be based on a dollar amount per hour, but a different measure may be used.

2. *Initial tip rates.* The initial tip rates are identified in Attachment B, Occupational Categories and Initial Tip Rates. They will remain in effect through December 31 of the calendar year following the year in which this TRDA takes effect.

B. *Determining subsequent tip rates and Occupational Categories.*

1. *Annual review.* The Employer will review annually, on a calendar year basis, its Occupational Categories and the tip rates assigned to its Occupational Categories.

2. *Procedures.*

a. *Employer submission.* If the Employer believes that a change in Occupational Categories or a revision of one or more rates is appropriate, the Employer will submit proposed revisions to the Service Representative by September 30. If the Employer fails to submit a proposed rate revision by September 30, the Employer will be treated as having submitted the rate in effect for the current year.

b. *Internal Revenue Service review.* The Service Representative will review the proposed rates and notify the Employer in writing of the IRS's approval or disapproval by November 30. If the IRS does not approve one or more proposed rates, the existing rate or rates will be continued until no later than the last day of the following February. If the Employer and the Service Representative are unable to agree upon a rate or rates by the last day of the following February, this TRDA will terminate pursuant to section V.C.

3. *Effective date of revised tip rates and Occupational Categories.* Approved revised rates for a calendar year will become effective on the later of (1) January 1 of the calendar year, or (2) the first day of the month following the date the Employer and the Service Representative agree upon a revised rate.

#### IV. COMMITMENT OF INTERNAL REVENUE SERVICE

A. *Participating Employee.* The IRS will not examine a Participating Employee's tip income for any period for which a TEPA is in effect, if the Employee reports tips to the Employer at or above the tip rate established for the Employee.

B. *Employer.*

1. *Tip examinations.* The IRS will not initiate any tip examinations of the Employer (or Establishment) for any period for which this TRDA is in effect.

2. *Section 3121(q) notice and demand.* Any section 3121(q) notice and demand issued to the Employer (or Establishment) relating to any period during which this TRDA is in effect will be based solely on amounts reflected on—

a. Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*, filed by an Employee with his or her Form 1040, or

b. Form 885-T, *Adjustment of Social Security Tax on Tip Income Not Reported to Employer*, prepared at the conclusion of an employee tip examination.

C. *Compliance review.* The IRS may evaluate the Employer and its Participating Employees for compliance with the provisions of this TRDA.

#### V. TERMINATION OF AGREEMENT

A. *Termination by Employer.* If the Employer no longer wishes this TRDA to apply to one or more Establishments, the Employer may terminate this TRDA with respect to the Establishment(s), by providing written notification to the Service Representative identifying the Establishment(s). If the termination applies to all the Establishments of the Employer, the TRDA will be terminated.

B. *Termination by Internal Revenue Service.* The IRS may terminate this TRDA only if—

1. As of any December 31, less than 75 percent of the Employees are Participating Employees,

2. The Employer fails to meet any of the requirements of section II, Commitment of Employer, or

3. The IRS pursues an administrative or judicial action relating to the Employer, Establishment, or any other related party to this TRDA.

C. *Termination upon failure of parties to agree to revision of tip rates.* This TRDA will terminate if the Employer and the Service Representative fail to agree to a revision of the tip rates under the procedures set forth in section III.B.2.

D. *Notice of termination and effective date.* Any termination will be effective the first day of the first calendar quarter after the terminating party notifies the other party in writing.

E. *Renewal after termination.* The Employer and the Service Representative may at any time enter into a new TRDA.

#### VI. EFFECTIVE DATE OF AGREEMENT

A. *General rule.* This TRDA is effective on the first day of the first calendar quarter following the date the Service Representative signs the TRDA.

B. *Additional establishment.* This TRDA is effective with respect to an additional establishment on the first day of the quarter in which notification is made.

**VII. MISCELLANEOUS**

A. *Examinations and/or inspections of books and records.* For purposes of this TRDA–

1. *Compliance review.* A compliance review is not an examination or an inspection of the taxpayer’s books of account or records for purposes of section 7605(b) of the Code, and is not a prior audit for purposes of section 530 of the Revenue Act of 1978.

2. *Examination.* The inspection of books of account or records pursuant to a tip examination is not an inspection of books or records for purposes of section 7605(b) of the Code, and is not a prior audit for purposes of section 530 of the Revenue Act of 1978.

B. *Notices.* The parties will send all correspondence pertaining to this TRDA to the addresses stated below, unless notified in writing of a change of address. In the event of a change of address, the parties must send all correspondence to the new address. All notices are deemed to be sent or submitted on the date of the postmark stamped on the envelope or, in the case of a notice sent by certified mail, the sender’s receipt.

C. *Authority.* The Employer represents that it has the authority to enter into this TRDA.

D. *General termination and sunset provision.* The Commissioner of Internal Revenue may terminate all TRDAs at any time following a significant statutory change in the FICA taxation of tips. After May 31, 2005, the Commissioner may terminate prospectively the Tip Rate Determination/Education Program and all TRDAs.

**VIII. PAPERWORK REDUCTION ACT**

The collections of information contained in this document will be submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act (44 U.S.C. 3507).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

The collections of information in this document are in sections I.A.3, 4, and 5, II.A, II.B, II.C., III, and V.A. This information is required to comply with sections 6053(a) and 6001 of the Internal Revenue Code and to assist the Internal Revenue Service in its compliance efforts. This information will be used to monitor the Employer’s performance under the TRDA. The collections of information are required to obtain the benefits available under the TRDA. The likely respondents are business or other for-profit institutions.

The estimated total annual reporting and/or recordkeeping burden is 1,737 hours.

The estimated annual burden per respondent/recordkeeper varies from 6 hours to 20 hours, depending on individual circumstances, with an estimated average of 11 hours. The estimated number of respondents and/or recordkeepers is 200.

The estimated annual frequency of responses (used for reporting requirements only) is on occasion.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by section 6103 of the Code.

**IX. SIGNATURES**

By signing this TRDA, the parties certify that they have read and agreed to the terms of this document, including Attachments A, B, and C.

EMPLOYER:

INTERNAL REVENUE SERVICE:

\_\_\_\_\_  
(Name of Employer)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

BY: \_\_\_\_\_

BY: \_\_\_\_\_  
(Service Representative’s Name)

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS:

ADDRESS:

\_\_\_\_\_  
(Headquarters street address)

\_\_\_\_\_  
(Street address)

\_\_\_\_\_  
(City, state, ZIP code)

\_\_\_\_\_  
(City, state, ZIP code)

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**ATTACHMENT A  
ESTABLISHMENTS**  
[format for individual establishments]

*Employer*  
A & B Company  
xx-xxxxxxx  
Street address  
City, state, zip code

**[format for chains]**

*Employer* (parent, if applicable)  
XYZ Corp.  
yy-yyyyyyy  
Street address  
City, state, zip code

*Establishments* (if applicable)  
AB Restaurant  
Street address  
City, state, zip code

CD Restaurant  
Street address  
City, state, zip code

*Related entity* (if applicable)  
UVW Corp.  
zz-zzzzzzz  
Street address  
City, state, zip code

*Establishments* (if applicable)  
EF Restaurant  
Street address  
City, state, zip code

**ATTACHMENT B  
OCCUPATIONAL CATEGORIES AND INITIAL TIP RATES**  
[sample format]

<i>Occupational Categories</i>	<i>Initial Tip Rates</i>
Category A	actual tips
Category B — 1st shift	___% of sales
Category B — 2nd shift	___% of sales
Category B — 3rd shift	___% of sales
Category C — location 1	\$ /
Category C — location 2	\$ /

**ATTACHMENT C  
TIPPED EMPLOYEE PARTICIPATION AGREEMENT**

I am an employee of \_\_\_\_\_ and wish to participate in my employer's tip reporting program.

In accordance with a Tip Rate Determination Agreement between my employer and the Internal Revenue Service, I agree to report my tips to my employer, as required by law, at or above the tip rate established by my employer and approved by the IRS for my Occupational Category.

I also acknowledge that, to continue participation in my employer's tip reporting program, I must file all federal tax returns required by law and pay all federal taxes for which I am liable.

EMPLOYEE

Name (printed): \_\_\_\_\_

Signature: \_\_\_\_\_

Home address: \_\_\_\_\_

\_\_\_\_\_  
Social Security Number: \_\_\_\_\_

DATE: \_\_\_\_\_

Attachments:

- Copy of TRDA and Attachment B (Occupational Categories and Tip Rates)
- Copy of TRDA Information for Employees

**ATTACHMENT D**  
**FORMULA FOR TIP RATE CALCULATION**

**Directly tipped employees**

**Step 1:** Determine charged and cash tip rates.

$$\text{Charged tip rate} = \frac{\text{Total charged tips}}{\text{Total charged sales with charged tips}^*}$$

$$\text{Cash tip rate} = \text{Charged tip rate} \\ \text{less: difference between charged and cash tips}$$

**Step 2:** Calculate tip rate per hour (or per sales)

1. Gross sales subject to tipping
2. minus:           stiff factor  
                      charged sales with charged tips  
                      other factors
3. equals:           sales subject to cash tipping
4. times             cash tip rate
5. equals:           cash tips received
6. plus:             charged tips  
                      tips received from other employees
7. equals:           total tips received
8. minus:           tip outs
9. equals:           adjusted tips
10. divided by:     total hours worked (or total sales)
11. equals:          tip rate per hour (or per sales)

**Indirectly tipped employees**

Calculate tip rate per hour:

$$\text{Tip rate per hour} = \frac{\text{Tips received from other workers}}{\text{Total hours worked}}$$

\* If this figure is unavailable, use "total charged sales" for the denominator to figure the charged tip rate.

**Notice of Call for Redemption: 8  
1/4 Percent Treasury Bonds of  
2000-5**

**Announcement 2000-46**

AGENCY: DEPARTMENT OF THE  
TREASURY, Office of the Secretary.

January 14, 2000, Washington, D.C.

1. Public notice is hereby given that all outstanding 8 1/4 percent Treasury Bonds of 2000-5 (CUSIP no. 912810 BU 1) dated May 15, 1975, due May 15, 2005, are hereby called for redemption at par on May 15, 2000, on which date interest on such bonds will cease.

2. Full information regarding the presentation and surrender of such bonds held in coupon and registered form for redemption under this call will be found in

Department of the Treasury Circular No. 3000 dated March 4, 1973, as amended (31 CFR part 306), and on the Bureau of the Public Debt's website, [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov).

3. Redemption payments for such bonds held in book-entry form, whether on the books of the Federal Reserve Banks or in Treasury-Direct accounts, will be made automatically on May 15, 2000.