

SUPPORTING STATEMENT
(Tip Reporting Alternative Commitment (TRAC) for Most Industries)
OMB # 1545-1714

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Service created the Tip Rate Determination/Education Program (TRD/EP) to improve tax compliance by tipped employees in all industries in which tipping occurs. The TRD/EP offers employers the opportunity of entering into one of two types of agreements with the Service. One type of agreement requires the determination of tip rates; the other emphasizes education and tip reporting procedures. This document is the latter type and is available to employers whose tipped employees receive both charged and cash tips. This document will generally be used outside the food and beverage and the hairstyling and barbering industries, for each of which the Service has designed similar agreements. The agreement permits employers to avoid examinations pertaining to the amount of tips reported to the employer by its employees as required by 26 U.S.C. 6053(a).

Under the Tip Reporting Alternative Commitment (TRAC) agreement, the employer agrees to institute and maintain an employee educational training program with respect to their tip reporting obligations. A TRAC agreement does not require that the employer work with the Service to arrive at a tip rate for any of the worker occupations in the establishment.

Employer requirements include (1) listing all of its establishments by name, address, and employer identification number (EIN); and furnishing names, addresses, and EINs of subsequently acquired establishments; (2) establishing an educational program for tipped employees and conducting training quarterly; (3) establishing tip reporting procedures; (4) maintaining records of gross receipts subject to tipping and charge receipts showing charged tips, and making available upon request quarterly totals of these records and of total charged tips and total tips reported; and (5) notifying the Service in writing if the employer wishes to revoke the agreement.

2. USE OF DATA

The information will be used to identify employers and establishments participating in the agreement and to monitor compliance with the agreement and the statutory tip reporting requirement.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on an as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998.

4. **EFFORTS TO IDENTIFY DUPLICATION**

We have attempted to eliminate duplication within the agency wherever possible.

5. **METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES**

There are no small entities affected by this collection.

6. **CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES**

The information provided through the TRAC agreement will be used to identify employers and establishments participating in the agreement and to monitor compliance with the agreement and the statutory tip reporting requirement.

Failure to collect the information will prevent IRS from monitoring compliance requirements and complicate participation in the Tip Rate Determination/Education Program.

7. **SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. **CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS**

In response to the **Federal Register Notice** dated September 28, 2016 (81 FR 66737), we received no comments during the comment period regarding this TRAC agreement.

9. **EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS**

No payment or gift has been provided to any respondents.

10. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

(1) Section I.C requires a list of the employer's establishments, if any, that will participate in the agreement and similar information for any additional establishments to be subsequently included in the agreement.

We estimate that 100 employers will enter into an agreement annually, that each employer will have an average of 2 establishments, and that 20 employers will each add 1 new establishment each year. We estimate that it will take an average of 0.25 hours to prepare and submit each document. The total estimated reporting burden is 30 hours ((100 employers x 1 document/year x 0.25 hours = 25 hours) + (20 employers that add establishments x 1 document/year x 0.25 hours = 5 hours)).

(2) Section II.A requires employers to institute and maintain an educational program that trains newly hired employees and quarterly updates existing employees as to their reporting obligations with respect to tip income received as either cash tips or charged tips.

We estimate that it will take 100 employers an average of 20 hours to implement an educational program, and 200 establishments will spend an average of 2 hours conducting the educational program. The total estimated burden is 2,400 hours ((100 employers x 20 hours = 2,000 hours) + (200 establishments x 2 hours = 400 hours)).

(3) Section II.B requires each establishment to establish a procedure 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 directly tipped employee.

We estimate that it will take each of the 100 employers an average of 10 hours to establish its procedures. We estimate that it will take each of the 200 establishments 0.4 hours each month to monitor its tip reporting procedures. The total estimated burden is 1,960 hours ((100 employers x 10 hours = 1,000 hours) + (200 establishments x 0.4 hours x 12 months = 960 hours)).

(4) Section II.C.2 requires employers to maintain certain records. Section II.C.3 requires employers to make certain quarterly totals available, by establishment, upon the request of the Service.

We estimate that it will take 200 establishments an average of 0.2 hours/month to maintain the records. We estimate that the Service will request quarterly totals from an

average of 20 establishments each year and that it will take each establishment 0.3 hours to furnish the totals. The total estimated reporting burden is 486 hours ((200 establishments x 0.2 hours x 12 months = 480 hours) + (20 establishments x .3 hours = 6 hours)).

(5) Section IV.A. permits employers to terminate the agreement by so notifying the Service in writing.

We estimate that 1 employer will terminate its agreement each year and that it will take the employer 0.25 hours to prepare and submit the notice of termination. The total estimated reporting burden is 0.25 hours (1 employer x 0.25), rounded to 1 hour.

The total of all the estimated burdens is 4,877 hours.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our **Federal Register** Notice dated September 28, 2016, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any response from taxpayers on this subject. As a result, estimates of the cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There are no estimated annualized costs to the Federal Government.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the TRAC sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

Note: The following paragraph applies to all of the collections of information in this submission:

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 OMB control number. 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 26 U.S.C. 6103.