

SUPPORTING STATEMENT
Internal Revenue Service
1545-1756
Revenue Procedure 2001-56
Demonstration Automobile Use

31696. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

This revenue procedure provides optional simplified methods for determining the value of the use of demonstration automobiles provided to employees by automobile dealerships. The collection of information is necessary because the value of the use of a demonstration automobile may not be excluded from gross income as a working condition fringe, by either the employer or the employee, unless the substantiation requirements of section 274(d) and the regulations thereunder are satisfied. Pursuant to section 274(d), a taxpayer must substantiate each element of an expenditure or use by adequate records or by sufficient evidence corroborating his own statement.

31697. USE OF DATA

The data will be used by an employee to demonstrate to his or her employer that, generally, substantial restrictions on the personal use of demonstration automobiles exist and, specifically, that the total use by mileage of the demonstration automobile by the employee outside the employee's normal working hours is limited.

31698. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS Publications, Regulations, Notices and Letters are to be electronically enabled on as practicable basis in accordance with the IRS Reform and Restructuring Act of 1998. IRS has no plans to offer electronic record keeping because this is record keeping requirements.

31699. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

31700. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

There is no flexibility to reduce burden on small businesses or other small entities because the Revenue Procedures apply to small businesses and small entities.

31701. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

A less frequent collection would prevent the IRS from determining if the taxpayer from receiving benefit by showing that the total use by mileage of the demonstration automobile by the

employee outside the employee's normal working hours is limited and would hinder the IRS from meeting its mission.

31702. 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).

31703. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Revenue Procedure 2001-56 was published in the **Internal Revenue Bulletin** on December 17, 2001 (2001-51 IRB 590).

In response to the **Federal Register Notice dated May 15, 2017 (82 FR 22386)**, we received no comments during the comment period for RP 2001-56.

31704. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No gifts or payments are being provided to any respondents.

31705. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

31706. JUSTIFICATION OF SENSITIVE QUESTIONS

There is no sensitive personally identifiable information (PII) in this collection.

31707. ESTIMATED BURDEN OF INFORMATION COLLECTION

Revenue Procedure Section 4, Question & Answer 23 provides that an employer must maintain the following records to satisfy the requirements for the full exclusion: 1) a copy of the written policy on use and evidence that it was communicated to employees; and 2) records establishing that the salesperson's personal use by mileage was calculated no less often than once each calendar month. These records may include:

- a. Records identifying each demonstration automobile assigned to each salesperson during the period.
- b. Records identifying the total mileage for each demonstration automobile assigned to a salesperson during the period.

- c. Records supporting the total use outside of normal working hours under the Simplified Out/In Method and any verification of those records. In particular, the employer would maintain records of out and in mileage of the demonstration automobiles provided to full-time salespeople for each day the automobile is used.
- d. Records identifying the round trip commuting mileage of each salesperson assigned a demonstration automobile from salesperson's home to the dealer's sales office during the period.

Section 5, Question & Answer 38 provides that an employer must maintain the following records to satisfy the requirements for the partial exclusion: 1) records supporting the determination of the value of the use of demonstration automobiles; 2) evidence that the amount was timely included in the employee's income and wages; and 3) a copy of the written policy on use and evidence that it was communicated to employees.

Section 6, Question & Answer 46 provides that an employer must maintain the following records to satisfy the requirements for the partial exclusion: 1) records supporting the determination of the value of the demonstration automobile provided to the employee; and 2) evidence that the amount was timely included in the employee's income and wages.

We estimate that 20,000 automobile dealers will elect to use one or more of the simplified methods for the full exclusion, partial exclusion, or full inclusion of demonstration automobile use. The estimated recordkeeping burden per respondent is five hours, for a total estimated burden of 100,000 hours annually.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
Rev Proc 2001-56	Recordkeeping for demonstration auto use	20,000	1	20,000	5	100,000
Totals				20,000		100,000

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

To ensure more accuracy and consistency across its information collections, IRS is currently in

the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

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 revenue procedure sunset 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

None.

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.