

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Tip Reporting Alternative Commitment (Hairstyling Industry)
OMB Control Number 1545-1529

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Tip Rate Determination/Education Program (TRD/EP) offers employers the opportunity of entering into one of two types of agreements with the IRS. 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 IRS. The decision to enter into either a TRDA or a TRAC agreement is entirely voluntary on the part of the employer.

The business's requirements under 26 USC 6053(a) 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; conducting training quarterly; and furnishing educational materials to booth renters and independent contractors; (3) establishing tip reporting procedures for employees; (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 IRS in writing if the business wishes to revoke the agreement.

2. USE OF DATA

The information will be used to identify the hairstyling business and establishments participating in the agreement (Announcement 2000-21) and to monitor compliance with the agreement and the statutory tip reporting requirement.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Electronic enabling is not available since its relatively low volume of filers.

4. EFFORTS TO IDENTIFY DUPLICATION

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

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

The agreements set forth an understanding that employers that comply with the terms of the agreement will not be subject to challenge by the IRS. The TRDAs set forth similar understandings with respect to employees as well who participate in the agreements. It is designed to enhance tax compliance among tipped employees through taxpayer education and voluntary advance agreements instead of traditional audit techniques. This potentially saves

small businesses and entities going through the audit process, time and money.

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

If the information were collected less frequently, the consequences are that the IRS would have to spend more taxpayer assistance resources to collect this data through other means. This would compromise the Agency's ability to enforce tax compliance. Tax compliance is a vital part of the government's ability to meet its mission and serve the public.

1. 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 June 1, 2023 (88 FR 35998), IRS received no comments during the comment period regarding this collection.

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 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information is being collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collections of information in the announcement are in sections I.C, II.A, II.B, II.C, III.A, III.B, III.C, IV.A and V.B. This information will be used to monitor the performance under the TRAC agreement. The likely respondents are business or other for-profit institutions.

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

Section II.A.1 requires the business 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. Section II.A.2 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.

Section II.B.1 requires each business to furnish educational materials annually to its booth renters and independent contractors. Section II.B.3 requires information about subsequently acquired establishments that will participate in the agreement. In the event of a change in ownership or control of the business or one of its establishments, section II.B.4 requires information about the acquiring entity.

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

Section III.A requires the business to institute and maintain for each calendar quarter an educational program that trains newly hired employees and periodically updates existing employees as to their reporting obligations with respect to tip income received as either cash tips or charged tips.

Section III.B.3 requires the business to maintain certain records. Section III.B.4 requires the business to make certain quarterly totals available, by establishment, upon the request of the Service.

Section III.C 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.

Section IV.A. permits the business to terminate the agreement by so notifying the Service in writing.

Section V.B permits the business to revoke the agreement by so notifying the Service in writing.

The estimated annual burden per respondent/recordkeeper varies from 5 hours to 24 hours, depending on individual circumstances, with an estimated average of 9 hours. The annual estimated burden is 43,073 hours (this includes reporting, third-party disclosures, and recordkeeping). The agency estimates there will be 4,600 responses.

Description	# Respondents	Hours Per Response	Total Burden
Announcement 2000-21	4,600	9.3637 hrs.	43,073
Total	4,600		43,073

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

Cost estimate for product development is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. The costs to the Federal government will vary depending on whether the IRS will incur printing or copying costs for all the materials. These costs do not include any activities such as taxpayer assistance and enforcement. IRS estimates have determined that the cost of developing, printing, distribution, and overhead is \$11,820.

1. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. IRS is 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

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the form 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.