

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

. **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.

. **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.

. **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.

. **EFFORTS TO IDENTIFY DUPLICATION**

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

. **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 February 14, 2014 (79 FR 9051)**, we received no comments during the comment period for RP 2001-56.

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

Not applicable.

. **ASSURANCE OF CONFIDENTIALITY OF RESPONSES**

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

. **JUSTIFICATION OF SENSITIVE QUESTIONS**

No personally identifiable information (PII) is collected.

. **ESTIMATED BURDEN OF INFORMATION COLLECTION**

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.

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

As suggested by OMB, our **Federal Register Notice** dated **February 14, 2014 (79 FR 9051)**, 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

Not applicable.

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

Not applicable.

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

Not applicable.

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.