

Travel - State Vehicle Usage - Documentation and Taxation

FIACCT 10-01.00

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Purpose

This policy defines the policy of the Division of Finance for the documentation and taxation for the use of state vehicles for commuting or for business and personal use.

Policy

- A. All commute and personal use of a vehicle must receive prior approval as stated by Administrative Services, Fleet Operations in Administrative Rule [R27-3](#).
- B. *Commute Taxation* – The commute is considered a taxable fringe benefit unless specifically exempted under [R27-3-8](#).

The IRS-stated value of the fringe benefit "income" is \$1.50 per one-way commute and will be computed from the Employee Reimbursement/Earnings Request, form [FI 48](#), and added to the employee's federal and state gross wages subject to FICA. The value will also be added to the W-2 wages. In cases of carpooling, the fringe benefit amount will be added to the income of each employee in the vehicle. (Each employee must complete the Employee Reimbursement/Earnings Request, form [FI 48](#), for this commute.)

- C. *Commute Documentation* – Commute usage must be documented at least monthly on an Employee Reimbursement/Earnings Request, form [FI 48](#), unless usage is **not** considered a taxable fringe benefit in section B above.
- D. *Business & Personal Use Taxation* – The IRS considers the personal use including fuel as a taxable fringe benefit. The value of the "income," as determined by the Division of Finance based on the IRS Rules, will be added to the employee's federal and state gross wages subject to FICA. Also, the value will be added to the W-2 wages. The Division of Finance will calculate any necessary adjustments to the "income" reported to the IRS on the employee's W-2.
- E. *Business & Personal Use Documentation* – Document the actual personal and business usage. Submit the documentation to the Division of Finance by December 10 for the full calendar year (including an estimate for the remainder of December), or on a monthly or quarterly basis.
- F. An exception to the policy parts D and E (Business & Personal Use Taxation & Documentation) is for vehicles assigned to an individual required to have 24-hour security when the vehicle is part of that security. For example, the Governor's vehicle is exempt from this policy.

If the employee's use of the vehicle is generally consistent over the calendar year, the employee may substantiate the miles on a sampling basis. The sample period must represent the year's usage. The ratio of the business to personal use from the sample period will be applied to the full year. The employee must notify the Division of Finance if he uses the sampling approach.

To substantiate the usage to the IRS, the employee's log must be made at or near the time of the usage. (A weekly basis is acceptable.)

Definitions

Commuting Travel between the employee's place of residence and place of business more than five calendar days per month where the commute is the only personal use. The definition extends to vehicles that are driven between an employee's office or principal place of assignment to a location closer to the employee's home. The commute is considered personal use even if the commute is required by the employer.

Business and Personal Use A state vehicle is assigned to one state official or employee for state business and personal use. The personal use includes unrestricted personal use of the vehicle, including commuting.

Procedures – Commute

Responsibility

Action

Department

1. Prepare an Employee Reimbursement/Earnings Request, form FI 48, each month and have it approved (use DOE code 13).
2. Enter the amount of the commute fringe (using DOE code 13) on the Special Pay Screen in Time and Attendance.
3. Maintain a file of entered documents for audit review.

Division of Finance

Add the commute value to the employee's gross wages subject to FICA withholding for the pay period. Add the commute value to the employee's W-2 wages for federal and state taxation.

Procedures – Personal and Business Use

Responsibility

Action

Employee

Maintain a log of the vehicle usage specifying personal and state use.

Department

Notify the Division of Finance of the cost of the vehicle.

Submit the calendar year logs and cost information to the Division of Finance by December 10.

Division of Finance

Calculate the actual value of the personal use to tax based on both the car's value and the value of the fuel used for the personal miles. Apply the value to the wages subject to FICA withholding and add the value to the W-2 wages for federal and state taxation.