



Office of the State Comptroller
PAYROLL BULLETIN

Subject Procedures for Determining and Reporting the Value of Personal Use of Employer Provided Vehicles for 1986	Bulletin No. P-496
	Date November 25, 1986

This Bulletin contains instructions for determining and reporting the taxable value of State provided vehicles for 1986. The major changes from last year include a third method for determining the value of personal use of a vehicle and a revision to the rules as they apply for field employees.

PERIOD COVERED

Under a special IRS rule, which New York State adopted, the last two months of a calendar year may be treated as paid during the subsequent calendar year. In 1986 we will report the value of personal use of a State provided vehicle for the period November 1, 1985 through October 31, 1986.

EXEMPTED VEHICLES

Many types of vehicles have been exempted from the taxation requirements. They are:

- (1) clearly marked police and fire vehicles and unmarked law enforcement vehicles when operated by a full-time law enforcement officer;
- (2) delivery trucks with seating only for the driver, or only for the driver plus a folding jump seat;
- (3) flatbed trucks;
- (4) cargo carrier with over a 14,000 pound capacity;
- (5) school and passenger buses with over a 20 person capacity;
- (6) ambulances;
- (7) hearses;
- (8) bucket trucks;
- (9) cranes and derricks;
- (10) forklifts;
- (11) cement mixers;
- (12) dump trucks;
- (13) garbage trucks;
- (14) specialized utility repair trucks (except vans and pick-up trucks)
- (15) tractors and
- (16) certain specially modified pick-up trucks or vans which have permanently affixed decals or special printing associated with the employer's business and
 - (a) are equipped with a hydraulic lift gate, permanent tanks, or other heavy equipment
 - (b) are actually used primarily for transporting a load over other than a public highway or
 - (c) have special permanent shelving or constantly carry merchandise, material or equipment used in the employer's business.

DETERMINING THE TAXABLE VALUE OF PERSONAL USE OF A VEHICLE

There are three methods which may be used to determine the taxable value of a vehicle.

1. Annual Lease Value (ALV)

This method may only be used by employees who are allowed unrestricted use of a vehicle. It may not be used by employees who are prohibited from using a vehicle for personal use. This is a four-step process. First, the fair market value (FMV) of the vehicle must be established. If the governmental unit owns the vehicle the purchase price is the FMV. The FMV of an automobile that was provided to an employee prior to January 1, 1985, or is leased may be determined by using the average retail value listed in a nationally recognized pricing guide. Once the FMV is established the table in Appendix I is used to establish the ALV. Once established, the ALV is to be used for a four-year period or until the vehicle is reassigned to another individual.

Step two is to calculate the difference between personal and business mileage and to create a fraction that represents business use. The numerator of which is the difference between the total miles and the personal miles driven by the employee, and the denominator being the total miles driven by the employee. Step three determines the amount of business use by multiplying the ALV by the mileage fraction. The final step is to calculate the amount of the benefit to be included in the gross pay of the employee. To do this, subtract the business use from ALV.

Example

1. ALV: Employee A is provided an automobile with a FMV of \$17,500 and a corresponding ALV (using the chart) of \$4,850.
2. Fraction: Employee A drove a total of 10,000 miles. 2000 of which were personal use.
 Numerator : 10,000 - 2,000 = 8,000 business miles
 Denominator : 10,000 total miles driven
3. Business Use: ALV X mileage fraction

$$\$4,850 \times \frac{8,000}{10,000} = \$3,880$$
4. Amount of the benefit to be included in gross income:
 ALV - Business Use

$$\$4,850 - \$3,880 = \$970$$

The ALV includes maintenance and insurance but not gasoline. If the employer pays for gasoline either an additional 5.5 cents per personal mile or the actual cost must be added to the value of the benefit and included in the employee's gross income.

2. Special Commuting Rule

This method may only be used by employees who are prohibited from using a vehicle for personal use. It may not be used by employees who have unrestricted use of a vehicle.

Under this method, commuting is valued at \$1.50 each way (\$3.00 per round trip) for each day the employee actually drives the vehicle to work.

3. Fixed Rate Per Mile

In December 1985, IRS authorized a third method. This method may be used by all employees as an alternative to either the Annual Lease Value or Special Commuting Rule method.

This method may be used if the vehicle

- (a) has a fair market value of \$12,800 or less
- and (b) it is regularly used for governmental purposes or is driven 10,000 miles or more per year.

The vehicle fixed rate per mile rule allows the value of personal use to be calculated by multiplying the number of personal miles driven times the standard mileage allowance. Presently, the standard rate is 21 cents per mile for the first 15,000 miles and 11 cents per mile thereafter. This standard rate includes gasoline, insurance and maintenance. If the employer does not supply gasoline the rate is 15.5 cents a mile and 5.5 cents, respectively.

Example

1. Standard Mileage Rate: Employee A drives 20,000 personal miles and 35,000 business miles. The standard mileage allowance for the personal miles driven is 21 cents for the first 15,000 and 11 cents for the remaining 5,000.
2. Amount of benefit to be included in gross income is:

15,000 miles X .21 =	\$3,150	
Plus		
5,000 miles X .11 =	500	
		\$3,700 total personal benefit

HOW THE RULES FOR DETERMINING VALUE ARE APPLIED FOR STATE EMPLOYEES

1. State officers who have an automobile for unrestricted use.

Budget Policy and Reporting Manual item D-750 (issued 4/10/84) contains the State Policy for use of passenger vehicles. Under paragraphs 4 and 7 the following officers are allowed unrestricted use of their automobile.

- a. Elected officials: (Class IV Vehicles)
- b. Officials of Cabinet Rank, namely, the Secretary to the Governor, the Counsel to the Governor, heads of departments (other than Audit and Control and Law) and heads of agencies as listed in the Executive Law §169, subdivisions (a) through (d) and such other agency heads as specified by the Director of the Budget: (Class III Vehicle)
- c. Other commissioners or officials of equivalent rank, and heads of State Medical and University Centers, four-year colleges and specialized colleges, including the agricultural and technical colleges: (Class II Vehicle). Existing and future permanent assignments of automobiles to these officials to require the specific approval of the Director of the Budget. Staff members of the Executive Chamber may be assigned automobiles of this class subject to the specific approval of the Secretary to the Governor.

These officers, and officers of the Legislature and the Judiciary if there is no restriction on personal use of an automobile, may not use the special commuting rules but must determine the value of the benefit using the Annual Lease Value rule or the Fixed Rate Method.

In determining the taxable value:

- a. The Officer may compute the value using both methods and use the one which results in the lowest taxable amount.
- b. The Annual Lease Value, once established, must be used for a four year period as long as the vehicle remains assigned to the same State official. Officers who used this method last year, who still have the same vehicle, must use the same ALV reported last year. The ALV must be determined for officers who did not have a vehicle last year or who have been assigned a new vehicle. For assistance in determining the fair market value of an individual's automobile, you may contact Thomas E. Kieper, Office of General Services, Fleet Management at 457-1744.
- c. The Officer must provide a statement of the total miles driven and the total miles for personal use (including commuting to and from the Office) for the period November 1, 1985 through October 31, 1986.

The official is responsible for retaining adequate records to support the business use claimed for the vehicle. Examples of acceptable records are account books, diaries, logs, receipts, bills, trip sheets or expense forms. The records must substantiate the time, date, place, purpose and cost of travel.

- d. The value of State provided gasoline may be determined in two ways.
 - a. 5.5¢ per mile of personal use, or
 - b. If the actual cost of gasoline for the period is known, multiply the percentage of personal use times the total cost.
- e. If the individual has a chauffeur or other driver a reasonable value must be determined and included for the personal miles, if applicable.

2. State employees provided a vehicle for commuting only.

A State employee (1) provided a State-owned vehicle to drive to and from work for valid business reasons (lack of space to store the vehicle, for the ability to respond to emergency calls, security of the vehicles, etc.) and (2) prohibited from using the vehicle for personal use may use the Special rule where commuting is valued at \$3.00 per work day or may use the Fixed Rate Method.

The types of vehicles listed on Page 1 are exempt from taxation. An employee provided with any other type of vehicle is subject to taxation on the commuting value. To determine the value for the year (November 1, 1985 through October 31, 1986),

- a. The employee must report the number of actual trips each way during the period when a vehicle was driven to and from work, or the actual miles driven to and from work.
- b. Multiply the number of trips X \$1.50 or the number of miles X 21¢ (15.5¢ if gasoline is not supplied).

3. Field employees

Paragraph 7 of the Budget Policy Manual prohibits the personal use of vehicles by other State employees, including commuting from home to Office unless incidental to a field trip or other official business.

A field employee whose official station is other than his or her home is subject to taxation on the value of commuting under the following circumstances.

- (1) On days he or she commutes to the official station to perform substantial duties at the official station.
- (2) If the field location is in the general area of the official station, the first trip of the day is considered a commute. Although IRS has not clearly defined "general area", it is clear that an entire metropolitan area such as New York City or the Capital District including Albany, Schenectady and Troy is considered a general area for applying the commuting rules. Also, if an employee reports to a field location on a regular basis, i.e. the assignment is not temporary and definite in duration, the field location may be determined to be the primary place of work for purposes of determining the general area of work. Each local office must determine the general area that applies to that Office. They might contact the local IRS Office for assistance.

REPORTING THE VALUE OF PERSONAL USE OF A VEHICLE

A form similar to the sample attached to this Bulletin should be completed and signed by each employee covered by the Regulations and retained by the agency. Be sure you notify the employee that he or she is responsible for maintaining the records to support the claimed business use.

The taxable value of use of an employer provided vehicle is subject to income and Social Security taxes and must be reported as income on the W-2. Although New York State will not withhold for income taxes, Social Security tax must be withheld. The amount is not considered salary for the purposes of computing retirement benefits.

A new transaction code-FRIDGE BEN-has been established for reporting the information for active employees.

Transaction Code: FRIDGE BEN

Group 3
Class B

Block Requirements: 01 thru 06 and the following:

07 Transaction Code - FRIDGE BEN
49 Misc. Block A - Taxable Amount

Do not include the Fringe Benefit amount in the Gross (Add). It is not an amount to be paid, but only reported as gross income. The Fringe Benefit information must be in the Miscellaneous Blocks; do not report it in Remarks.

In processing, the taxable amount will be added to Biweekly Gross, prior to the calculation of Social Security tax, and the tax will be computed on the full amount, if the employee has not paid the maximum tax.

The amount will be shown on the check stub in the ADDT'L SAL INFO block with the code TFB and will be included in YTD GROSS. It will also appear on the salary register and in the YTD GROSS and in YTD Fringe Benefits on the YTD Summary.

The taxable amounts for 1986 must be reported in Institution Period 19-Lag and Administration Period 18-Lag and 19-Current as described below.

1. Active Employees

PR-75's reporting the taxable value should be submitted.

2. Inactive Employees

Do not submit PR-75's. Prepare a letter including the line number, name, SS#, and taxable amount for each employee and submit the letter with your payroll for the period.

If additions or adjustments must be made for 1986 after the payroll period listed above, do not submit PR-75's. Contact Kevin Quigley of the Payroll Deduction Section at 473-1989. These adjustments must be received and processed by this Office prior to the production of 1986 W-2's in January, or you will have to prepare amended W-2's.

STATEMENT OF PERSONAL USAGE
FOR STATE PROVIDED VEHICLES

November 25, 1986

AGENCY CODE _____

LINE NUMBER _____

EMPLOYEE NAME _____

SOCIAL SECURITY # _____

ANNUAL LEASE VALUE METHOD				
YEAR MAKE MODEL	AUTOMOBILE FAIR MARKET VALUE			
TOTAL MILES	-	PERSONAL USAGE	=	BUSINESS MILES
ANNUAL LEASE VALUE*	X	BUSINESS MILES	=	AMT. FOR BUSINESS USE
		TOTAL MILES		
GASOLINE CALCULATION 5.5¢ x _____ = \$ _____				
		NO. OF PERSONAL MILES	=	AMT. OF GASOLINE
OR				
		TOTAL COST OF GASOLINE	X	% OF PERSONAL MILES
				= \$ _____
\$ _____	-	\$ _____	+	\$ _____
ANNUAL LEASE VALUE		BUSINESS USE		AMT. OF GASOLINE
				CHAUFFEUR AMT.
				TAXABLE FRINGE BENEFIT AMT.
*IF YOUR CAR IS THE SAME ONE YOU HAD IN 1985, YOU MUST USE THE SAME ANNUAL LEASE VALUE YOU REPORTED LAST YEAR.				
FIXED RATE METHOD				
NO. OF MILES COMMUTING OR PERSONAL UP TO 15,000 X 21¢ = _____				
NO. OF MILES IN EXCESS OF 15,000 X 11¢ = _____				
TAXABLE FRINGE BENEFIT TOTAL				\$ _____
*IF GASOLINE IS NOT SUPPLIED OR REIMBURSED USE 15.5¢ AND 5.5¢, RESPECTIVELY.				
SPECIAL COMMUTING RULE				
		X 1.50	=	TAXABLE FRINGE BENEFIT AMT.
NO. OF TRIPS COMMUTING (EACH WAY)				

TO EMPLOYEE

COMPLETE AND SIGN THIS FORM AND RETURN IT TO YOUR PERSONNEL OFFICE

EMPLOYEE SIGNATURE/DATE

PERSONNEL - ENTER "TAXABLE FRINGE BENEFIT AMOUNT" IN BLOCK 49 WHEN PREPARING THE PR-75 RETAIN THIS FORM FOR YOUR RECORDS.

Annual Lease Value Table

(1)	(2)
<u>Automobile Fair Market Value</u>	<u>Annual Lease Value</u>
\$ 0 - 999	\$ 600
1,000 - 1,999	850
2,000 - 2,999	1,100
3,000 - 3,999	1,350
4,000 - 4,999	1,600
5,000 - 5,999	1,850
6,000 - 6,999	2,100
7,000 - 7,999	2,350
8,000 - 8,999	2,600
9,000 - 9,999	2,850
10,000 - 10,999	3,100
11,000 - 11,999	3,350
12,000 - 12,999	3,600
13,000 - 13,999	3,850
14,000 - 14,999	4,100
15,000 - 15,999	4,350
16,000 - 16,999	4,600
17,000 - 17,999	4,850
18,000 - 18,999	5,100
19,000 - 19,999	5,350
20,000 - 20,999	5,600
21,000 - 21,999	5,850
22,000 - 22,999	6,100
23,000 - 23,999	6,350
24,000 - 24,999	6,600
25,000 - 25,999	6,850
26,000 - 27,999	7,250
28,000 - 29,999	7,750
30,000 - 31,999	8,250
32,000 - 33,999	8,750
34,000 - 35,999	9,250
36,000 - 37,999	9,750
38,000 - 39,999	10,250
40,000 - 41,999	10,750
42,000 - 43,999	11,250
44,000 - 45,999	11,750
46,000 - 47,999	12,250
48,000 - 49,999	12,750
50,000 - 51,999	13,250
52,000 - 53,999	13,750
54,000 - 55,999	14,250
56,000 - 57,999	14,750
58,000 - 60,000	15,250

