

## **Agency Guidance to Employees on Determining Value of the Personal Use of an Employer-Provided Vehicle**

### **Documenting Business and Personal Use**

Employees are responsible for tracking all business use of the vehicle. Examples of acceptable substantiation of business use are account books, diaries, logs, receipts, bills, trip sheets, or statement of expense forms. Written records made at or near the time the expense was incurred should be maintained to document the time, date, place, and purpose of business travel. Any use that is not substantiated as business use is deemed to be personal use and must be included in the employee's income.

### **Valuation Period**

The IRS permits the employer to choose a different valuation period other than the calendar year provided the alternate valuation period is consistent from year to year. OSC has chosen the period of November 1 through October 31 to allow ample time for agencies and employees to gather the necessary information in time for Form W-2 reporting. For terminated/resigned employees, agencies must report the value of personal use from November 1, 2023, up to the day the vehicle is returned to the agency.

### **Specific Valuation Rules and Calculations**

#### **A. Annual Lease Value (ALV) Method**

Under this method, the value of an automobile provided to an employee is determined by using its Annual Lease Value (ALV). For an automobile provided only part of the year, use either its Prorated Annual Lease Value or its Daily Lease Value. Also, if the vehicle assigned in the previous three (3) years was required to use the ALV method at that time, the ALV method must be continued, provided the vehicle remains assigned to that same individual. Employees must begin using this rule on the first day the vehicle is made available for personal use. The Fair Market Value (FMV) of the vehicle must be determined on the first date it is made available to any employee for commuting or other personal use. The FMV of an employee's assigned vehicle may only be re-evaluated after four (4) full years of use, or when the vehicle is transferred to another employee.

The ALV of a vehicle is determined as follows:

1. Determine the fair market value of the vehicle as of the first day on which it was made available to an employee for personal use.
2. Find the ALV in the [Annual Lease Value Table](#) or the appropriate fair market value of the vehicle as determined in step 1 above.
3. Multiply the annual lease value by the percentage of personal miles out of total miles driven by the employee.

The ALV does not include the value of employer provided fuel. An alternative method in the valuation of fuel provided is 5.5 cents per mile for all personal/commuting miles driven by the employee. The personal use value of employer-provided fuel is to be added to the [Agency Report of the Taxable Value of Personal Use](#).

**Prorated Annual Lease Value**

If an employer provides an automobile to an employee for a continuous period of at least 30 days, but less than the full 12-month reporting period, the annual lease value can be prorated.

**Daily Lease Value**

If an employer provides an automobile to an employee for a continuous period of less than 30 days, use the daily lease value, unless the prorated annual lease value will result in a lower valuation.

**B. Commuting Rule**

Commuting is valued at \$1.50 each way (\$3.00 per round trip) for each day the vehicle is used for commuting. If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee's wages or reimbursed by the employee.

The commuting rule **can** be used if **all** the following requirements are met:

1. The vehicle is provided to an employee for State business use and is not chauffeured (unless the employee is the chauffeur) and, for bona fide no compensatory business reasons, the employee is required to commute in the vehicle. This requirement is met if the vehicle is generally used each workday to carry at least three (3) employees to and from work in an employer-sponsored commuting pool.
2. A written policy is established under which the employee is not allowed to use the vehicle for personal purposes other than for commuting or de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home).
3. The employee does not use the vehicle for personal purposes other than commuting and de minimis personal use.
4. The employee who uses the vehicle is **not a "control employee". A control employee for a government employer is either an elected official, or an employee whose compensation equals or exceeds a set amount, which is \$180,000 for 2024.**

### C. Cents-Per-Mile Rule

Employees may use the cents-per-mile rule if the following requirements are met:

1. Vehicle is expected to be regularly used for State business throughout the year November 1, 2023, through October 31, 2024 (or for a shorter period during which the vehicle is owned or leased).
2. Vehicle meets the mileage test that the vehicle is actually driven at least 10,000 miles (business or personal, including commuting) during the year.
3. The ALV method is not required or has not been used for this individual with this vehicle in any of the preceding three (3) years.

For the 2024 tax year, the standard mileage rate is 67 cents per mile for the period November 1, 2023, thru October 31, 2024. If gasoline is not supplied or reimbursed to the employee, the rate per mile is reduced by 5.5 cents.

The cents-per-mile-rule cannot be used for an automobile (any four-wheeled vehicle, such as a car, pickup truck, or van) if its value when it is first made available to any employee for personal use is more than an amount determined by the IRS as the maximum automobile value for the year. The maximum value for 2024 does not exceed \$62,000 for a passenger automobile, truck, or van.

### D. Cost of any Charges Incurred During Personal Usage

Officers and employees who are permitted to utilize State vehicles for personal use must reimburse the State for the costs of any charges incurred during any personal usage. These charges may include tolls paid with EZ Pass accounts or other credit cards issued by the State. If these charges were not reimbursed by the officer or employee, agencies must add these costs to the total valuation.