



Issue Brief: EMPLOYER-PROVIDED VEHICLE & TRANSPORTATION FRINGE BENEFITS

Updated February 2008

Background

Personal use of an employer-provided vehicle, which includes commuting to and from work, is a taxable fringe benefit under the federal Internal Revenue Code and the value of this use must be reported on an employee's W-2 form. Certain amounts applicable in several of the valuation rules may change from year to year because they are indexed for inflation or because of a federal government action. Further information on these matters may be found on the IRS' Web site as noted below and in the user-friendly and in-depth Taxable Fringe Benefits Guide found at: http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf.

2008 Rates

Mileage Rate Using the Vehicle-Cents-Per-Mile Valuation Rule

For 2008, the cents-per-mile figure for business use of an automobile, effective January 1, 2008, is 50.5 cents. The standard mileage rates are based on an annual study of the fixed and variable costs of operating an automobile. (IRS Revenue Procedure 2007-70)

Fair Market Value of Automobiles Placed in Service in 2008 using the Vehicle-Cents-Per-Mile Rule

The cents-per-mile method may not be used to value employee use of an employer-provided automobile if the vehicle's fair market value exceeds a particular valuation limit. For 2008, the vehicle limits are \$15,000 for automobiles and \$15,900 for trucks and vans. (IRS Revenue Procedure 2008-13)

Fleet Valuation Rule

Employers may use the fleet valuation rule (available to government units with automobile fleets of 20 or more vehicles used for government business) if no automobile in the fleet exceeds a fair market value of \$19,900 for automobiles and \$20,800 for trucks and vans. (IRS Revenue Procedure 2008-13)

Salary Level for Determining Who is a "Control Employee"

The \$1.50 one-way commuting valuation rule may not be used for "control employees." For 2008, a government control employee is an employee whose annual compensation equals or exceeds \$139,600 or any elected official. The government arrives at this amount by mirroring the Federal Government Executive Pay Schedule, Level V.

Commuting Rule (from IRS publication 15-B: Employer's Tax Guide to Fringe Benefits)

Under this rule, you determine the value of a vehicle you provide to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50. 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.

You can use the commuting rule if all the following requirements are met.

- You provide the vehicle to an employee for use in your trade or business and, for bona fide noncompensatory business reasons, you require the employee to commute in the vehicle. You will be treated as if you had met this requirement if the vehicle is generally used each workday to carry at least three employees to and from work in an employer sponsored commuting pool.

- You establish a written policy under which you do not allow the employee 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). Personal use of a vehicle is all use that is not for your trade or business.
- The employee does not use the vehicle for personal purposes other than commuting and de minimis personal use.
- If this vehicle is an automobile (any four-wheeled vehicle, such as a car, pickup truck, or van), the employee who uses it for commuting is not a control employee.

Employer-Provided Transportation

The value of certain employer-provided transportation costs is also taxable to the employee. Following are 2007 figures for amounts that may be excluded from income for certain of these employer-provided costs:

Commuter Highway Vehicle

A commuter highway vehicle is any highway vehicle that seats at least 6 adults (not including the driver). In addition, you must reasonably expect that at least 80% of the vehicle mileage will be for transporting employees between their homes and work place, with employees occupying at least one-half of the vehicle's seats (not including the driver's). For commuting between an employee's residence and place of employment in an employer-provided commuter highway vehicle, \$115 per month may be excluded from the employee's income in 2008.

(IRS Revenue Procedure 2007-66)

Transit Pass

The maximum benefit an employee may exclude for combined commuter highway vehicle transportation and transit passes increases to \$115 per month in 2008. (IRS Revenue Procedure 2007-66)

Parking

For parking provided by the employer, \$220 per month may be excluded from income in 2008. (IRS Revenue Procedure 2007-66)

Annual Lease Value Table

To compute an automobile's annual lease value, first determine fair market value (FMV) as of the first date it is made available to *any* employee for personal use. Under safe harbor rules, the FMV is the cost, including sales tax, title fees and other purchase expenses. Where leased, it is the suggested retail value as reported in a nationally recognized publication that regularly reports such values, or the manufacturers invoice price plus 4 percent. Using the attached chart, find the dollar range in the left-hand column below (the automobile's FMV) and then the corresponding amount in the right-hand column is the automobile's annual lease value.

Related GFOA Public Policy Statements

- Tax Regulations on Employer-Provided Vehicles (1985)

Vehicle Fair Market Value

Annual Lease Value

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| | |
|-----------------------|---------------------------------|
| \$ 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 |
| 58,000-59,999 | 15,250 |
| 60,000 and over | 25% x Fair Market Value + \$500 |