



Office of the State Comptroller
PAYROLL BULLETIN

Subject Rules for Determining the Taxable Value of Personal Use of Employer Provided Vehicles	Bulletin No. P-750
	Date December 1, 1992

This is to be used in conjunction with Payroll Bulletin P-748 and replaces Payroll Bulletin P-544, dated November 12, 1987.

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. Each year we will report the value of personal use of a State provided vehicle from the previous year November 1 through October 31, of the current year.

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 carriers 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 is determined as of the date the car is first made available to the employee. The FMV may be determined by using the average retail value listed in a nationally recognized pricing guide. Once the FMV is established the table (page 6) 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 (page 6) of \$4,850.
2. Fraction: Employee A drove a total of 10,000 miles. 2,000 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 - Minus 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

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 \$13,900 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 28 cents per mile. This standard rate includes gasoline. If the employer does not supply gasoline the rate is 22.5 cents a mile.

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) Officers who have the same vehicle as they had last year must use the same method to determine the taxable value and must use that method as last year for all future periods during which they have the same vehicle.

Officers may recompute the annual lease value if they have had the same vehicle for four full years.

- (b) Officers newly assigned a vehicle or who receive a replacement vehicle may choose either the ALV method or the Fixed Rate Method for the new vehicle but then must use that method for all future periods during which they have that vehicle. Once established the ALV must be used for a four-year period or until the individual no longer has the vehicle.
- (c) Officers are responsible for maintaining documentation to support the business use of the vehicle. The standard for recordkeeping is that there be "adequate records or sufficient evidence" to support any business use of their vehicle. Examples of acceptable substantiation would be account books, diaries, logs, receipts, bills, trip sheets or 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.
- (d) The value of State provided gasoline may be determined in two ways.
 - a. 5.5 cents 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, 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 of the previous year through October 31, of the current year):

- 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 28 cents (22.5 cents 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.

Refer to Payroll Bulletin P-748 for procedures for reporting the value of personal use of employer provided vehicles.

Annual Lease Value Table

<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 - 59,999	15,250