

ADMINISTRATIVE PROCEDURES



Procedure Number: 22-32

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G. DeLorenzo
County Administrator

SUBJECT: **PERSONAL USE OF COUNTY VEHICLES**

DEPARTMENT RESPONSIBLE: **All County Departments**

I. **Statement**

Any County employee who drives a County-owned vehicle home may be subject to taxation on the value of the use of that vehicle. Under the Internal Revenue Service (IRS) regulations, this is a taxable fringe benefit and must be reported on the employee's W-2 form. Employees required to drive a vehicle home because they are "on-call" may still be subject to reporting use of the vehicle unless the vehicle meets the criteria listed below. This procedure explains the reporting requirements, the maintenance of adequate records, and the steps to take when an employee returns a County-owned vehicle. These reporting requirements apply to all employees traveling in a County owned vehicle whether they are driving or not.

II. **Definitions**

Control Employee – The IRS defines a Control Employee as the following:

- An Elected Official, or
- An employee whose annual earnings equal or exceed \$150,200 in 2016. This figure is updated annually by the IRS.

Commute – the one way trip from an employee's residence to work or from work to the employee's residence. There are at least 2 commutes per day. If an employee is required to drive a vehicle home because they are "on call", this is considered a commute.

III. **Exceptions to Taxation**

Use of certain types of County vehicles may be excludable from taxation. To be exempt from taxation, the vehicle must meet the following criteria:

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- Sheriff Department vehicles that are clearly marked, through painted insignia or words.
 - Unmarked vehicles used by law enforcement officers if the use is officially authorized.
 - A Forensic Science Department vehicle which is used to transport human remains.
 - Delivery trucks with seating for only the driver.
 - Tractors and other special-purpose farm vehicles.
 - Pickup trucks, with a loaded gross weight of 14,000 lb. or less, that are clearly marked with permanent affixed decals or specialty painting and which are equipped with at least one of the following:
 - A hydraulic lift gate.
 - Permanent tanks or drums.
 - Permanent side boards or panels that materially raise the level of the sides of the truck bed.
 - Other heavy equipment such as an electric generator, boom, welder or crane.

Fleet Services will determine if the vehicle has been modified to meet these exemptions.

IV. General Rules and Requirements

There are three (3) different methods for calculating the taxable fringe benefit. Each has specific criteria which will decide what method must be used. For Control Employees, the method used must be either the Cents-Per-Mile Rule or the Lease Value Rule. For other employees, all three methods are available.

Cents-Per-Mile Rule

To determine the value of the benefit provided to an employee, one multiplies the standard IRS mileage rate by the total miles the employee drives the vehicle for personal use.

The current IRS mileage rate is \$0.54 and may be changed annually. The most current IRS rate will be shown on the Vehicle Data Sheet posted on the Finance Intranet site.

To use the Cents-Per-Mile Rule, the vehicle must meet ALL of the following criteria:

- At least 50% of the vehicle's total annual mileage is used for business.

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- The vehicle must be driven at least 10,000 miles during the year.
 - The original value of the vehicle, for 2016, cannot be greater than \$15,900 for a passenger automobile or \$17,700 for a truck or van. These values are set by the IRS and are updated annually.
 - The employee **MUST** account for all mileage driven for business purposes. This is done by preparing a written log of the usage (miles), the date, time and place of travel, and the business purpose. For an example of how this can be done, see Attachment 1.

Any use of a County vehicle that is not substantiated as business is considered personal.

Note: This rule requires that the original value of the automobile or truck be less than \$15,900 or \$17,700 in 2016, respectively. Generally, Pima County's vehicles are originally valued at greater than these values. Therefore, this rule is not applicable to Pima County.

Commuting Rule

- To determine the value of the benefit provided to an employee, you multiply each one-way commute by \$1.50. There are generally 2 commutes per work day.
- You can use the commute rule if ALL of the following requirements are met:
 - The County provides the vehicle to the employee for use in business or the County requires the employee to commute in the vehicle.
 - The employee does not use the vehicle for personal purposes other than commuting.
 - The employee is not a Control Employee.

Lease Value Rule

To determine the value of the benefit provided to an employee, you use the following calculations:

- Determine the fair market value (FMV) of the automobile on the first date it is available to any employee.
- Using the Annual Lease Value Table, provided by the IRS (Attachment 4), find the Annual lease value.
- Multiply the annual lease value by the percentage of personal miles out of total miles driven by the employee.

- The employee MUST account for all mileage driven on business. This is done by preparing a written log of the usage (miles); the date, time, place of travel, and the business purpose. See Attachment 1 for an example of how this can be done.
- In addition to the lease value, the value of the fuel will also be included in the employee's wages. The fuel is valued at \$0.055 (5.5 cents) per mile for all personal miles driven.

Any use of a County vehicle that is not substantiated as business is considered personal.

V. Mileage Logs

If the Annual Lease Value Rule is to be used, the employee must substantiate the total mileage and business mileage for the reporting period by maintaining a written mileage log of the usage (miles); the date, time and place of travel and the business purpose. An example of a completed mileage log can be found as Attachment 1. A blank form can be found online at Finance and Risk Management Intranet, Forms tab, Payroll sub-tab <http://intranet.pima.gov/Finance/forms.shtml>. Any miles not substantiated as business-related will be considered personal.

If the Commute Rule is used, the employee must substantiate the number of commutes to and from work for the reporting period by maintaining adequate records.

The Department must retain the mileage logs or commute substantiation for three (3) years after the W-2 year. The mileage log or the commute substantiation must be submitted to the Presiding Judge, Elected Official, or Appointing Authority with the Vehicle Data Sheets (see reporting requirements below).

VI. Reporting Requirements.

The value of personal usage for the period of November 1st of the prior year through October 31st of the current year will be reported as a taxable fringe benefit on the current year's W-2. The taxable fringe benefit for the last two months of the calendar year will be reported in the following year.

- A. County Departments are responsible for keeping track of those employees who use a County vehicle.
- B. Every quarter, the Financial Operation Division of Finance & Risk Management will provide Departments with the following:
 - Memoranda to employees and Elected Officials using County vehicles.
 - General Rules and Requirements (Attachment 2)
 - Vehicle Data Sheet (Attachment 3)

- Attachments 2 and 3 can also be found online at Finance and Risk Management Intranet, Forms tab, Payroll sub-tab
<http://intranet.pima.gov/Finance/forms.shtml>.
- C. The employee needs to complete the Vehicle Data Sheet and then select the valuation method that is most advantageous to them.
- D. The Vehicle Data Sheet must be signed by the employee and the Presiding Judge, Elected Official, or Appointing Authority and returned to Financial Operations by the due date provided.
- E. On a quarterly basis, the value of the personal use of a County vehicle will be added to the reportable federal, state, and social security wages in the payroll system and all applicable taxes and other deductions will be calculated and withheld.

VII. County Vehicle Returns

- A. When an employee returns a County vehicle or when an employee in possession of a County vehicle terminates employment with the County, it is the Department's responsibility to ensure that the employee completes a Vehicle Data Sheet for the current reporting period.
- B. The Vehicle Data Sheet must be signed by the employee and the Presiding Judge, Elected Official, or Appointing Authority.
- C. On the same day that the vehicle is returned, the Vehicle Data Sheet is to be forwarded to the Financial Operations Division of Finance and Risk Management.
- D. For all employees, the value of the personal use of a County vehicle will be added to the reportable federal, state and social security wages in the payroll system and all applicable taxes and deductions will be calculated and withheld during the next pay cycle.

Attachment 1



PIMA COUNTY MILEAGE LOG

Print

Employee Name: Bette Davis

Department: Finance and Risk Management

Employee Identification Number: 001999

Date	Time Left	Departed From Address	Beginning Odometer	Arrived At Address	Time Arrived	Ending Odometer	Business Purpose	Total Mileage
7/1	7:30	113 E. King	32359	130 W. Congress	7:45	32364	Commute to Office	5
7/1	5:15	130 W. Congress	32364	113 E. King	5:35	32369	Commute from Office	5
7/2	6:00	113 E. King	32369	1600 Priest. Tempe	8:30	32475	Training for Storyline 2	106
7/2	4:30	1600 Priest, Tempe	32475	113 E. King	6:45	32580	Return home from training	105
7/5	7:30	113 E. King	32580	130 W. Congress	7:45	32585	Commute to Office	5
7/5	8:30	130 W. Congress	32585	2500 N. Silverbell	8:50	32594	PACC training	9
7/5	12:00	2500 N. Silverbell	32594	130 W. Congress	12:25	32603	Return to Office	9
7/5	5:10	130 W. Congress	32603	113 E. King	5:30	32608	Commute from Office	5
7/6	7:30	113 E. King	32068	130 W. Congress	7:45	32073	Commute to Office	5
7/6	5:15	130 W. Congress	32073	113 E. King	5:35	32078	Commute from Office	5
								0
							Total Mileage	259
							Less: Personal Mileage	30
							Business Mileage	229

Attachment 2**GENERAL RULES AND IRS REQUIREMENTS****1. Cents-Per-Mile Method**

This rule requires that the original value of the automobile or truck be less than \$15,900 or \$17,700, respectively. Pima County's vehicles are originally valued at greater than these values. Therefore, this rule is not applicable to Pima County.

2. Commute Only Valuation Method**A. Rules**

The Federal government restricts personal usage to commuting to and from work only. No other personal usage is allowed.

One commute is a one-way drive either from home to work or from work to home.

Responding to an emergency call from your home is considered to be a commute. Driving home from the emergency is another commute.

This Method may not be used by Elected Officials or those employees whose earnings for 2016 equal or exceed \$150,200.

E. Record Keeping Requirements:

For the reporting period, you must substantiate the number of commutes to and from work by maintaining adequate records, such as a calendar, time sheets, etc. You must also maintain a record of commutes involving responses to emergencies from home.

F. Imputed Income Calculations:

$\$1.50 \times \# \text{ of one-way commutes} = X$

3. Lease Valuation Method**A. Rules:**

County policies notwithstanding, the Federal government places no restriction on personal usage.

The original fair market value (Blue Book or purchase price) of a vehicle when the vehicle is given to the employee for use is the basis for determining the Annual Lease Value. The Annual Lease Value is found in Table 3.1 of IRS Publication 15.B at

<http://www.irs.gov/publications/p15b/index.html> or as Attachment 6 of this procedure. If the vehicle is more than 4 years old, the fair market value is to be re-determined at the beginning of the 5th year for the following 4 years. This would also occur at the beginning of the 9th year.

B. Record Keeping Requirements:

For the reporting period, you must substantiate both total and business mileage by maintaining adequate records, such as trip logs.

You should keep other's usage of your assigned vehicle to a minimum as the total mileage only you have logged on the vehicle will be a factor in determining imputed income. If others must use your vehicle for business purposes, adequate records substantiating this usage must be maintained.

C. Imputed Income Calculations:

$$\text{ALV} \times \frac{\text{\# of personal miles}}{\text{\# of total miles}} = X$$

$$\$0.055 \text{ (for gasoline)} \times \text{\# of personal miles} = Y$$

$$\text{Imputed Income} = X + Y$$

Attachment 3



VEHICLE DATA SHEET for 2016

From _____ To _____

Employee Name	Employee Identification Number
Vehicle Make & Model	Vehicle License Plate Number

PLEASE COMPLETE ONLY ONE OF THE FOLLOWING SECTIONS

Annual Lease Valuation Method

Number of Months Reported _____ Percentage of Year (a) **0.00%**

Fair Market Value upon receiving the vehicle or redetermination of value after 4 or 8 years. = \$ _____

Annual Lease Valuation per IRS (Attachment 6) (b) = \$ _____

Lease Valuation for Reporting Period [a x b] = (s) = \$ **0.00**

Total Miles for reporting period (j) _____ Personal Miles for reporting period (k) _____

Percentage of Personal to Total miles [k / j] = (t) **0.00%**

Taxable Automotive Value [s x t] = \$ _____

Taxable Gas Value at \$0.055 per personal mile = \$ **0.00**

Taxable Income = \$ **0.00**

Commute Only Valuation Method

of one-way commutes _____ X \$1.50 = Taxable Income of: \$ 0.00

Signature – Employee Date

Signature – Presiding Judge, Elected Official
Department Director, or Appointing Authority Date

Email to: CentralPayroll@pima.gov

Attachment 4

Table 3-1. Annual Lease Value Table

(1) Automobile FMV	(2) Annual Lease
\$ 0 to 999	\$ 600
1,000 to 1,999	850
2,000 to 2,999	1,100
3,000 to 3,999	1,350
4,000 to 4,999	1,600
5,000 to 5,999	1,850
6,000 to 6,999	2,100
7,000 to 7,999	2,350
8,000 to 8,999	2,600
9,000 to 9,999	2,850
10,000 to 10,999	3,100
11,000 to 11,999	3,350
12,000 to 12,999	3,600
13,000 to 13,999	3,850
14,000 to 14,999	4,100
15,000 to 15,999	4,350
16,000 to 16,999	4,600
17,000 to 17,999	4,850
18,000 to 18,999	5,100
19,000 to 19,999	5,350
20,000 to 20,999	5,600
21,000 to 21,999	5,850
22,000 to 22,999	6,100
23,000 to 23,999	6,350
24,000 to 24,999	6,600
25,000 to 25,999	6,850
26,000 to 27,999	7,250
28,000 to 29,999	7,750
30,000 to 31,999	8,250
32,000 to 33,999	8,750
34,000 to 35,999	9,250
36,000 to 37,999	9,750
38,000 to 39,999	10,250
40,000 to 41,999	10,750
42,000 to 43,999	11,250
44,000 to 45,999	11,750
46,000 to 47,999	12,250
48,000 to 49,999	12,750
50,000 to 51,999	13,250
52,000 to 53,999	13,750
54,000 to 55,999	14,250
56,000 to 57,999	14,750
58,000 to 59,999	15,250

From: Internal Revenue Service, Publication 15-B, Cat. No. 29744N, Employer’s Tax Guide to Fringe Benefits, For use in **2016**, page 25.