


# OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	<b>NUMBER</b> 50.30.00	<b>SUPERSEDES</b> 50.30.00.PO & .PR dated 11/01/2002
	<b>EFFECTIVE DATE</b> TBD	<b>PAGE NUMBER</b> Pages 1 of 2
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> Internal Revenue Code (IRC) Section 61(a)(1) – Gross Income. Compensation from services, including fees, commissions, fringe benefits and similar items. Internal Revenue Service (IRS) Regulations Section 1.61-21 – Taxation of Fringe Benefits. Internal Revenue Service (IRS) Publications 5137 – Fringe Benefit Guide for Federal, State and Local Governments, and 15-B – Fringe Benefits.	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Tax Issues – Fringe Benefits - Vehicles	<b>APPROVED SIGNATURE</b> <i>George Naughton, Chief Financial Officer</i> Signature on file	

## **PURPOSE**

To address taxability, valuation and reporting related to personal use of employer-provided vehicles. Nothing in this policy infers eligibility for benefits not otherwise allowed under federal or state law, rule, regulation or policy.

## **APPLICABILITY**

This policy applies to all state agencies as defined in [OAM 01.05.00](#).

## **FORMS/EXHIBITS/INSTRUCTIONS**

The following related guidance addresses appropriate uses and record-keeping requirements for employer-provided vehicles.

- ORS 283.395 – Driving State-Owned Vehicles
- OAR 125-155 – State Vehicle Use and Access
- DAS Statewide Policy 1070-011-040 – Fleet Management, Statewide
- DAS Internal Policy 107-07-030 – Taxable Fringe Benefits

## **DEFINITIONS**

Click here for other [definitions](#).

## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.

## **GENERAL INFORMATION**

State vehicles are intended for official state business only. Legitimate personal use, incidental to state business, is sometimes unavoidable. The IRS updates tax requirements on personal use of state vehicles periodically. Unless a specific exclusion applies, such as for minimal use, specialty vehicles, or officially designated offices in the home, personal use is taxable. The topic falls under gross income in

the federal tax code, fringe benefits in the regulations with general administrative guidance in Publication 15-B and specifics for governments in Publication 5137.

## **POLICY:**

- .101 Use of state-owned vehicles for other than official state business is not allowed per ORS 283.395 except in the limited circumstances where it is incidental to state business. OAR 125-155 provides rules for the use of state vehicles.
- .102 Strict business use, allowed by the state, is not considered taxable by the IRS. Strict personal use, dis-allowed by the state, is considered taxable by the IRS. Legitimate personal use, incidental to state business, may be considered taxable by the IRS, depending on circumstances.
- .103 Unless specifically excludable per IRS guidelines, use of an employer-provided vehicle between the employee's home and official duty station is considered a "commute" to be treated as a taxable fringe benefit. The fair market value of this personal use is reported as taxable income on the employee's W-2 form.

## **PROCEDURES:**

### **Determination of Taxable Amount**

- .104 If employee classifications, vehicle types, amounts and percentages of business and personal use fall within certain parameters, simplified methods to determine fair market value of personal use may be available. Otherwise, fair market value of the personal use is calculated according to IRS annual lease values.
- .105 The agency is required to notify each employee who garages a state vehicle at home that there is a taxable value associated with each commute to the official duty station and the method that will be used to value the commute. The agency is required to define a record-keeping methodology and notify the employee of the requirements.
- .106 Commuting between the employee's home and official duty station (personal use) in a state-owned vehicle is valued using one of the following valuation rules. Please consult IRS Publications 15-B and 5137 for current rates.

Commuting Valuation Rule Allows a simple flat fee per each one-way trip.

Cents-Per-Mile Rule Allows use of IRS standard mileage rate with an allowance for fuel if not provided by the employer.

Annual Lease Value Rule Makes use of lookup table values in IRS Publication 15-B multiplied by the percentage of personal versus business use.

- .107 The employee is required to maintain a monthly or quarterly log of the miles per each one-way or round-trip commute and provide that signed and dated log to the agency at the end of the month or quarter.

### **Reporting Procedure**

- .108 These fringe benefits are reported through the payroll system either monthly or quarterly. Since the value of these non-cash fringe benefits might not be determinable for employers until after the end of a month when usage logs are turned in, the IRS allows use of a special accounting rule where reporting for the months of November and December can be deferred to the next tax year; that is, tax year reporting can be for benefits received for the period November 1 through October 31 of the next year.

DRAFT