IRS APPROVED METHODS OF REPORTING FRINGE BENEFIT INCOME

1. Annual Lease Valuation Rule ("control employee" and others)

The "fair market value" of the vehicle will be determined through the use of a reliable method (such as "NADA Used Car Guide"). The "annual lease value" will be taken from the following IRS table:

Value Category	Automobile Fair Market Value	Annual Value	Biweekly Lease Value
A	$ 0 -- 999	$ 600	$ 23.08
B	1,000 -- 1,999	850	32.69
C	2,000 -- 2,999	1,100	42.31
D	3,000 -- 3,999	1,350	51.92
E	4,000 -- 4,999	1,600	61.54
F	5,000 -- 5,999	1,850	71.15
G	6,000 -- 6,999	2,100	80.77
H	7,000 -- 7,999	2,350	90.38
I	8,000 -- 8,999	2,600	100.00
J	9,000 -- 9,999	2,850	109.62
K	10,000 -- 10,999	3,100	119.23
L	11,000 -- 11,999	3,350	128.85
M	12,000 -- 12,999	3,600	138.46
N	13,000 -- 13,999	3,850	148.08
O	14,000 -- 14,999	4,100	157.69
P	15,000 -- 15,999	4,350	167.31
Q	16,000 -- 16,999	4,600	176.92
R	17,000 -- 17,999	4,850	186.54
S	18,000 -- 18,999	5,100	196.15
T	19,000 -- 19,999	5,350	205.77
U	20,000 -- 20,999	5,600	215.38
V	21,000 -- 21,999	5,850	225.00
W	22,000 -- 22,999	6,100	234.62
X	23,000 -- 23,999	6,350	244.23
Y	24,000 -- 24,999	6,600	253.85

Note: The IRS regulation contains further values for vehicles up to $59,999.

By applying the "NADA" value to the make, year and model data for a vehicle, the biweekly lease value can be determined.

Popular State-Owned Vehicles Value Category:

Make/Model	Model Year 98	97	96	95	94	93	92	91
Buick								
LeSabre	-	R	-	-	-	-	-	-
Chevrolet:								
Astro	Q	-	P	-	-	K	I	H
Cavalier	-	-	J	I	G	G	F	D
Sport Van	-	-	-	-	-	L	J	-
Dodge:								
Caravan	P	-	-	-	-	-	-	-
Intrepid	-	O	N	-	J	-	-	-
Ram Wagon	-	S	-	-	N	-	-	I
Ford:								
Aerostar	-	R	P	M	J	-	-	-
Club Wagon	-	-	S	Q	-	-	-	-
Crown Vic.	T	Q	-	M	J	I	G	-
Styleside	Q	Q	K	J	-	G	-	-
Taurus	P	N	-	J	-	-	-	-
Tempo	-	-	-	-	F	F	E	-
Olds:								
Ciera	-	-	L	J	-	-	-	-
Plymouth:								
Neon	-	J	-	-	-	-	-	-

Under this method, the employee is required to keep a trip log or other documentation record of business mileage (by odometer readings) recorded at or near the time the trip occurs. The balance of the total mileage driven, i.e., the difference between the end of the biweekly pay period and odometer reading at the beginning of the period, less the total business mileage recorded will be considered personal use.

Note: The only "personal" use of a state vehicle allowed under state law, and then only in limited situations, is to commute between the employee's work station and their home.

At the end of each biweekly period, the trip log (record) will be totaled. The total mileage computed for the period minus the total logged business mileage will determine the "personal" use mileage.

The "personal" mileage will be divided by the "total" mileage to determine the "personal" mileage ratio or percentage. This personal mileage percentage will be applied to one-twenty sixth of the "annual lease value" and the result plus an additional amount of 5.5 cents per mile for personal use for fuel for the vehicle will be the biweekly amount to be reported as fringe benefit income of the employee for taxation purposes.

If this method is utilized, it must be continued for as long as the vehicle is assigned to the employee.

This method must be used by all elected and those appointed officials whose appointment requires the approval of the Legislature and other similar level officers or employees, i.e., department and agency heads, etc.

2. Commuting Valuation Rule

This method may be used only if all the following requirements are met:

a. The vehicle is used in the employer's business.

b. The employer requires the employee to commute in the vehicle.

c. The employer's established policy limits the personal use of the vehicle to commuting and de minimis use (such as a stop for lunch between business stops).

d. The employee does not use the vehicle for any personal purpose other than for commuting and de minimis use.

e. The employee is not a "control" employee. "Control" employees are all elected officials and those appointed officials whose appointment requires the approval of the Legislature and includes similar level officers or employees, i.e., department and agency heads, etc.

Under this alternate method, the commuting has an imputed value (by the IRS) of $1.50 for each one-way trip from home to work or from work to home.

If this alternate method is utilized, it must be continued for the entire calendar year or as long as the vehicle is assigned to the employee.

3. Cents-Per-Mile Valuation Rule

IRS regulations prohibit the use of the Cents-Per-Mile Valuation Rule for vehicles in value category "P" or above. The Cents-Per-Mile Valuation Rule is the third option available to agencies for use in computing the taxable personal use value for employees commuting use of state-provided vehicles in vehicle categories "A" through "O." Advantages of this method are that it is easy to use, and it may result in a lower value for taxable personal use. The disadvantage may be the necessity to maintain a daily travel log to substantiate the business/personal use mileage. See Appendix C for a sample daily travel log.

The IRS approved mileage rate for use in the "Cents-Per-Mile Valuation Rule" is 32.5¢ per mile for calendar year 1998.

Examples

Following are some typical situations and how they would be handled:

A. Annual Lease Valuation Method:

Employee A has a state vehicle (1997 Plymouth Neon) assigned all year and must record mileage and report fringe benefit income based on the annual lease method. The "fair market value" of the vehicle from the "NADA" book is between $9,000 and $9,999 (value category "J"). The mileage log for the pay period indicates that a total of 1400 miles were traveled, of which 350 miles were for commuting. The annual lease value of the vehicle is $2,850 (per the table). The calculation of the biweekly fringe benefit income is as follows:

$$\text{Biweekly Lease Value} \text{ X } \frac{\text{Personal Miles}}{\text{Total Miles}} + \text{Fuel Addition} = \text{Fringe Benefit Income}$$

$$\frac{2,850}{26} \text{ X } \frac{350}{1400} + (350 \text{ X } \$\ .055) = \$\ 46.65$$

The amount of $46.65 would be reported as a fringe benefit for the biweekly pay period.

B. Commuting Valuation Method

Employee B has a state vehicle assigned all year and chooses the "Commuting Valuation Method" of reporting the fringe benefit income. The biweekly pay period from June 1 - June 14 has 10 regularly scheduled work days, so the employee would report $30.00 (10 X [1.50 X 2]) for the period.

C. Commuting Valuation Method:

Same as "B," except Employee B takes a two-week vacation during the month of which only one week is during the current biweekly, pay period. Employee B would report $15.00 (5 X [1.50 X 2]) for the period. No fringe benefit income would be reported if the two-week vacation corresponds with the biweekly payroll period.

D. Commuting Valuation Method:

Employee C commutes to and from the office in a state vehicle. This has been requested by the employer since there is no safe place to park the vehicle overnight at the official station. In this situation, Employee C would be liable to report a fringe benefit income utilizing the commuting method or the annual lease method of reporting. If the commuting method is used, the computation would be similar to "B" above.

E. Commuting Valuation Method:

Employee D checks a daily trip vehicle out of the motor pool in Topeka on Monday. Since Employee D wants to get an early morning start on the official trip to Hays, the employee drives the vehicle home on the evening before the trip commences. Early the next morning (Tuesday), the employee drives to Hays and returns to Topeka Wednesday evening. Because the employee arrives late, the vehicle is kept at his home overnight (Wednesday) and returned to the motor pool Thursday morning. The fringe benefit income utilizing the commuting method would be $4.50 including $1.50 for the trip home on Monday, $1.50 for the trip home Wednesday and $1.50 for the trip to the work place on Thursday.

F. Cents-Per-Mile Valuation Method

Employee E is allowed to use a state vehicle for commuting. During the biweekly pay period, Employee E drove the state vehicle 100 personal miles, based upon daily trip log recordings and the biweekly work sheet computations. All of the gasoline was furnished by the state agency. The reportable fringe benefit income utilizing the cents per mile valuation rule would be $32.50 (100 X $ .325) for the pay period.