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# DOLLARS & SENSE

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## PERSONAL USE OF EMPLOYER PROVIDED VEHICLES

One of the most common fringe benefits provided to employees is use of a company owned or leased vehicle. The personal use of an employer provided vehicle is a fringe benefit and, generally, fringe benefits are taxable unless specifically excluded by law. As such, taxable fringe benefits are subject to employment taxes and are includible in the employee's Form W-2, Wage and Tax Statement. There are special rules to withhold, deposit and report the employment taxes on these benefits.

If an employer provides a vehicle for an employee's use, the amount excludable as a working condition fringe is the amount that would be allowable as a deductible business expense if the employee paid for its use. Employees must substantiate their business use through adequate documentation to qualify as an excludable working condition fringe.

The general way to determine the value of a fringe benefit is to determine the fair market value of that benefit. The fair market value is the price an employee would incur to buy or lease the benefit in an arm's length transaction. There are special valuation rules an employer can use to determine the value of an employer provided vehicle:

1. The Vehicle Cents-Per-Miles Rule – The employer multiplies the miles the employee drove for personal use by the standard rate.
2. The Commuting Valuation Rule – The employer multiplies the number of times the employee used the vehicle for commuting times \$1.50 if the employer meets all the requirements for using this method, or
3. The Automobile Lease Value Rule – The employer used the annual lease value to determine the value of the employee's personal use of the vehicle.

There are specific requirements that must be met to use these special valuation rules. For example, the employer must provide the employee with a vehicle for commuting for bona fide non compensatory business reasons to use the commuting valuation rule.

Information on the taxation of automobiles, the automobile valuation rules and the treatment of fringe benefits in general is in Publication 15-B, Employer's Tax Guide to Fringe Benefits.

(excerpted from IRS Partner,  
Headliner Volume 246, September 23, 2008)

HAPPY HOLIDAYS!!



*"Funny thing about kindness. The more it's used, the more you have of it."*

## TUNINK MURRAY FINANCIAL GROUP OFFICE HOURS

Monday thru Friday 8:00 a.m. 4:30 p.m.  
(8:00 am – 1:00 pm December 24,  
closed December 25 & 26 and January 1)

## BOOK NOTE

Connie Muell of our staff was asked to review a book from a local publisher. The title of the book is *Entrepreneur Extraordinaire* by J.M. Seymour of DynaMinds Publishing. The book tells the story of a young entrepreneur who wants to start her own business and explains the steps involved in making it happen. This is a great read for anyone—young or old—who is interested in finding out what it takes to establish a business.

We have a copy of *Entrepreneur Extraordinaire* in our waiting area for your reading pleasure. Be sure to take a look at it the next time you're in our office!