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INFORMATIONAL CIRCULAR NO: 97-P-025

(Update to I.C. No. 1339)

DATE: March 10, 1997

SUBJECT: Employee Taxability for the Value of Certain Uses of State-Owned Vehicles

EFFECTIVE DATE: Immediately

A & R CONTACT: Payroll Services, (913)296-3146

APPROVAL:

SUMMARY: Information Pertaining to Employee Use of State-Owned Vehicles

This Informational Circular is issued as an update to Informational Circular No. 1339, dated May 6, 1996. The information provided herein is based on current provisions of Internal Revenue Code and Regulations, as well as Kansas Statutes Annotated and Administrative Regulations.

REQUIREMENTS

If a state-owned vehicle is used for business purposes only and kept on the business premises except for business use and repair, there is no taxable "personal use." However if a vehicle is taken to an employee's personal residence (commuting) or is used for other "personal use," there is fringe benefit income. (Except for those exclusions set forth in Appendix D.)

In order to limit the fringe benefit income to commuting only, the following conditions must exist:

- A. The vehicle must be owned or leased by the employer and be provided to employees for use in connection with the employer's business;
- B. For business reasons, the employer requires the employee to commute to and/or from work in the vehicle;
- C. The employer establishes a policy under which the employee may not use the vehicle for personal purposes, other than commuting or de minimis personal use;
- D. The employer reasonably believes that, except for de minimis use, the employee does not use the vehicle for any personal purpose other than commuting;

- E. The employee required to use the vehicle is not a control employee, i.e., an elected official, or appointee of the Governor who is confirmed by the Senate or other state officer comparable to the above officials; and
- F. The employer accounts for the commuting use by including the appropriate amount in the employee's gross income.
- G. The amount of fringe benefit income to be reported must be determined utilizing one of the IRS approved valuation methods, i.e., Annual Lease, Commuting, or Cents-Per-Mile valuation rules. See Appendix A.
- H. Field employees, such as inspectors, who work (travel) out of their homes and have no office or duty location would be subject to these reporting requirements. However, only trips incidental (other than the initial trip to and the trip home at the end of the day) are considered commuting for IRS reporting purposes.

A work sheet for computing the biweekly fringe benefit income amount has been designed to assist agency personnel/payroll officers in computing the biweekly amount of the fringe benefit income. See Statement of Personal Usage for State Provided Vehicles, Appendix B.

POLICY

- A. The State's adopted policy as stated in K.S.A. 8-301 is that all state-owned vehicles are for official state business only, and may not be used for private business or for pleasure. However, specific exceptions contained in K.A.R. 1-17-2a permit employees to drive state vehicles home as follows:
 - “(a) (1) State-owned or leased motor vehicles shall not be used to commute between the employee's residence and the employee's official work station, except:
 - (A) when parking the vehicle at the official work station overnight subjects the vehicle to a high risk of vandalism;
 - (B) when the vehicle is used by an official or employee who is regularly called to duty after normal work hours in connection with law enforcement activities or dealing with emergencies which result from an act of God; or
 - (C) for trip vehicles assigned to the traveler, on the evening of the work day immediately preceding the date of travel or the evening of the work day in which travel is completed.
 - (2) When the state-owned or leased motor vehicle is authorized to be used for travel to an employee's place of residence under paragraphs (1)(A) and (1)(B), the “reasonable distance” one-way between the employee's official work station and residence shall not exceed 10 miles unless the 10-mile limitation is specifically

exempted by the secretary or the secretary's designee. For trip vehicles assigned to a traveler under paragraph (1)(C), "reasonable distance" shall be based on a determination that driving the vehicle home will not increase the total one-way trip mileage between the official work station and the destination by more than 10 miles."

- B. All employees who have state vehicles assigned to them for one or more days and who park the vehicle overnight at their residence, are subject to the requirement for reporting of fringe benefit income under (1) the Annual Lease Valuation Rule, (2) the Commuting Valuation Rule (\$1.50 per one-way trip), or (3) the Cents-Per-Mile Valuation Rule. See Appendix A. Vehicles excluded from the reporting requirement are denoted in Appendix D.
- C. The value of the fringe benefit income derived from such use of state vehicles shall be determined by the agencies from work sheets and data supplied by the employees (Appendices B and C) and reported within the payroll system.

AGENCY RESPONSIBILITY

- A. Agencies shall:
 - 1. Identify and notify those employees who use state vehicles and who park those vehicles overnight at their residence (commuting) or use such vehicles for other "personal use" (except for those exclusions enumerated in Appendix D) that such use of the vehicles is deemed to be fringe benefit income valued at one of the three methods set forth herein, resulting in a taxable event to the employee.
 - 2. Agencies shall determine and install a procedure similar to the attached accounting work sheet that will record the work days on which vehicles were parked overnight at the employee's residences and will report the calculated gross amount of such fringe benefit income for the pay period to the payroll system. The procedure will include as a minimum the data specified in the attached Statement of Personal Usage for State Provided Vehicles, Appendix B, including agency code, employee's name, social security number and vehicle license number.
- B. The payroll system shall use reports or data provided by the agencies to:
 - 1. Record fringe benefit income chargeable to each affected employee listed.
 - 2. Calculate and withhold from each affected employee's pay the social security, Medicare and retirement contributions due.
 - 3. Calculate and withhold from each affected employee's pay the federal and state income tax due.
 - 4. Calculate the employer's share of social security, Medicare, retirement, unemployment compensation and workers compensation contributions due.

5. Remit all withheld taxes and contributions to the appropriate authorities.
6. Report on each affected employee's form W-2, the total fringe benefit income for the calendar year.

SAM:JJM:CW

Attachments

STATEMENT OF PERSONAL USAGE FOR STATE PROVIDED VEHICLES

EMPLOYEE NAME _____
 AGENCY CODE _____ VEHICLE LICENSE # _____
 AGENCY NAME _____ SOCIAL SECURITY # _____

Complete Section I, Section II or Section III, sign and file this form with your supervisor/personnel payroll officer.

SECTION I ANNUAL LEASE VALUATION RULE (Biweekly Reporting Period)

YEAR MAKE MODEL AUTOMOBILE FAIR MARKET VALUE ANNUAL LEASE VALUE (TABLE)

_____ = _____
 ANNUAL LEASE VALUE /26 BIWEEKLY LEASE VALUE (TABLE)

_____ (ODOMETER READING - END OF PERIOD)
 LESS
 _____ (ODOMETER READING - START OF PERIOD)

_____ - _____ = _____ | PERSONAL MILES = _____ %
 TOTAL MILES BUSINESS USAGE PERSONAL MILES | TOTAL MILES % PERSONAL USE

GASOLINE CALCULATION 5.5¢ x _____ = \$ _____
 NO. OF PERSONAL MILES AMOUNT FOR GASOLINE

\$ _____ x _____ + \$ _____ = \$ _____
 BIWEEKLY LEASE VALUE % PERSONAL USE AMOUNT FOR GASOLINE TAXABLE FRINGE
 BENEFIT INCOME

SECTION II COMMUTING VALUATION RULE

CHECK TRIPS BY DAY IN WHICH COMMUTING OCCURRED:

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
MORNING														
AFTERNOON														

_____ x \$1.50 = _____
 NO. OF ONE-WAY TRIPS (FOR ONE-WAY TRIP) TAXABLE FRINGE BENEFIT INCOME

SECTION III CENTS-PER-MILE VALUATION RULE

_____ x \$.315 = _____
 PERSONAL USE MILES RATE TAXABLE FRINGE BENEFIT INCOME

 SIGNATURE

 DATE

PERSONNEL - ENTER "TAXABLE FRINGE BENEFIT INCOME"
 RETAIN THIS FORM FOR YOUR RECORDS

