

## **ADMINISTRATIVE PRACTICE LETTER**

### **SUBJECT: WITHHOLDING AND REPORTING FOR PERSONAL USE OF EMPLOYER PROVIDED VEHICLES**

#### **INTRODUCTION**

Per Internal Revenue Service (IRS) code section 61, personal use of an employer provided vehicle is a taxable fringe benefit. The taxable value of the personal use must be included in an employee's gross income and is subject to income and FICA tax withholding. Consistent with IRS guidelines, the university uses the annual lease valuation rule.

#### **ANNUAL LEASE VALUATION RULE**

Under the annual lease valuation rule the taxable value of a vehicle consists of two amounts: the annual lease value (ALV) of the vehicle and the value of employer provided fuel. The ALV is obtained by referencing the vehicle's fair market value on the date the vehicle is first used to the corresponding amount in the IRS ALV table. The ALV is then multiplied by the percentage of personal use to determine the taxable value. The ALV table does not take into account fuel provided by an employer; thus, all personal miles driven with university provided fuel are multiplied by an IRS determined rate (currently 5.5 cents per mile) and added to the taxable portion of the ALV.

#### **REPORTING PERIOD**

Consistent with IRS regulations, the University uses the reporting period of November 1 to October 31 for determining the taxable value to be included in an employee's gross income. Based on prior year usage, an estimated amount will be added monthly to taxable income throughout the year. The amount reported as taxable income for December will include the difference between the estimated monthly amounts and the actual usage as reported for the period of November 1 to October 31.

#### **REPORTING**

Attachment I must be completed annually by all employees who have a University provided vehicle. This form will be sent to employees by the System Payroll Department on or near November 1 of each year. The form must be completed and returned to the System Payroll Department by December 1 of each year. Attachment II is provided as an example of how the annual lease value rule is applied and is for illustration purposes only.

**It is the responsibility of University departments to notify the System Payroll Department when an employee is provided with a university vehicle or if an employee changes vehicles.**

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#### **RECORD KEEPING**

The IRS requires employees with employer provided vehicles to maintain adequate records or sufficient evidence to substantiate the personal and business use of the vehicle. To satisfy the adequate records requirement, employees must keep an account book, diary, log, trip sheet, or similar record.

#### **RELATED APL**

APL Section II-B should be consulted when determining the appropriate use of University provided vehicles.

#### **APPROVED:**

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**Chief Financial Officer & Treasurer**

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Attachment I

UNIVERSITY OF MAINE SYSTEM  
EMPLOYEE FORM FOR REPORTING  
MILEAGE FOR EMPLOYER PROVIDED VEHICLE

ANNUAL LEASE VALUATION RULE

Reporting Period: November 1, 200\_ – October 31, 200\_

Return to the System Payroll Department, 16 Central Street,  
Bangor, Maine 04401 by December 1.

Employee Name: \_\_\_\_\_ Employee ID #: \_\_\_\_\_

Vehicle: \_\_\_\_\_

A. Total Miles Driven From November 1, 200\_  
To October 1, 200\_ \_\_\_\_\_

B. Total Miles Driven for Personal Use \_\_\_\_\_

C. Personal Miles as a % of Total Miles (B/A) \_\_\_\_\_

D. Number of Miles in B. for which the  
University Provided the Fuel \_\_\_\_\_

The above information represents an accurate reflection of business and personal use for the year based on adequate record keeping methods.

\_\_\_\_\_  
(Employee Signature)

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Attachment II

UNIVERSITY OF MAINE SYSTEM

**SAMPLE Annual-Lease Valuation Rule Calculation**

Annual-Lease Valuation Rule

Fair Market Value of Vehicle \$29,000.00

Annual-Lease Value from IRS Table \$ 7,750.00

Miles Driven for Year:

Business	13,650	91%
Personal	<u>1,350</u>	<u>9%</u>
Total	15,000	100%

Fair Market Value of Fuel Provided by the University

5.5 cents times 15,000 miles \$ 825.00

Total Value of Vehicle

\$7,750 + \$825 \$ 8,575.00

Personal Use Value of Vehicle

9% times \$8,575 \$ 771.75

Monthly Value of Personal Use

1/12 times \$771.75 \$ 64.31