

Policy Information

Series 4000 - Non-Instructional/Business Operation

Vehicle Reimbursement

Policy # 4531, 5.35

POLICY

1997

4531

Non-Instructional/Business
Operations

SUBJECT: VEHICLE REIMBURSEMENT POLICY

Part 1: Accountable Plan

In accordance with Internal Revenue Service Code Section 152 and 274, Genesee Valley BOCES has adopted the following plan for accounting for automobile expenses of employees using BOCES- owned vehicles or reimbursed for the use of their own vehicles for BOCES business.

In general, employees using a BOCES-provided vehicle or receiving an allowance from BOCES for use of his or her own vehicle must report business use to BOCES on a regular basis. Such reports must include all of the following: 1) an explanation of the business connection for the expense, 2) substantiation, either actual or deemed, or the expenses, and 3) the return to BOCES of amounts in excess of the substantiated (or deemed substantiated) expenses within a reasonable period of time.

BOCES has adopted the expense report on page 4 of this Reimbursement Policy for reporting business use. This form must be turned in to the Business Administrator on a quarterly basis by the 15th day of the month following the end of the quarterly reporting period.

If an employee adequately reports to BOCES, only the value of the personal use of a BOCES- owned vehicle or excess payments by BOCES for an employee-owned vehicle will be included as W-2 compensation.

If adequate reporting is not followed, all employee use of such vehicles will be deemed personal use and the value of all such use included as W-2 compensation. It will then be the employee's responsibility to deduct business use on his or her own personal income tax return.

Part II: Determining Personal Use Value

Personal use of BOCES-provided vehicles will be valued for the twelve months ending December 31st. BOCES requires you to provide a complete accounting of personal use of the vehicle as of December 31. The taxable value of the personal use will be computed using the least costly method allowable by tax law. You must report personal use to BOCES no less often than annually. BOCES has adopted the reporting form on page 5 of this Reimbursement Policy. The taxable value and related withholding amounts will be reflect on your W-2 at year-end. If you reimburse BOCES for personal use, there is no fringe benefit income.

Taxable fringe benefit compensation will be considered paid as of December 31st, and federal, state and Social Security/Medicare withholding will be deducted from your last paycheck of the year.

BOCES elects to determine the taxable value of personal use of BOCES-provided vehicles in one of the following ways:

1. **Lease Value Method:** The employer-provided vehicle is assigned an annual lease value determined by Internal Revenue Service tables, based on the fair market value of the vehicle. Taxable compensation is determined by multiplying the annual lease value by the personal-use percentage.

Once this method is adopted for a vehicle, it must be used for that vehicle for all following periods in which that vehicle is available to any employee. The value may be adjusted after December 31 of the fourth year and a new fair market value assigned as of January 1 of the fifth year. If BOCES transfers use of the vehicle from one employee to another, it may re-determine the annual lease value based on the fair market value as of January 1 of the year of transfer.

2. **Standard Mileage Rate (cents/mile) Method:** Under this method the personal use is determined by multiplying the personal-use miles by the Internal Revenue Service allowed cents-per-mile in effect for a given year (31.5 cents for 1997).

This method may be used if BOCES reasonably expects that the vehicle will be regularly used for business purposes throughout the year, is driven at least 10,000 miles in a year, and is used primarily by employees.

Once the cents-per-mile method is adopted for a vehicle, it must be used for all later periods in which the vehicle qualifies for this method.

This method is not allowed for "luxury" cars, that is those whose value exceeds the maximum recovery deductions allowable for luxury vehicles under Code Sec 280F for the first five taxable years during which the vehicle is in service. With respect to vehicles placed in service in 1996, the limitation on value is not less than \$15,300.

If BOCES includes as fringe benefit compensation 100% of the value of both business and personal use, it may not use the cents-per-mile method to determine the amount of compensation.

3. **Commuting Valuation Method:** Under this method, the value of an employee's use of a BOCES-provided vehicle for commuting is \$1.50 per one-way commute. To use this method, BOCES must for business reasons require the employee to drive the car home and have a written policy prohibiting employee use of the vehicle for personal purposes other than commuting and other de minimus purposes (such as a stop for lunch).

This method may not be used if personal use other than commuting is allowed or if the employee using the vehicle is a "control" employee. A control employee for BOCES' purposes is one whose compensation is at least \$100,000 (adjusted for inflation) or an employee whose compensation equals or exceeds that paid to a federal government at Executive Level V. The term "government" includes any federal, state or local government unit, and any agency or instrumentality of such a governmental unit. Alternately, a governmental employer may treat all and only employees who are "highly compensated" as control employees.

Board Approved
8/19/97

