

Personal Use of Research Foundation Vehicle Procedure

Effective Date: September 6, 2022

Function: Finance

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Basis for Procedure

The Research Foundation for SUNY (“RF”) must ensure that personal use of RF vehicles by employees is in compliance with applicable Internal Revenue Service (“IRS”) rules.

Procedure Summary

The purpose of this document is to provide guidance on taxation and reporting of personal use of a Research Foundation (RF) owned or leased vehicle. This includes calculating and reporting the taxable value of the personal use of the vehicle to the individual who is receiving benefit.

Background

Taxation of Personal Use

The RF leases and/or owns vehicles that benefit the business activities of the project for which they were acquired. In some cases, the individual assigned for business use of the vehicle may also use the vehicle for personal reasons. The cost attributed to the personal use of the vehicle may be taxable to the person depending on the vehicle and the situation.

- **Example 1:** Project A purchases a van for delivering project materials to and from different sites. The van, except in rare circumstances, remains at one project site every night. A person driving the van on project business detours a couple of miles to stop for a meal. Tax Implications: NONE
Vehicle use would not be taxable to the driver because of its minimum value and difficulty to administer.
- **Example 2:** Project A purchases a car for a project administrator who makes frequent business trips. The car is driven every day to and from work by the individual and sometimes on the weekend for personal reasons. Tax Implications: PERSONAL USE IS TAXABLE
Personal vehicle use (commuting to and from work and weekend use) that could not be attributed to business purposes would be taxable to the individual.
For further information on when the personal use of an RF owned or leased vehicle is taxable, refer to [IRS Publication 15-B, Employer’s Tax Guide to Fringe Benefits](#) or call Central Office, Department of Corporate Payroll and Reporting.

Business Use

The business use of company-provided vehicles is considered by the IRS a business expense and is therefore not required to be reported on a tax statement. However, business use should be documented to meet record keeping requirements.

Documenting and Reporting

When it is determined that the personal use of the vehicle is taxable to the individual, the items outlined below regarding documenting and reporting the use must be followed.

- *Documentation:* Adequate documentation is required for accurate calculation and recording of the taxable value of the business use of the vehicle. If proper documentation of business use is not kept the full taxable value of the vehicle will be added to the individual's tax statement. For more information on documenting use, review the section of this document on Tracking and Reporting Personal Use.
- *Vehicle Expenses:* Reimbursements for expenses related to the business use of the vehicle (such as gasoline or repairs) are not included in the employee's gross income, and are not subject to the IRS' reporting and taxation requirements. Expenses must be documented to support the business use of the vehicle.

Complying with IRS Requirements

To comply with IRS regulations regarding personal use of RF provided vehicles, operating locations have the following options:

- *Prohibit personal use of RF vehicles by RF and SUNY employees.* Therefore, tax reporting requirements related to personal use are avoided.
- *Authorize personal use of a RF vehicle to a RF employee.* In these cases, the operating location must ensure that the cost of the personal use of the vehicle is reported by the individual to the department that is responsible for payroll matters so it can be added to the employee's IRS Form W-2, "Wage and Tax Statement".
- *Authorize personal use of a RF vehicle to a SUNY employee.* In these cases, the operating location must ensure the title or lease of the vehicle is in SUNY's name and then funds must be transferred from the Research Foundation to SUNY to purchase or lease the vehicle. These funds would be transferred by processing a check request against the appropriate campus administrative account. **Important!** By having the title or lease of the vehicle in SUNY's name, SUNY becomes responsible for providing the procedures and properly reporting the value of the personal use of the vehicle for SUNY employees.

Tracking and Reporting Personal Use - Responsibilities

Operating Locations

Operating locations that authorize the use of RF vehicles for personal purposes must establish a process to track and identify, over the course of a calendar year, the following costs:

- total operating cost of vehicle (usage, maintenance and repairs),
- total business use cost, and
- total personal use cost.

Operating locations must maintain adequate records or sufficient evidence to support any business use of the vehicle. Vehicle use should be documented using the RF form: [Taxable Value of Personal Use of an RF Provided Vehicle \(pdf\)](#) or another method that captures the same information.

Individual Assigned to RF Vehicle

It is the responsibility of the individual assigned to the vehicle to complete the RF form: [Taxable Value of Personal Use of an RF Provided Vehicle \(pdf\)](#). The completed form must then be returned to the operating location office that is responsible for payroll matters no less than quarterly but may be done on a monthly basis.

Important! All information regarding the use of the vehicle for the calendar year is due by December 15. This requires an estimation of mileage for the final 15 days of the year.

Calculating the Value of Personal Use

There are two possible methods established by the IRS that the RF can use when calculating the taxable value of a company-provided vehicle: Annual-Lease-Value (ALV) or Fixed-Rate-Per Mile. In order to determine the method to use, you must first determine if the fair market value of the vehicle when first made available to the individual exceeds the limits of the IRS Cents-Per-Mile Value Limit (see IRS Publication 15b for this limit).

The fair market value of a vehicle is determined by the purchase or lease cost. In the case of a purchase, the fair market value would be the sticker price or final invoice price including sales tax, title and other attributable expenses. In the case of a lease, the fair market value would be, the manufacturer's suggested retail price, including sales tax, title and other attributable expenses minus 8%. A vehicle's value may also be obtained from a nationally recognized pricing source such as the [National Automobile Dealers Association](#).

- If the fair market value of the vehicle when first made available exceeds the IRS Cents-Per-Mile Value Limit, then, it is mandatory that the Annual-Lease-Value (ALV) method is used. **Important!** The fair market value of when the vehicle was first made available to the individual remains the same for 4 full consecutive years from the date of purchase or lease. After

this period, the fair market value can be re-evaluated and if applicable the Fixed-Rate-Per-Mile Method used.

- If the fair-market value of the vehicle when first made available does not exceed the IRS Cents Per-Mile Value Limit then either method may be used: Fixed-Rate-Per Mile or Annual-Lease-Value (ALV).

Annual Lease Value Calculation

For vehicles that exceed the IRS Cents-Per-Mile Value Limit, the taxable value is calculated as follows:

1. Determine the fair market value of the vehicle as of the first day it was made available to the individual for personal use.
2. Based on the fair market value, find the ALV in the IRS Annual-Lease-Value Conversion Table (See IRS Publication 15b for this table).
3. Adjust the ALV by the days the vehicle was available to the employee (i.e. if it was not January 1 then the ALV should be adjusted by days available/365) **Important!** The AVL should not be adjusted for an employee's leave as the vehicle is still available to them for use during that time.
4. Multiply the ALV by the percent of business use for the person using the vehicle. This percentage is determined by the amount of total miles driven compared to the personal miles recorded.

Example: A vehicle, to be used exclusively by an individual, is purchased by the Research Foundation for SUNY for \$25,000, in September 2021. The ALV of the vehicle is \$6,850, the adjusted ALV for the year is \$2,289.59 (122 days available/365 *6,850). The individual records mileage throughout the year as total miles driven = 10,000 and personal use miles = 4,000. The percentage of personal use miles is therefore 40%. This percentage is then multiplied by the adjusted ALV to arrive at \$915.84 as the taxable value of the car. If the car had been available the full year the 40% of personal use would be applied to the full \$6,850 to arrive at \$2,740 as the taxable value of the car.

Note: If the employee was reimbursed for gas for the entire use of the car, not just the business use, then 5.5 cents would be applied to the number of personal miles driven and that amount would also be added to the taxable value of the car.

Fixed-Rate-Per-Mile Calculation

For vehicles that do not exceed the IRS Cents-Per-Mile Value Limit, the taxable value is calculated as follows:

- Multiply the number of personal miles driven by the Federal Standard Mileage Rate.
Note: If gasoline is not supplied or reimbursed the Federal Standard Mileage rate will be adjusted: reduced by 5.5 cents per mile.

Example: A person records the total personal use miles driven throughout the year to be 6,000. The Federal Standard Mileage Rate for 2022 is 58.5 cents per mile. The person supplies his or her own fuel so the rate is adjusted by 5.5 cents to 53 cents per mile. Therefore, the taxable value of the car is \$3,180.

Effect on Income and Withholding

For RF employees, the taxable value of the vehicle provided will be recorded as [imputed income](#) to the individual's earnings in the last pay period of the year. Therefore, the employee's gross income will be increased without effecting net pay. The value will appear as "Company Car" on the check stub and/or direct deposit slip and will be included in the year-to-date (YTD) gross income.

Important: The taxable value of personal use of a company-provided vehicle is subject to both Income and Social Security/Medicare taxes and is reportable as income on the W-2 statement. The RF will only withhold Social Security and Medicare taxes and not Federal or State income taxes.

Entry in Oracle

The earnings element used to record the value in the Oracle business system is Company Car. This earnings element should be entered in the employee's record prior to the last pay period of the year. Imputed income entered to this element will automatically have Social Security and Medicare taxes withheld but not federal or state income.

Notifying the Employee

In accordance with IRS regulations, the Human Resources or Accounts Payable department at your operating location must notify any employee using a company-provided vehicle in writing 30 days from receiving the car and/or January 31 of each tax year that no Income Tax will be withheld on the taxable value of the vehicle. It is also suggested the method that will be used to calculate the taxable value be outlined as well. The following standard letters can be used to notify the employee:

- [Tax Implications for Personal Use Vehicle - Annual-Lease-Value Method](#)
- [Tax Implications for Personal Use Vehicle - Fixed-Rate-Per-Mile Method](#)

Forms

[Taxable Value of Personal Use of an RF Provided Vehicle \(pdf\)](#).

[Tax Implications for Personal Use Vehicle - Annual-Lease-Value Method](#)

[Tax Implications for Personal Use Vehicle - Fixed-Rate-Per-Mile Method](#)

Related Information

IRS Resources:

[IRS Publication 15-B](#)

Date	Summary of Change
September 6, 2022	New procedure, which was previously a policy. Updated format, forms & examples.
May 9, 2015	Updated for links.
January 3, 2006	Updated example for Fixed-Rate-Per-Mile Calculation section with current IRS mileage reimbursement rate.
February 11, 2005	Revisions and added section on taxation and reporting.

Feedback

Was this document clear and easy to follow? Please send your feedback to webfeedback@rfsuny.org