County of Riverside
OFFICE OF THE AUDITOR-CONTROLLER
STANDARD PRACTICE MANUAL

		SUBJECT: Taxation of Personal Use of County Vehicle
SECTION:	**2**	**CATEGORY:** Payroll
POLICY NUMBER:	**222**	
EFFECTIVE DATE:	1/1/15	**APPROVED BY:** Paul Angulo

PURPOSE:

To establish policies, procedures, and to provide guidelines for taxation of the personal use of County vehicles. This Standard Practice Manual (SPM) section works in conjunction with Board Policies D-2, D-10, and the Executive Vehicle Benefit section of the Management Resolution. This SPM section adds clarity to the documentation requirements of the Auditor-Controller's Office (ACO) and does not supersede any part of the Board Policies or the Management Resolution section.

SCOPE:

Applies to all County departments, agencies, special districts, and authorities—collectively referred to as "entities"——that are governed by the Board of Supervisors or that are considered part of the County reporting entity (i.e. amounts paid or reimbursed to individuals are reported under the County's EIN for employment tax purposes).

POLICY:

It is the policy of the Auditor-Controller's Office to follow the strict legal requirements of applicable guidance in regards to the taxation of the personal use of County vehicles, including the following:

- State and Federal law
- Title 26 of the United States Code (Internal Revenue Code)
- Title 26 of the Code of Federal Regulations (Treasury Regulations)
- Internal Revenue Service Publications
- Memorandum of Understandings (MOUs)
- Board Policy
- County Record Retention Policy

Internal Revenue Service (IRS) Publication 15-B and Treasury Regulation §1.61-21 provide guidance on the taxation of fringe benefits, which include the personal use of employer-provided vehicles. Board Policy D-10 covers the specific rules and procedures for those authorized for an overnight retention of county vehicles, while Board Policy D-2 covers the use and purchase of county vehicles. The Management Resolution sections 304 C and D discusses the Executive Vehicle Benefit.

PROCEDURE:

The County of Riverside allows for overnight retention of vehicles for employees who have job duties that regularly **require** an off-duty emergency response to an event where there is imminent danger to life, health, or property (Board Policy D-10) and for elected officials under the Executive Vehicle Benefit discussed in the Management Resolution. This SPM is concerned with the taxation and necessary records for the personal use of County vehicles.

Overnight Retention of a County Vehicle

Must be approved by the Executive Office per Board Policy D-10.

Department Heads who require and approve its employees for an overnight retention of County vehicles must apply and secure a written authorization from the County Executive Office (CEO). Once approved for overnight vehicle retention, the employee must track and record all usage (trips) and account for mileage by using the "Monthly Vehicle Mileage Log" (form MVML-single user), see Exhibit A for the form. The CEO will provide ACO with the listings of all individuals and vehicles with overnight retention authorization for taxation purposes. For vehicles with multiple users or the pooled and shared vehicle, (form MVML-pooled or shared) is used, see Exhibit B. Form MVML must be updated on a daily basis. Departments are responsible for collecting the MVML forms and submitting them to ACO-Payroll on or before the 12th of the following month. The MVML forms can be sent electronically, e-mail, or hard copies via Central Main Stop #1160 or dropped off on County Administrative Center 3rd Floor.

Preparing the MVML for both assigned and pooled/shared vehicles

The first column on form MVML is to indicate the number of trips made in a single day. In the event of multiple trips exceeding 3 in a single day, only the first and the last destination needs to be indicated, unless the trips include personal trips which must be accounted for separately in order to comply with IRS and County regulations for accounting of personal mileage. For employees and/or vehicles with written authorization from the County Executive Office for vehicle home overnight parking, travel to and from home must always be shown as personal mileage with destination and starting point specified as "home". For all business miles, it is necessary to indicate the street, city, and the name of the office or building if available. The ending final destination for the day should always be the starting point of the next day's trip.

Employees can use as many MVML sheets as necessary in order to create clear, simple, and precise reports.

Personal Use of County Vehicles

Commuting which is defined under this policy as travel between home or residence and the worksite is categorized as personal use by the IRS and is a taxable benefit even when job assignments require the overnight retention of the vehicle. The MVML form must indicate the number of miles of commute under personal mileage and the business miles under the business mileage. The MVML must also indicate the number of trips made during the day, date, the name of the employee, the vehicle number, and all the relevant data and must be signed by the employee. A personal trip is defined as a one-way commute to or from work. If the employee must make multiple business related stops on the way to the office, the distance from home to the first business related stop is the commute, or if on the way home, the distance between the last businesses related stop and home is the commute. All personal use of County vehicles other than commuting and de minimis is prohibited by Board Policy D-10. Staging which is defined as "switching from a personal vehicle to a county vehicle **(except on approved Human Resources Rideshare program vehicle)** at an intermediate location for the purpose of commuting between the intermediate location and the employee's regular assigned county worksite is prohibited by Board Policy D-2.

Commuting Valuation

Under the IRS commuting valuation, each one-way personal trip is valued at $1.50 of imputed income. In order to qualify for the commuting valuation, the employee must be provided the vehicle for a "bonafide non-compensatory business reason" and must be required to commute in the vehicle as a result of the business use (other than the County Rideshare Program for which separate rules are described on this policy). In addition, the employee must be required to commute in the vehicle for the employee's job requirements. Also, commuting valuation cannot be used by a "control employee", whom are elected officials and other government employees whose compensation is equal or exceeds Federal Government Executive Level V. The value of the benefit for the personal use of the vehicle will appear on the employee's paystub under earnings, not actual dollars, with the code CAR (Car Allowance).

If the employee does not qualify for the commuting valuation, the Annual Lease Valuation or the Vehicle Cents per mile will be used.

Annual Lease Valuation

The benefit is determined using the annual lease valuation method as prescribed by IRS Publication 15-B. Under this rule, the Fair Market Value (FMV) of the vehicle is determined on the day the vehicle was first made available to the employee. The FMV will be used from the date the vehicle was made available to the employee until December 31st of the fourth full calendar year and then on January 1 of the next year, the FMV will be re-determined using a nationally recognized pricing sources. In using the annual lease valuation, the IRS published lease values that correspond and match the vehicle FMV. In order to determine the value of the benefit for the personal use of the vehicle, the lease value of the vehicle is multiplied by the percentage of personal miles driven.

The annual leave value does not include the value of employer-provided fuel. The value will be determined using the IRS-approved rate published on a yearly basis multiplied by the personal miles driven.

The value for both the personal use and the fuel will appear on the employee's paystub under earnings with codes EVV (Executive Vehicle Value) and EVM (Executive Vehicle Mileage).

Vehicle Cents per Mile Valuation

The value of the personal use of the County vehicle is determined by multiplying the IRS's standard business mileage rate (published yearly) by the number of personal miles driven. To use the cents per mile method, the vehicle and the employees must meet certain criteria, i.e. the vehicle is regularly and primarily used by at least 3 County employees to and from work every workday or the vehicle must actually be driven at least 10,000 miles annually including personal use. In addition, the vehicles cannot exceed the FMV value threshold as published by IRS.

The value of the benefit for the personal use of the vehicle described in the 3 valuations above are all imputed income, meaning no cash is paid to the employee. The value or the benefit are taxable earnings and will be shown in the employee's paystub under earnings. There will not be a year-to-date accumulator. The value or the benefit for the personal use of the vehicle is taxable for Federal, State, and Social Security and Medicare taxes and will therefore increase boxes 1, 3, 5, and 16 of the W-2 form. The value or the benefit is not reportable for retirement purposes.

Qualified Non-personal-use Vehicles

Certain types of vehicles have been designated non-personal-use vehicles by the IRS, meaning all use of these vehicles is a working condition benefit and is not taxable. A qualified non-personal-use vehicle is any vehicle which is not likely to be used more than minimally for personal use because of its design. These vehicles generally include the following (per IRS Publication 15-B):

- Clearly marked sheriff patrol vehicles and fire apparatus vehicles
- Unmarked vehicles used by law enforcement officers (must carry a weapon and be able to arrest individuals) if the use is officially authorized and is incident to the officer's law enforcement duties such as responding to emergencies
- Ambulance or hearse used for its specific purpose
- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds
- Delivery trucks with seating for the driver only, or the driver plus a folded jump seat
- Passenger bus with a capacity of at least 20 passengers used for its specific purpose
- Tractors and other special-purpose farm vehicles

- Pickup trucks – Pickup trucks with a loaded gross weight of 14,000 pounds or less is a qualified non-personal-use vehicle if it has been specifically modified so it is not likely to be used more than minimally for personal purposes. The truck would qualify if it was clearly designated as a County of Riverside vehicle and it meets one of the following requirements:
  1. It is permanently equipped with at least one of the following items:
     a. A hydraulic lift gate
     b. Permanent tanks or drums
     c. Permanent side boards or panels that materially raise the level of the sides of the truck bed
     d. Other heavy equipment (such as an electric generator, welder, boom, or crane used to tow automobiles and other vehicles)
  2. It is used primarily to transport a certain type of load in a construction, mining, manufacturing, farming, or similar operation. The vehicle must have been specifically designed for this or significantly modified. This vehicle would not be driven on public highways.
- An SUV may be a qualified non-personal-use vehicle if it has been specifically modified so it is not likely to be used more than minimally for personal purposes. Significant modification implies passenger seats permanently removed.
- A van is a qualified non-personal-use vehicle if it has been specifically modified so it is not likely to be used more than minimally for personal purposes. Significant modification implies passenger seats permanently removed and permanently installed interior equipment racks.

Except for Sheriff's patrol vehicles and fire apparatus vehicles, all other vehicles must submit records to ACO as noted in this SPM. Although other vehicles may appear to meet the definition of a qualified non-personal-use vehicle, the documentation must be supplied and retained for tax purposes until it is determined by the ACO that the vehicle is in fact a non-personal use vehicle. If a department thinks a vehicle might qualify as non-personal use, detailed pictures should be submitted to ACO for a determination. If it is determined by the ACO Payroll Division that the vehicle qualifies as a non-personal use vehicle, a mileage log will no longer be required. For all other vehicles, mileage logs must be kept in accordance with the County's Record Retention Schedule (at least a minimum of five years after the end of the calendar year to which the mileage logs relate).

Executive Vehicle Program

Elected Officials

Elected Officials have three choices under the Executive Vehicle Program. Each choice requires different paperwork to be submitted to the ACO Payroll Division or the department payroll representative.

First Option – Vehicle Allowance. The Executive Vehicle Benefit Program Election Request Form must be filled out selecting option one and routed to Human Resources who will then verify the form and send it to ACO Payroll Division. This will initiate the vehicle allowance. The monthly amount of the vehicle allowance can be found in the Management Resolution section 304 C. The allowance is paid to the official as an additional cash wage. The official will see the code DHA (Department Head Allowance) added to the paycheck with amounts in both the current earnings column and the Year-To-Date (YTD) column. The vehicle allowance is taxable for federal and state income taxes, Social Security, and Medicare and therefore will increase boxes 1, 3, 5, and 16 on the W-2. The benefit is not reportable for retirement purposes.

To claim reimbursement for business miles, the elected official must fill out the monthly executive vehicle mileage log monthly documenting each trip, the purpose of the trip, and the mileage, etc. The mileage log should be turned in to the department payroll representative who will ensure it is added to the next pay warrant. Commuting mileage is defined as personal mileage by the IRS and must not be included for reimbursement and/or must be removed if the elected official's business trip included travel to or from home or residence rather than from their primary place of business.

Second Option – Use a County vehicle and track all business and personal use of the vehicle. The Executive Vehicle Benefit Program Election Request Form must be filled out selecting option two and routed to Human

Resources who will then verify the form and send it to ACO Payroll Division. The monthly executive vehicle mileage log must be filled out documenting each trip, the purpose of the trip, and the mileage, etc. The mileage log must be submitted to ACO Payroll Division by the 12th of the following month. The monthly benefit will be included in wages on the last payday of each month following the month of use. Commuting mileage is defined as personal mileage by the IRS and must be designated as such on the form. Valuation method to determine the value or the benefit for personal use of the vehicle is described earlier in this policy.

Third Option – Use a County vehicle and NOT track all personal and business usage. The Executive Vehicle Benefit Program Election Request Form must be filled out selecting option three and routed to Human Resources who will then verify the form and send it to ACO Payroll Division. The monthly executive vehicle mileage log must be filled out documenting the month's beginning and ending mileage. The mileage log is due to ACO Payroll by the 12th of the following month. The vehicle FMV will be used to determine the annual lease value as prescribed by IRS Publication 15-B. Under this option, all usage will be considered personal usage and the taxable benefit will be the annual lease value which was described in this policy.

Other Eligible Employees under the Executive Vehicle Benefit (Department Heads)

Other Eligible Employees as determined by the Management Resolution section 304 D are allowed the vehicle allowance as explained in option 1 above.

Rideshare Program

As noted in Policy D-2, the Human Resources Rideshare Program operates under separate rules that were adopted as part of that Program when it was approved by the Board of Supervisors. All Rideshare participants must track their trips and miles on the approved Rideshare Monthly Mileage Log (RMML), see exhibit C for the form. The logs must be submitted to the Rideshare Office Program on or before the 7th of the month following the month of ridership. The HR Rideshare in-charge will then forward the RMML to the ACO Payroll Division by the 12th of the month. The monthly benefit will be shown as imputed income only to the extent the value of rides exceeded the amount paid by the employees. The value or the benefit is shown on the last payday of each month following the month of ridership. Normally, rideshare participant are charge using the commuting valuation discussed earlier unless the employee is a control employee, where the annual lease valuation is used. Whichever valuation method is used, the same method must be applied to each employee who shares the use of the vehicle.

Vehicles that Meet the IRS Vanpool Requirements

For vehicles meeting the IRS vanpool requirements, employees can exclude up to the statutory monthly amount (as determined annually by the IRS) from the benefit being provided. To qualify, the vehicle must seat at least six (not including the driver) and the County must expect that at least 80% of the vehicle's mileage will be transporting employees to and from work with at least half of the available seats occupied by employees. If the vehicle meets these requirements, the employees will have imputed income only if the monthly fares they pay are less than the value of the benefit minus the statutory monthly amount.

Vehicles that do not meet the IRS Vanpool Requirements

For employees using vehicles that do not meet the IRS vanpool requirements, the employee participants will have imputed income to the extent that fares paid do not cover the value of the benefit to the employee. The valuation method that can be used will be determined on a vehicle-by-vehicle basis, however, whichever valuation method is used, and the same method must be applied to each employee who shares use of the vehicle. (Treas. Regs. Sec. 1.132-9 Q/A-21(e)). To qualify for the $1.50 commute valuation rule, there must generally be at least three County employees riding in the vehicle with no control employees.

If a vehicle does not meet the commute valuation rule requirements, the cents-per-mile or lease valuation method will be used.

Record Keeping Requirements

All records relating to this SPM and the personal use of County vehicles must be maintained pursuant to the County's Record Retention Schedule (at least a minimum of five years after the end of the calendar year to which the mileage logs relate).

MONTHLY VEHICLE MILEAGE LOG (MVML Single User Vehicle)

Use this form to report all business and personal usage of County vehicle mileage in compliance with Board Policy D-2, D-10. Personal use is a fringe benefit and is taxable per IRS.

Vehicle ID No. ______________

Employee Name (Please print) ______________________________ EE ID# ______________

Dep't. Name, Street and City Address ____

Important: Only employees with written authorization from the County Executive Office can take-home approved vehicles and must indicate travel to & from home or residence under personal mileage[4]

EXHIBIT "A"

No. of Trips[1]	Travel Records				Mileage Reading		After hours Emergency	Mileage	
	Date	Starting Point[2]	Destinations =Office, Street & City or home[3]	Purpose of trips (be specific)	Start	End		Personal	Business
						Total Miles			

Employee Signature: ______________________________ Date: ____________________

All vehicle use is for County business purposes only. The staging and/or personal use of a County vehicle is prohibited by County policy. Page _______ of _______

[1]Indicate the number of trips during the day. [2] If starting point is home or residence, indicate "home", if not coming from home, indicate the office or building including street and city.

[3]In cases of multiple destinations, use the next row. [4]Authorized take-home vehicles should specify purpose of trip to or from home as "commute" and must indicate the number of miles under personal mileage.

Staging - switching from a personal car to a county vehicle (except HR Rideshare Program) for purposes of commute is a violation of County policy.

MONTHLY VEHICLE MILEAGE LOG (MVML shared or pool vehicle)

Use this form to report all business and personal usage of County vehicle mileage in compliance with Board Policy D-2, D-10. Personal use is a fringe benefit and is taxable per IRS.

Vehicle Number (Please write legibly): ______________________

Vehicle Description: ______________________

Department Name: ______________________

Important: Only employees with written authorization from the County Executive Office can take-home approved vehicles and must indicate travel to and from home or residence under personal mileage[4]

EXHIBIT "B"

No. of Trips[1]	Travel Records							Mileage Reading		After Hrs. emergency	Mileage	
	Date	Last 3 digits of EE ID	First letter of Name	Print Full last name	Starting Point[2]	Destination(s)[3]	Purpose of trips (be specific)	Start	End		Personal	Business
									Total Miles			

Employee Signature: ______________________ Date: ______________

All vehicle use is for County business purposes only. The staging and/or personal use of a County vehicle is prohibited by County policy. Page____of______

[1]Indicate the number of trips made during the day. [2]If starting point is home or residence, indicate "home", if not coming from home, indicate the office or building including street and city.

[3]In cases of multiple trips, use the next row. [4]Authorized take-home vehicles should specify purpose of trip to or from home or residence as "commute" and must indicate the number of miles under personal mileage.

Staging - switching from a personal car to a county vehicle (except HR Rideshare Program) for purposes of commute is prohibited by County policy.

EXHIBIT "C"

Rideshare Monthly Mileage Log (RMML)

RIDESHARE OFFICE
County Vehicle Program Participant Trip Log - 2013

All participants in the County Vehicle Program are required complete a Participant Trip Log in accordance with Internal Revenue Service rules and Board Policy D-2. Each one-way trip must be recorded in the Travel Record section. Participant Trip Logs must be submitted to the Rideshare Office no later than the seventh (7th) calendar day of each month.

Participant Information:

Last Name: ____________ First Name: ____________ Employee ID #: ____________

CV # ____________ Zone: ____________ Work Phone #: ____________

TRIP RECORD

Dec	Trip #	Origination Address	Destination Address	# OW Miles Traveled
2	1			
	2			
3	1			
	2			
4	1			
	2			
5	1			
	2			
6	1			
	2			
9	1			
	2			
10	1			
	2			
11	1			
	2			
12	1			
	2			
13	1			
	2			
16	1			
	2			
17	1			
	2			
18	1			
	2			
19	1			
	2			
20	1			
	2			
23	1			
	2			
24	1			
	2			
25 (H)	1			
	2			
26	1			
	2			
27	1			
	2			
30	1			
	2			
31	1			
	2			

Total # of Trips		Monthly Fare Amount		Imputed Income (if any)		Pay Period	