



1989

## **Municipal General Management Report 1989 No. 1: Final IRS Regulations on Employer-Provided Vehicles**

Richard M. Ellis  
*Municipal Technical Advisory Service*

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# Municipal General Management Report 1989

No. 1

*Final IRS Regulations on  
Employer - Provided Vehicles  
By Richard M. Ellis*

Personnel-Fringe Benefits



The University of Tennessee  
Municipal Technical Advisory Service

In cooperation with:  
The Tennessee Municipal League

The Municipal Technical Advisory Service (MTAS) is a statewide agency of The University of Tennessee's Institute for Public Service. MTAS operates in cooperation with the Tennessee Municipal League in providing technical assistance services to officials of Tennessee's incorporated municipalities. Assistance is offered in areas such as accounting, administration, finance, public works, ordinance codification and wastewater management.

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**MTAS GENERAL MANAGEMENT REPORT NO. 1**

**FINAL IRS REGULATIONS  
ON  
EMPLOYER-PROVIDED VEHICLES**

by

Richard M. Ellis

1989

**MUNICIPAL TECHNICAL ADVISORY SERVICE**  
The University of Tennessee  
Knoxville, Tennessee

in cooperation with the Tennessee Municipal League

## ABSTRACT

The Internal Revenue Service published final regulations on the taxation of personal use of city-owned vehicles on July 6, 1989. This report summarizes the new regulations and offers suggestions on municipal compliance with the regulations.

## CITATION

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Dear Municipal Official:

It is a pleasure to present to you this MTAS General Management Report No. 1, *Final IRS Regulations On Employer-Provided Vehicles*, prepared by The University of Tennessee's Municipal Technical Advisory Service (MTAS).

This general management report has been prepared to help municipalities understand the final regulations on taxation of personal use of city-owned vehicles.

A special note of thanks is extended to Rich Ellis, MTAS General Management Consultant, for preparing report. Other MTAS staff involved with this project are Anne Hawkins, Information Management Consultant and Debe Linn, Senior Editorial Assistant, who assisted in the production of this revised report. Marie Murphy, Legal Specialist with the County Technical Assistance Service, developed the sample forms contained in this report.

Copies of this and other MTAS municipal reports are available on a complimentary basis to officials of all Tennessee municipalities, and on a limited basis to state and federal government offices. Others wishing to obtain copies may do so on a prepaid basis. Contact our Knoxville office at 615/974-5301 for an order form.

We at MTAS hope you find this general management report of assistance to you, and look forward to receiving your comments and suggestions.

Sincerely,



Robert P. Schwartz  
Executive Director

RPS:dkl

# FINAL IRS REGULATIONS ON EMPLOYER-PROVIDED VEHICLES

On July 6, 1989, the Internal Revenue Service (IRS) published final regulations on the *Taxation of Fringe Benefits*, including taxation of personal use of a city-owned vehicle. These final regulations can be found in the *Federal Register* for July 6, 1989, pages 28576-28620.

In 1986, MTAS published technical bulletins explaining interim rules for taxation and valuation of fringe benefits available to city employees who use city-owned vehicles, substantiation and recordkeeping rules for business and personal use of city-owned vehicles, vehicles exempted from recordkeeping and taxation requirements, and employers' withholding options and requirements. The final regulations, published July 6, 1989, clarify issues of compliance. The following explanations are a summary of these new regulations and how city governments can comply.

## General Rule

The personal use of a city-owned vehicle is taxable to the employee. "Personal use" includes commuting, local, and out-of-town travel. Employees are expected to complete records to substantiate both business and personal miles driven in city-owned vehicles.

## Definitions

**Automobile** - Any four-wheeled vehicle manufactured primarily for use on public streets, roads, and highways.

**Clearly marked police and fire vehicle** - A vehicle owned or leased by a city that is required to be commuted in by a police officer or firefighter who is on call when not working. The vehicle is considered clearly marked if: "through a painted insignia or words it is readily apparent the vehicle is a police or fire vehicle." Government license plates will **NOT** satisfy this requirement.

**Law enforcement officer** - An individual who is employed on a full-time basis by a city and is responsible for the prevention or investigation of crime involving injury to persons or property (including apprehension and detention of persons for such crimes); who is authorized by law to carry firearms, execute search warrants, and to make arrests (other than merely a citizen's arrest); and who regularly carries firearms (except when it is not possible to do so because of the requirements of undercover work). The term "law enforcement officer" may include an arson investigator who also meets the requirements of this definition.

**Qualified specialized utility repair truck** - Any truck (not including a van or pickup truck) specifically designed and used to carry heavy tools, testing equipment, or parts if:

1. The shelves, racks, or other permanent interior construction which has been installed to carry and store heavy items is such that it is unlikely that the truck will be used more than a minimal amount for personal purposes; and
2. The city requires the employee to drive the truck home to be able to respond in emergency situations or for restoring or maintaining electricity, gas, telephone, water, sewer, or steam utility services.

**Qualified nonpersonal-use pickup truck** - A pickup truck with a loaded gross vehicle weight (GVW) not over 14,000 pounds if it is clearly marked with permanently affixed decals or special painting, and is:

1. Equipped with at least one of the following: a hydraulic lift gate; permanently installed tanks or drums; permanently installed side boards or panels materially raising the sides of the truck bed; or permanently installed heavy equipment such as an electric generator, welder, boom, or crane used to tow vehicles.
2. Used primarily for transporting a particular type of load, not over public highways, in connection with a construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operation, and has been specially designed or modified to a significant degree for such use.

**Qualified nonpersonal-use van** - A van with a loaded GVW not over 14,000 pounds that is clearly marked with permanently affixed decals or with special painting, and has a seat for only the driver and one other person, and has either permanent shelving that fills most of the cargo area or the cargo area is open and the van is constantly used to carry material or equipment used by the city.

**Control employee** - An elected official; or, a city employee whose compensation equals or exceeds the compensation paid to a federal government employee holding a position at Executive Level V (currently \$75,500).

## **Recordkeeping Requirements**

The standard for recordkeeping is that there be "adequate records or sufficient evidence" to support any credit or deduction claimed for business use of a city-owned vehicle. Examples of acceptable substantiation would be account books, diaries, vehicle logs, receipts, bills, trip sheets, expense forms, or statements from disinterested witnesses. These records must substantiate the time, date, place, purpose, and cost of travel, and are more useful when made at the time the use of the vehicle occurred, or shortly thereafter. Oral substantiation will be difficult to support and is not recommended.

## Exceptions To Recordkeeping Requirements

If a city government has a written policy that vehicles cannot be used for personal use except for commuting purposes, the substantiation requirement is satisfied if the following conditions are met:

1. The city-owned vehicle is provided for general use by one or more employees.
2. The city requires the employee to commute to or from work in the vehicle.
3. The city reasonably believes the employee does not use the city-owned vehicle for anything other than commuting.
4. The city accounts for the commuting use by including the value of the benefit in the employee's gross pay.
5. There is sufficient evidence that would enable IRS to determine whether the use of the vehicle met the four preceding conditions.
6. The city-owned vehicle is used entirely for city business with only incidental personal use, such as stopping for lunch when in the field.
7. The city-owned vehicle is considered as used entirely for personal purposes. In a few cases, a city may provide a mayor or manager/administrator with full personal use of a city-owned vehicle. It is considered a part of the employee's compensation. If this occurs, the city is exempted from the recordkeeping requirements, but the employee must maintain records to substantiate business use in support of deductions claimed for income tax purposes which are filed on IRS Form 2106.

The following types of vehicles are exempted from both the recordkeeping and taxation requirements:

1. Clearly marked police and fire vehicles.
2. Unmarked law enforcement vehicles when used for authorized purposes and operated by a full-time, certified law enforcement officer.
3. Delivery trucks with seating for only one driver, or only the driver and a folding jump seat.
4. Flatbed trucks.
5. Cargo carriers with over 14,000 pounds GVW.
6. School and passenger buses with over a 20-person capacity.
7. Ambulances.

8. Hearses.
9. Bucket trucks.
10. Cranes and derricks.
11. Forklifts.
12. Cement mixers.
13. Dump trucks.
14. Garbage trucks.
15. Specialized utility repair vehicles.
16. Tractors.
17. Certain pick up trucks and vans not over 14,000 pounds GVW.

The new regulations clarify the exception allowed for pickup trucks and light vans used by many city public works and utility operations. Pickup trucks and vans must be clearly marked with permanently affixed decals, special painting, or other advertising. Pickup trucks must be equipped with one of the following:

1. A hydraulic lift tailgate.
2. Permanently installed tanks or drums.
3. Permanently installed side boards or panels raising the level of the sides of the truck bed.
4. Permanently installed heavy equipment such as a welder, electric generator, boom, or crane.

Vans must have a seat only for the driver and possibly a jump seat for one other person. Vans must also have either permanent shelving installed, or an open cargo area with the van constantly used to carry material or equipment for city purposes (i.e. public works maintenance and repair, utility maintenance and repair).

It is clear in the final regulations that pickup trucks without one of the options listed above will not be exempt. Many agencies in the state have opted to exclude certain pickup trucks used by supervisors who may be on call for emergency response, primarily because of the vagueness of the interim regulations. These agencies will need to review their policies to ensure they are in compliance.

## **Withholding Requirements**

City employers have the option not to withhold income taxes (but they must withhold social security taxes) on the value of an employee's personal use of a city-owned vehicle, if the city meets two criteria:

1. The city employee must be notified of the decision not to withhold by January 31 of the taxable year.
2. The city must include the value of the employee's personal use of the city-owned vehicle in the gross pay recorded on the employee's W-2 form at the end of the year. Social security taxes, which must be withheld, and income taxes, which may be withheld, can be withheld and remitted on a pay period, quarterly, semi-annual, or annual basis.

## **Valuation Of Personal Use Of City-Owned Vehicles**

There are three special valuation rules that can be used to determine the value of vehicle use: annual lease value (ALV), vehicle cents-per-mile, and commuting value. The final regulations have clarified these rules, and they apply as of January 1, 1989. For benefits received in 1985 through 1988, the previously issued interim rules apply.

## **Notification Requirements**

City are required to notify their employees of: the special valuation rule or rules the city intends to use; the substantiation requirements to be used by the city; and the effect of failure to comply with substantiation requirements. The notice of these requirements must be made in a manner reasonably expected to come to the attention of affected employees (i.e. through memos directly sent to those affected, or in employee paychecks).

Notification must be made to employees affected by these final regulations not later than October 31, 1989 for this tax year. In subsequent years, notification must be sent by January 31 of the calendar year the valuation rules apply regarding changes in the method of valuing these benefits, or within 30 days after the benefit is first provided to the employee. If the city decides not to change the method from year to year, there is no need to notify employees every year of this fact. Notification is only required when the valuation method is changed.

## **Commuting Valuation Rule**

Under this rule, a flat \$1.50 each way (\$3.00 per round-trip commute) can be charged to employees if the following criteria are met:

1. The vehicle is used for city business only.

2. The city requires the employee to commute to or from work in the vehicle.
3. The city has a written policy prohibiting personal use other than for commuting and certain minimal personal use, and the employee is not allowed to use the vehicle for any other use.
4. The employee using the vehicle is not a "control employee."

A "control employee" is an elected official or an appointed employee whose compensation exceeds the compensation for a federal government employee holding a position at Executive Level V. The current annual pay at this level is \$75,500. As the federal pay level increases, the pay level for a "control employee" obviously will increase.

If more than one employee commutes between home and work in a city-owned vehicle, each passenger is to be charged the \$1.50 fee each way.

### **Annual Lease Value Rule**

This rule may be used when a city-owned vehicle can be used for more than commuting purposes. It is a four-step process.

- Step 1. Establish the vehicle's fair market value (FMV) from the date it is first made available for personal use. If the city owns the vehicle, the purchase price is the FMV. The FMV of a leased vehicle is either the retail value reported by a nationally recognized pricing source or the manufacturer's suggested retail price less 8%. The FMV of any vehicle provided to an employee prior to January 1, 1985, is determined as of January 1 of the first year the ALV rule is applied to the vehicle. Once the FMV is established, Table 1 (page 7) can be used to establish the ALV. This ALV is to be used for a four-year period.
- Step 2. Calculate the difference between personal and business mileage to create a fraction representing business use. The difference between the total miles and the personal miles driven by the employee is the numerator. The denominator is the total miles driven by the employee.
- Step 3. Determine the value of business use by multiplying the ALV by the mileage fraction.
- Step 4. Calculate the value of the benefit to be included in the gross pay of the employee by subtracting the business use from the ALV.

#### **Example:**

- Step 1. Determine ALV:  
Employee is provided with a vehicle with a FMV of \$17,500. Using the chart on page 7, the ALV is \$4,850.

**TABLE 1****ANNUAL LEASE VALUE TABLE**

Automobile Fair Market Value	Annual Lease Value	Automobile Fair Market Value	Annual Lease Value
0- 999	800	22,000-22,999	6,100
1,000- 1,999	850	23,000-23,999	6,350
2,000- 2,999	1,100	24,000-24,999	6,600
3,000- 3,999	1,350	25,000-25,999	6,850
4,000- 4,999	1,600	26,000-27,999	7,250
5,000- 5,999	1,850	28,000-29,999	7,750
6,000- 6,999	2,100	30,000-31,999	8,250
7,000- 7,999	2,350	32,000-33,999	8,750
8,000- 8,999	2,600	34,000-35,999	9,250
9,000- 9,999	2,850	36,000-37,999	9,750
10,000-10,999	3,100	38,000-39,999	10,250
11,000-11,999	3,350	40,000-41,999	10,750
12,000-12,999	3,600	42,000-43,999	11,250
13,000-13,999	3,850	44,000-45,999	11,750
14,000-14,999	4,100	46,000-47,999	12,250
15,000-15,999	4,350	48,000-49,999	12,750
16,000-16,999	4,600	50,000-51,999	13,250
17,000-17,999	4,850	52,000-53,999	13,750
18,000-18,999	5,100	54,000-55,999	14,250
19,000-19,999	5,350	56,000-57,999	14,750
20,000-20,999	5,600	58,000-59,999	15,250
21,000-21,999	5,850		

(Source: *Federal Register*, Vol. 54 No. 128, July 6, 1989: 28588-28589)

STEP 2. Determine the fraction:  
Employee drove 10,000 miles, 2,000 of which were personal use.  
Numerator: 10,000 - 2,000 = 8,000 business miles  
Denominator: 10,000 total miles driven

STEP 3. Determine value of business use:  
ALV x mileage fraction  
 $\$4,850 \times \frac{8,000}{10,000} = \underline{\$3,880}$

STEP 4. Value of the benefit to be included in gross income:  
ALV - business use  
 $\$4,850 - \$3,880 = \underline{\$970}$

The ALV includes maintenance and insurance, but not gasoline. If the city pays for gasoline used to drive personal miles, the value must be added to the value of the vehicle benefit included in the employee's gross income. The gasoline value is an additional 5.5 cents-per-mile. In the example presented above, this would add an additional \$110 to the \$970 value, or a total of \$1,080.

## Revaluation

The ALV under this rule must be recalculated every four years. The four-year period is determined from the date the special valuation rule is applied by the city to December 31 of the fourth full calendar year following that date. Each subsequent four-year period for the vehicle runs from January 1 to December 31 of the fourth year. For vehicles that are being revalued, or were provided to employees prior to January 1, 1985, the FMV is the value as reported by a nationally recognized pricing source as of the date the vehicle is first available for use by the employee.

## Vehicle Cents-Per-Mile Rule

This rule allows the value of personal use to be calculated by multiplying the number of personal miles driven by the standard IRS mileage allowance. Presently the rate is 24 cents-per-mile for the first 15,000 miles, and 11 cents-per-mile thereafter. This standard rate includes gasoline, insurance, and maintenance. If the employer does not supply gasoline, the rate is 18.5 cents-per-mile.

The cents-per-mile method can be used if the vehicle is regularly used for governmental purposes and is driven at least 10,000 miles in a year. Regular use for governmental purposes is satisfied if at least 50% of the vehicle's total mileage is for government business, or the vehicle is generally used each workday to transport at least three employees to and from work in a city-sponsored commuting vehicle pool.

The cents-per-mile rule may be used for vehicles whose FMV is not more than \$12,800 for vehicles placed in service before January 1, 1989, and \$12,800 adjusted by the vehicle price inflation adjustment for vehicles placed in service in and after 1989. The IRS will announce an inflation adjustment figure in the future. Once adopted, both the city and the employee must use this valuation technique for all subsequent periods in which the vehicle qualifies for use of the rule. Employees must still comply with the recordkeeping requirements described above.

**Example:**

Standard mileage rate: Employee drives 20,000 personal miles and 35,000 business miles. The IRS standard allowance is 24 cents for the first 15,000 miles and 11 cents for all thereafter, or in this case 5,000 miles.

Amount of benefit to be included in gross income is:

$$\begin{array}{r} 15,000 \text{ miles} \times .24 = \$3,600 \\ \text{Plus} \\ 5,000 \text{ miles} \times .11 = \underline{550} \\ \$4,150 \text{ total personal benefit} \end{array}$$

**Fleet Average Valuation Rule**

If a city has a fleet of 20 or more vehicles, and the vehicles are regularly used for government business, a special fleet average rule may be used for calculating the ALV of the fleet. This rule may be used only if no vehicle in the fleet has a FMV in excess of \$16,500, as adjusted by the automobile price inflation adjustment figure provided by the IRS. The regular business use requirement is the same as the cents-per-mile rule. A city may establish separate fleets for lesser or more expensive vehicles as long as the regular business and \$16,500 value requirements are met. Under this rule, if gasoline is provided by the city, it may be valued at 5.5 cents-per-mile if determining actual fuel costs would impose an unreasonable administrative burden.

**APPENDIX A**  
**SAMPLE FORMS**

**APPENDIX A  
SAMPLE FORMS**

**RESOLUTION TO ADOPT CITY-OWNED VEHICLE USE POLICIES**

TO ADOPT POLICIES TO CLARIFY PROCEDURES RELATING TO THE USE OF  
CITY-OWNED VEHICLES FOR THE (Name of Municipality)

WHEREAS, in certain circumstances it is beneficial to the City and to the public that vehicles owned or leased by the City be used by employees for commuting to assist in scheduling, response time, manning, storage, and to prevent vandalism of such vehicles in the various city offices and departments; and

WHEREAS, the Internal Revenue Service (IRS) requires certain affirmative policies by local governments to enable recordkeeping and valuation rules be utilized.

NOW, THEREFORE, BE IT RESOLVED by the (Name of Governing Body) of the Name of the Municipality, that:

SECTION 1. Employees and officials of the Name of City are prohibited from using city-owned vehicles for personal use, except for commuting when authorized to do so by the Name of Governing Body or a designated official for bona fide noncompensatory reasons in the conduct of city business and for de minimis personal use, such as stops for meals taken in the course of employment or on the way to and from home that does not materially increase the number of miles a vehicle is driven.

SECTION 2. City vehicles shall be used for official City business and shall be made available for use in connection with City business.

SECTION 3. City-owned vehicles not being used for commuting purposes or after normal business shall be secured on City-owned property unless temporarily located elsewhere, such as for maintenance.

This Resolution shall take effect upon adoption, the general welfare requiring it. The title of public official shall transmit a copy of this resolution to all City employees for immediate implementation.

Dated this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

APPROVED:

ATTEST:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Recorder

**NOTIFICATION TO EMPLOYEES OF ELECTION  
TO USE SPECIAL COMMUTING VALUATION RULE  
FOR COMMUTING IN CITY VEHICLES**

Date: (This date should be prior to October 31, 1989 for the 1989 tax year or within 30 days of providing the vehicle to the employee)

For the tax year \_\_\_\_\_ and subsequent tax years (unless notice of another election is provided to employees), the special commuting valuation rule will be used for valuing the inclusion of your personal commuting in a city-owned vehicle. This special rule allows each one-way commute to be valued at \$1.50 for inclusion in your gross income. In order to use this rule, substantiation is required by the Internal Revenue Service to show the following:

1. Commuting to home to work or work to home is the only permissible personal use of the vehicle. It is against the policies of this office for you to use your City vehicle for any other use, except for de minimis personal use as defined in the IRS Code and the regulations issued thereto. This notice hereby constitutes the written policy of this office to that effect.
2. You are required to commute in the assigned vehicle for the following noncompensatory reason:

\_\_\_\_\_

\_\_\_\_\_

(A reason should be stated such as to safely store the vehicle to prevent vandalism or to enable direct response to an emergency)

3. You in fact use the vehicle for any personal use other than commuting. A statement will be required (monthly, weekly, biweekly, or other) stating that the City vehicle has not been used for any personal use other than commuting or a de minimis personal use as referenced above, the number of commutes per reporting period, the mileage for each commute, and the total number of vehicle miles.
4. The IRS must be satisfied that the vehicle is used for City business. This should be substantiated by showing that the total miles for commuting is less than 50% of the miles the vehicle is in use during each reporting period.

Persons other than the driver of the vehicle who commute in the vehicle should file the necessary reporting document showing the total number of commutes, and any additional mileage in the commute not included in the driver's route home. Each commute shall be valued at \$1.50 per commute in the non-driving employee's gross income.

Failure to comply with substantiation requirements can result in the special valuation rule being disallowed and inclusion of the fair market value of the use of the vehicle being included in the employee's gross income, with deductions only for the portions that the employee can substantiate as business use.

**COMMUTING VALUE RULE EMPLOYEE USE STATEMENT**  
For Use With the Commuting Valuation Rule

Number of one-way commutes using a City-owned vehicle: \_\_\_\_\_

Month/Week/Reporting Period: \_\_\_\_\_

For drivers, number of miles in each one-way commute: \_\_\_\_\_

For persons commuting other than the driver, the additional mileage required based on your commuting in the vehicle: \_\_\_\_\_

For drivers, the total number of miles driven in the City vehicle during the reporting period:  
\_\_\_\_\_

I hereby certify that I have not used a City-owned vehicle for any personal use other than commuting or a de minimis use and that the above statement is accurate.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

Computation:

Number of one-way commutes:	_____
X	\$1.50
Taxable benefit:	_____

**NOTIFICATION TO EMPLOYEES OF ELECTION  
TO USE CENTS-PER-MILE VALUATION RULE  
FOR PERSONAL USE OF A CITY-OWNED VEHICLE**

Date: (This date should be prior to October 31, 1989 for the 1989 tax year or within 30 days of providing the vehicle to the employee)

For the tax year \_\_\_\_\_ and subsequent tax years (unless notice of another election is provided to employees), the special cents-per-mile valuation rule will be used for valuing the inclusion of your personal use of a city-owned vehicle. This special rule allows each mile of personal use to be valued at the acceptable standard mileage rate for inclusion in your gross income. In order to use this rule, substantiation is required by the Internal Revenue Service to show the following:

1. The IRS must be satisfied that the vehicle is being used for City business. This should be substantiated by showing that the total miles commuting is less than 50% of the miles to vehicle is being used during each reporting period or that the vehicle is generally used each workday to transport at least three employees of the City to and from work in a City-sponsored commuting pool.
2. The vehicle must be driven 10,000 miles-per-year with the use of the vehicle during the year primarily by City employees, or is used on a consistent basis by City employees commuting.

Persons other than the driver of the vehicle who commute in the vehicle should file the necessary reporting document showing the total number of personal miles, and also show which personal miles were shared with other employees and which are for the employee's sole personal benefit. Personal usage of each vehicle will be valued based on the facts and circumstances of each employee's personal use percentage in the non-driving employee's gross income.

Failure to comply with substantiation requirements can result in the special valuation rule being disallowed and inclusion of the fair market value of the use of the vehicle being included in the employee's gross income, with deductions only for the portions that the employee can substantiate as business use.

**NOTIFICATION TO EMPLOYEES OF ELECTION  
TO USE CENTS-PER-MILE VALUATION RULE  
FOR PERSONAL USE OF A CITY-OWNED VEHICLE**

Date: (This date should be prior to October 31, 1989 for the 1989 tax year or within 30 days of providing the vehicle to the employee)

For the tax year \_\_\_\_\_ and subsequent tax years (unless notice of another election is provided to employees), the special cents-per-mile valuation rule will be used for valuing the inclusion of your personal use of a city-owned vehicle. This special rule allows each mile of personal use to be valued at the acceptable standard mileage rate for inclusion in your gross income. In order to use this rule, substantiation is required by the Internal Revenue Service to show the following:

1. The IRS must be satisfied that the vehicle is being used for City business. This should be substantiated by showing that the total miles commuting is less than 50% of the miles to vehicle is being used during each reporting period or that the vehicle is generally used each workday to transport at least three employees of the City to and from work in a City-sponsored commuting pool.
2. The vehicle must be driven 10,000 miles-per-year with the use of the vehicle during the year primarily by City employees, or is used on a consistent basis by City employees commuting.

Persons other than the driver of the vehicle who commute in the vehicle should file the necessary reporting document showing the total number of personal miles, and also show which personal miles were shared with other employees and which are for the employee's sole personal benefit. Personal usage of each vehicle will be valued based on the facts and circumstances of each employee's personal use percentage in the non-driving employee's gross income.

Failure to comply with substantiation requirements can result in the special valuation rule being disallowed and inclusion of the fair market value of the use of the vehicle being included in the employee's gross income, with deductions only for the portions that the employee can substantiate as business use.

## CENTS-PER-MILE RULE EMPLOYEE USE STATEMENT

For Use With the Cents-Per-Mile Valuation Rule

Number of one-way commutes using a City-owned vehicle: \_\_\_\_\_

Month/Week/Reporting Period: \_\_\_\_\_

For drivers, number of miles in each one-way commute: \_\_\_\_\_

For persons commuting other than the driver, the additional mileage required based on your commuting in the vehicle: \_\_\_\_\_

For drivers, the total number of miles driven in the City vehicle during the reporting period:  
\_\_\_\_\_

Total number of commutes in vehicle: \_\_\_\_\_

Mileage for each commute: \_\_\_\_\_

I hereby certify that I have not used a City-owned vehicle for any personal use other than commuting or a de minimis use and that the above statement is accurate.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

Computation:

Number of commutes \_\_\_\_\_ X \_\_\_\_\_ Number of miles per commute = \_\_\_\_\_ total miles

Miles less than or equal to 15,000 \_\_\_\_\_ X .24 = \_\_\_\_\_ (A)

Miles greater than 15,000 \_\_\_\_\_ X .11 = \_\_\_\_\_ (B)

Total of A and B equals taxable fringe benefit: \_\_\_\_\_

**NOTIFICATION TO EMPLOYEES OF ELECTION TO USE  
THE ANNUAL LEASE VALUATION RULE FOR PERSONAL  
USE OF A CITY-OWNED VEHICLE**

Date: (This date should be prior to October 31, 1989 for the 1989 tax year or within 30 days of providing the vehicle to the employee)

For the tax year \_\_\_\_\_ and subsequent tax years (unless notice of another election is provided to employees), the special lease valuation rule will be used for valuing the inclusion of your personal use of a city-owned vehicle. This special rule allows each mile of personal use to be valued at the acceptable standard mileage rate for inclusion in your gross income. In order to use this rule, substantiation is required by the Internal Revenue Service to show the following:

1. Dates of availability of vehicle to the employee.
2. Personal miles driven in vehicle.
3. Business miles driven in vehicle.
4. Total mileage on vehicle.

Persons other than the driver of the vehicle who have personal use of the vehicle should file the necessary reporting document showing the total number of personal miles, and also show which personal miles were shared with other employees and which are for the employee's sole personal benefit. Personal usage of each vehicle will be valued based on the facts and circumstances of each employee's personal use percentage in the non-driving employee's gross income.

Failure to comply with substantiation requirements can result in the special valuation rule being disallowed and inclusion of the fair market value of the use of the vehicle being included in the employee's gross income, with deductions only for the portions that the employee can substantiate as business use.

# ANNUAL LEASE VALUE RULE EMPLOYEE USE STATEMENT

Week/Month/Reporting Period of: \_\_\_\_\_

Ending mileage: \_\_\_\_\_  
less: Beginning mileage: \_\_\_\_\_  
Total mileage: \_\_\_\_\_

This amount should be used as the total (T) for the City's report

Personal Miles (if the only personal use is commuting, this may be obtained by multiplying the number of miles in a normal commute times the number of commutes)

\_\_\_\_\_ X \_\_\_\_\_ = \_\_\_\_\_  
No. of commutes      No. of miles      No. of personal miles

OR

A log of miles may be used to determine the amount of personal mileage.

I hereby certify that the above stated accurately reflects my mileage during use of my City-owned vehicle and that I have not used such vehicle for any unreported personal use. I further certify that the attached mileage log accurately reflects the mileage, date, and use of the City-owned vehicle.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Date

The University of Tennessee does not discriminate on the basis of race, sex, color, religion, national origin, age, handicap, or veteran status in provision of educational opportunities or employment opportunities and benefits.

The University does not discriminate on the basis of sex or handicap in the education programs and activities which it operates, pursuant to the requirements of Title IX of the Education Amendments of 1972, Pub.L. 92-318; and Section 504 of the Rehabilitation Act of 1973, Pub.L. 93-112; respectively. This policy extends to both employment by and admission to the University.

Inquiries concerning Title IX and Section 504 should be directed to Ms. Mary H. Taylor, Assistant to the Vice President, 109 Student Services and Administration Building, Knoxville, Tennessee 37996-0212, (615) 974-6621. Charges of violation of the above policy should also be directed to Ms. Taylor.

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