

Employer-Provided Vehicles

Cross References

- Notice 2017-3

If an employer provides an employee with a company-owned vehicle, and the employee uses the vehicle for personal purposes, then the value of that personal use must be included as taxable income on the employee's W-2. Under the general rule, the taxable amount equals the FMV of the total use, minus the amount the employee pays for the use, minus the amount excluded from income as a working condition fringe benefit. [Reg. §1.61-21(b)]

Cents-per-mile method. There are several methods allowed by the IRS to value the vehicle rather than using actual costs. One method is the cents-per-mile valuation method. Under this method, the taxable use is determined by multiplying the employee's personal miles by the current standard mileage rate. The standard mileage rate includes the cost of fuel. If the employee pays for the cost of fuel, the cents-per-mile rate can be reduced by up to 5.5¢ per mile [Reg. §1.61-21(e)(3)(ii)]. An employer can calculate the personal use value of a vehicle under this method if all of the following are true.

- The employer reasonably expects the vehicle will be used on a regular basis in the employer's trade or business. Regular use is determined under all facts and circumstances. The vehicle is considered regularly used if at least 50% of the vehicle's total annual mileage is for business, or the vehicle is used each workday to transport at least three employees to and from work in an employer-sponsored commuting vehicle pool.
- The vehicle is driven at least 10,000 miles per year and the vehicle is primarily used by the employee.
- The FMV of the vehicle at the time it is first made available to the employee for personal use does not exceed the luxury vehicle limits of section 280F.

New limits for 2017. There are two separate section 280F limits for passenger autos and trucks or vans first used by the employee for personal use in 2017. The limits are:

- \$15,900 for a passenger automobile.
- \$17,800 for a truck or van. (Notice 2017-3)

Fleet-average valuation rule for 2017. If an employer with a fleet of 20 or more vehicles uses a fleet-average value for purposes of calculating the annual lease values of the vehicles in the fleet, then the maximum value of employer provided vehicles first made available to employees for personal use in 2017 is limited to:

- \$21,100 for a passenger automobile.
- \$23,300 for a truck or van. (Notice 2017-3)