

Employer-Provided Vehicles

Cross References

- Notice 2019-34

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 fair market value (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 [Reg. §1.61-21(e)]. Under this method, the taxable use is determined by multiplying the employee's personal miles by the current standard mileage rate. 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.
- 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 IRC section 280F.

New limits for 2019. The IRC section 280F maximum value of an employer-provided vehicle, including cars, vans, and trucks, first made available to employees for personal use in calendar year 2019 under the vehicle cents-per-mile valuation rule is \$50,400.

Fleet-average valuation method. Under the fleet-average valuation rule, the value of the personal use is the Annual Lease Value. This method is allowed if the employer has a fleet of 20 or more automobiles. The fleet-average value is the average of the fair market values of all the automobiles in the fleet. The fleet-average valuation method is also subject to the luxury vehicle limits of IRC section 280F.

New limits for 2019. The IRC section 280F maximum value of an employer-provided automobile, including vans and trucks, first made available to employees for personal use in calendar year 2019 under the fleet-average valuation rule is also \$50,400.