



STATE OF ALABAMA
DEPARTMENT OF FINANCE
OFFICE OF THE STATE COMPTROLLER

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BOB RILEY
Governor

JAMES ALLEN MAIN
Director of Finance

ROBERT L. CHILDREE
State Comptroller

October 3, 2005

MEMORANDUM

TO: CHIEF FISCAL OFFICERS

FROM: Robert L. Childree
State Comptroller

SUBJECT: Taxation and Reporting of Personal Use of
State Owned/Leased Vehicles

In accordance with the IRS regulations, the total value of the personal use of state owned/leased vehicles must be accumulated and reported for W-2 purposes. Since the State of Alabama has a written policy prohibiting any personal use of an employer-provided vehicle other than for commuting purposes (Section 41-17-9, 1975 Code of Alabama), the State elects the commuting valuation rule of \$3.00 per day for employees who earn less than \$131,400 annually and are not elected officials. Employees who are paid \$131,400 or more annually or are elected officials are considered "control employees". The only options available to control employees are (1) the annual lease value rule and (2) the vehicle cents-per mile valuation rule (37.5 cents per mile from November 1, 2004 to December 31, 2004; 40.5 cents per mile from January 1, 2005 to August 31, 2005; 48.5 cents per mile from September 1, 2005 to October 31, 2005). If your department has control employees, contact this office for further information.

No federal income tax withholding is required, but FICA and Medicare tax must be computed on the value of this personal use, matched, and paid by the department. This will require that the Comptroller calculate the FICA and Medicare tax due and shift the required amount from the employee's Federal Withholding to FICA and Medicare tax before issuing a Form W-2 to the affected employees. It is mandatory that employees be notified within 30 days after being provided a vehicle of the effect this benefit may have on withholdings and be allowed to increase regular withholdings to offset any anticipated shortage. Simultaneously, the Comptroller must charge each CAS fund, agency and appropriation unit with the State's matching portion. Departments will receive detail listings supporting this charge in January, 2006.

The data required to accurately report and compute the taxes due on this fringe benefit must be provided by all State departments **no later than December 1, 2005**. Unlike the taxable status of meal allowances and per diem for non-overnight trips which cover the calendar year January 1, 2005- December 31, 2005, the \$3/day charge for commuting use of State owned/leased vehicles is reported for the period November 1, 2004 - October 31, 2005. The State of Alabama selected the IRS option to cut off calculation for taxable fringe benefits on October 31 of any tax year. The data required for that period for each employee is the total number of days the vehicle was used for commuting purposes. Please use the attached form which details exactly the format required by this office. Make as many copies as needed but insure that a separate sheet is used for each CAS fund, agency and appropriation

unit combination. List as many employees on a sheet as possible and subtotal each sheet. The grand total for your department must be shown on the last page.

It is imperative that the information reported is 100% accurate. Be certain that all vehicles used for commuting are reported except those specifically exempted by IRS . Vehicles, either marked or unmarked, that are used for law enforcement functions are exempt from reporting. If your department owns no State vehicles or no commuting occurs, respond with the form marked "**No Vehicles**". If your department has anyone that drives a state vehicle but is not paid by the State of Alabama on a salary warrant, contact this office for special instructions.

The personal use of employer-provided aircraft is also taxable for federal, state, and FICA purposes and must be reported for W-2 purposes. Specific valuation rules in assessing the personal use of a flight on an employer-provided aircraft must be used in determining this taxable value. If your department has an employee who has used an employer-provided aircraft for personal reasons, contact this office for the valuation rules and additional instructions.

In addition to the data required for the period ending October 31, 2005, those employees who terminate between November 1, 2005 and October 31, 2006 must submit interim data for November 1, 2005 through the termination date immediately upon notice of termination and prior to the issuance of the last pay warrant.

For control purposes, please designate one employee in your department as the contact person to aid us in problem resolution. This employee should also be responsible for submitting your departmental information to this office. Unless special arrangements have been made with this office, all lists for your department must be submitted simultaneously.

The Department Head is responsible for the accuracy and timely reporting of this data. **It is imperative that all departments return this form by December 1, 2005. Failure to return this form may result in a delay of processing payroll data and the issuance of W-2's for your department.**

Should you have questions or need further instructions, please contact Cynthia Black at 242-7080.

RLC/cb

COMMUTING USE OF STATE OWNED/LEASED VEHICLES

- 1) List all employees with the same CAS Fund, Agency and Appropriation Unit on the same page(s). **NOTE: NAMES MUST BE THE SAME AS GHRS.**
- 2) All account coding must be completed to charge the employer's share of FICA and Medicare correctly. **NOTE: ALL CODES MUST BE CAS CODES.**
- 3) Total value should be reflected in dollars and cents (\$90.00).
- 4) Subtotal each page with a **grand** total for the department on the last page.
- 5) Enter the name and telephone number of the departmental contact person on the first page for the agency as indicated.

CAS DEPARTMENT

NAME _____

CAS FUND, AGENCY, & APPROPRIATION UNIT _____

OBJECT CODE 0200 01

	<u>ACTV</u>	<u>ORGN</u>	<u>SS#</u>	<u>NAME</u>	<u>#DAYS x</u> <u>\$3 VALUE</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____
4.	_____	_____	_____	_____	_____
5.	_____	_____	_____	_____	_____
6.	_____	_____	_____	_____	_____
7.	_____	_____	_____	_____	_____
8.	_____	_____	_____	_____	_____
9.	_____	_____	_____	_____	_____
10.	_____	_____	_____	_____	_____

Subtotal
for page _____

GRAND TOTAL _____

CONTACT PERSON _____ **TELEPHONE #** _____

I hereby certify that the above information is correct and reflects the total personal usage of State owned/leased vehicles assigned to my department.

(Department Head)