



STATE OF ALABAMA
DEPARTMENT OF FINANCE
OFFICE OF THE STATE COMPTROLLER

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BOB RILEY
Governor

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Director of Finance

ROBERT L. CHILDREE
State Comptroller

October 2, 2008

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 \$139,600 annually and are not elected officials. Employees who are paid \$139,600 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 (48.5 cents per mile for November 1, 2007 to December 31, 2007; 50.5 cents for January 1, 2008 to June 30, 2008 and 58.5 cents for July 1, 2008 to October 31, 2008). 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 CAS in January, 2009. Corresponding entries must be manually entered in AFNS or non-AFNS agency accounting systems.

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, 2008**. Unlike the taxable status of meal allowances and per diem for non-overnight trips which cover the calendar year January 1, 2008-December 31, 2008, the \$3/day charge for commuting use of State owned/leased vehicles is reported for the period November 1, 2007 - October 31, 2008. 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 or total number of miles the vehicle was used for commuting

purposes. Please use the attached form which details exactly the format required by this office for non-control employees. There is also a fillable word version on our website at www.comptroller.alabama.gov. Click on [Online Forms](#) on the left side of the webpage. Use as many sheets 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. Insure 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, return 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 payroll 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, 2008, those employees who terminate between November 1, 2008 and October 31, 2009 must submit interim data for November 1, 2008 through the termination date immediately upon notice of termination and prior to the issuance of their last payroll warrant.

For control purposes, please designate one employee in your department as the contact person to aid us in problem resolution and be sure to include their telephone number on the form in the space provided. 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.

It is imperative that all departments return this form by December 1, 2008. Failure to return this form may result in a delay of processing payroll data and the issuance of Form W-2's for your department.

Should you have questions or need further instructions, please contact Lisa Chadwick at (334) 242-2177.

RLC/lmc

**STATE OF ALABAMA
DEPARTMENT OF FINANCE
COMMUTING USE OF STATE OWNED/LEASED VEHICLES**
(This is a fillable form. Just use tab to move from field to field and enter the required information.
Use file; "save as" to save a copy to your computer.)

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

CAS DEPARTMENT NAME: _____

0200-01

CAS Fund CAS Agency CAS Appropriation Unit CAS Object Code

	CAS ACTV	CAS ORG	EMPLOYEE ID NUMBER	GHR'S NAME	# DAYS	X \$3	\$ VALUE
1.						X \$3	\$
2.						X \$3	\$
3.						X \$3	\$
4.						X \$3	\$
5.						X \$3	\$
6.						X \$3	\$
7.						X \$3	\$
8.						X \$3	\$
9.						X \$3	\$
10.						X \$3	\$

CONTACT PERSON: _____

PHONE #: _____

Sub Total this page	\$
Grand Total All Pages	\$

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 Signature)