



STATE OF ALABAMA
Department of Finance
Office of the State Comptroller

100 North Union Street, Suite 220
Montgomery, Alabama 36130-2620
Telephone (334) 242-7050 Fax (334) 242-7466
www.comptroller.alabama.gov

Robert Bentley
Governor

Marquita F. Davis, Ph.D.
Finance Director

Thomas L. White, Jr.
State Comptroller

Janice A. Hamm
Deputy State Comptroller

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MEMORANDUM

TO: CHIEF FISCAL OFFICERS

FROM: Thomas L. White, Jr.
State Comptroller *TLW*

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 \$145,700 annually and are not elected officials. Employees who are paid \$145,700 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. If your department has control employees, contact this office for further information and appropriate forms.

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. Additionally, the Comptroller must charge each CAS fund, agency, appropriation unit and activity and org if noted, with the State's matching portion. Departments will receive detail listings supporting this charge in CAS in January 2012. 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, 2011**. Unlike the taxable status of meal allowances and per diem for non-overnight trips which cover the calendar year January 1, 2011 - December 31, 2011, the \$3/day charge for commuting use of State owned/leased vehicles is reported for the period November 1, 2010 - October 31, 2011. 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 Excel workbook FRMS-16 for employees using the \$3.00 per day commuting valuation rule. This form will do the computations for you and is in the exact format required by this office for non-control employees. The Excel version can be found on our website at www.comptroller.alabama.gov. Move your cursor over "Reports and Forms" then select "Online Forms" from the drop down menu. It may also be printed and filled out manually. Ensure that the **CAS codes for fund, agency, org, activity, and appropriation unit are used when completing the form**. The workbook is set up with 9 pages/tabs to accommodate the listing of up to 462 employees. Only the page(s) with data need to be sent to GHRS. **NOTE:** It is no longer necessary to separate employees by fund and appropriation unit but each agency must be separated. Be sure to include a contact name and phone number for your department on the first page as well as the department head signature. The grand total for all pages with data will automatically compute. Contact this department if you wish to substitute our form, if you have control employees and need alternate forms or **if you have employees that are not paid by your agency**.

It is imperative that the information reported is 100% accurate. Ensure 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, 2011, those employees who drive state owned vehicles and terminate between November 1, 2011 and October 31, 2012 must submit interim data from November 1, 2011, 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 please 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, 2011. 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 Diane Knight at (334)353-9315.

TLW/dwk