

November, 2005

To: All Clients

From: Boan & Connealy, CPAs, P.A.

Regarding: Company Provided Vehicle Worksheet

An employer-provided vehicle is a fringe benefit that may be taxable to an employee depending on the employee's use and on the restrictions set by the employer. The following situations involving company provided vehicles are generally tax-free to the employee:

- 1) Vehicle is used 100% for business.
- 2) De Minimis use: Personal use is too small to account for.
- 3) Employer has written policy against personal use.

(Daily commute is not qualified business use.)

For vehicles not qualifying for a tax-free situation, the employer must calculate the value of the personal use and include it on the employee's W-2 form.

Enclosed please find a two-page worksheet to assist you in the computation of the additional income that must be added to the W-2 income for persons that are provided a taxable, company owned/leased vehicle.

A vehicle worksheet should be completed for all company owned/leased autos, sport utility vehicles and small trucks. This worksheet should **not** be completed for qualified nonpersonal-use vehicles. A qualified nonpersonal-use vehicle is any vehicle that is not likely to be used more than minimally for personal purposes because of the way it is designed (I.E. trucks designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds, delivery trucks with seating for the driver only, or for the driver plus a folding jump seat, buses, tractors, etc.).

The worksheet should be completed as soon as possible because the information is necessary for withholding, W-2's and December 2005, payroll tax filings.

As a reminder, timely notice should be given to employees who drive company owned/leased vehicles that adequate records relating to vehicle usage must be kept to satisfy the substantiation requirement of I.R.S. regulations. Mileage records are not required for vehicles unlikely to be used for personal purposes.

Please call us if you have any questions regarding this subject matter.

Enclosure

COMPANY: _____ VEHICLE: _____

MILEAGE INFORMATION

During the tax year:

Total business miles driven	_____	_____ %
Total commuting miles	_____	_____ %
Total other personal miles	_____	_____ %
 TOTAL MILES DRIVEN	 =====	 100%

PERSONAL USE COMPUTATION**

Fair market value of vehicle (See table for valuation method)	_____
Annual lease value - from table (Prorate if available less than a year)	_____
Fuel cost (5.5 cents x total miles _____) (If Company pays for Fuel Costs)	+ _____
Total Value	_____
Personal use % (100% minus business %)	_____ %
Taxable amount (add to W-2 or pay to Comp)	\$ _____

ADDITIONAL INFORMATION FOR TAX RETURN

	<u>Yes</u>	<u>No</u>
1. Do you have evidence to support business use?	_____	_____
2. Is evidence written?	_____	_____
3. Was vehicle available for personal use during off duty hours?	_____	_____
4. Was a personal vehicle available for personal use?	_____	_____
5. Was the vehicle used by an officer/shareholder?	_____	_____

**Alternate Valuation Methods (General Rules)

Commuting Method: \$3.00 per day commute valuation for non-shareholders for non-personal use vehicles.

Cents-Per-Mile Method: 40½ cents per mile January 1 thru August 31, 2005; and 48½ cents per mile September 1 thru December 31, 2005. This cents-per-mile valuation method for personal use miles available for vehicles driven by employees providing vehicle is driven at least 50% of total miles for business purposes or is driven at least 10,000 total miles per calendar year. The cents per mile method is not to be used if the FMV of the auto is more than \$14,800.

ANNUAL LEASE VALUE TABLE
REG.1.61-21(d) (2) (iii)

<u>**AUTOMOBILE FAIR MARKET VALUE</u>	<u>ANNUAL LEASE VALUE</u>
\$ 0 to 999.....	\$ 600
1,000 to 1,999.....	850
2,000 to 2,999.....	1,100
3,000 to 3,999.....	1,350
4,000 to 4,999.....	1,600
5,000 to 5,999.....	1,850
6,000 to 6,999.....	2,100
7,000 to 7,999.....	2,350
8,000 to 8,999.....	2,600
9,000 to 9,999.....	2,850
10,000 to 10,999.....	3,100
11,000 to 11,999.....	3,350
12,000 to 12,999.....	3,600
13,000 to 13,999.....	3,850
14,000 to 14,999.....	4,100
15,000 to 15,999.....	4,350
16,000 to 16,999.....	4,600
17,000 to 17,999.....	4,850
18,000 to 18,999.....	5,100
19,000 to 19,999.....	5,350
20,000 to 20,999.....	5,600
21,000 to 21,999.....	5,850
22,000 to 22,999.....	6,100
23,000 to 23,999.....	6,350
24,000 to 24,999.....	6,600
25,000 to 25,999.....	6,850
26,000 to 27,999.....	7,250
28,000 to 29,999.....	7,750
30,000 to 31,999.....	8,250
32,000 to 33,999.....	8,750
34,000 to 35,999.....	9,250
36,000 to 37,999.....	9,750
38,000 to 39,999.....	10,250
40,000 to 41,999.....	10,750
42,000 to 43,999.....	11,250
44,000 to 45,999.....	11,750
46,000 to 47,999.....	12,250
48,000 to 49,999.....	12,750
50,000 to 51,999.....	13,250
52,000 to 53,999.....	13,750
54,000 to 55,999.....	14,250
56,000 to 57,999.....	14,750
58,000 to 59,999.....	15,250
Over 59,999.....(.25 x the fair market value)	+ 500

The annual-lease value table determines the annual benefit for use of an automobile based on the fair market value of the vehicle. The annual-lease value shown in the above table remains unchanged from the date the auto is first made available through December 31 of the fourth full calendar year following that date; if the auto is still available (after this period) then the annual-lease value is redetermined on January 1 of each subsequent four year period based on the current FMV (as of that date).