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## **Reporting Personal Use of Employer-Provided Vehicles for Tax Purposes – Employee Instructions**

If you use an employer-provided vehicle ([see Note 1 below](#)) for personal use, the value of the personal use must be added to your income. The personal use value is subject to federal, state, Social Security (FICA), and Medicare taxes. The state will withhold taxes on this value and will include this value in wages on your Wage and Tax Statement (W-2) form.

For the state to be able to withhold taxes and add this value to wages on your W-2 form, you must report such use on your biweekly time report so it can be entered into the payroll system. Report the personal use in the same section of the time report where you report your daily time, according to the instructions below.

Personal use of an employer-provided vehicle includes commuting, local, and out-of-town personal travel. It includes qualified employer-required commuting (which means your employer requires you to commute in the vehicle for a bona fide non-compensatory business reason). It does not include the state van pool.

Commuting is defined as the travel between the employee's home and regular work site. Trips between home and temporary work sites, from one temporary work site to another, and from a temporary work site to a regular work site are not considered commuting. A temporary work site is a location where an employee performs services on an irregular or short-term (generally a matter of days or weeks) basis.

### **Examples of When Commuting Applies and Doesn't Apply**

- A doctor, whose regular work site is a hospital or clinic, sees a patient at home or in another clinic. The doctor would not be commuting when traveling from home to the temporary job sites (the patient's home or the other clinic), when traveling from one temporary job site to another, or when traveling from the temporary job site to the regular job site.
- A health inspector who inspects restaurants goes to a different restaurant each day and works at a main office one day per week. The inspector's office is the regular work site. The restaurants are temporary work sites. The trips from the inspector's home to a restaurant, from one restaurant to another, and from a restaurant to the inspector's home are not considered commuting. The trips between the home and the office are considered commuting.
- An employee who works from home and is responsible for a territory. Home is considered the regular place of work. When this employee travels to different areas of the district, these are considered temporary job sites. Trips from home to temporary job sites are not commuting.

### **Three Methods to Value Personal Use**

The IRS permits you to value personal use of employer-provided vehicles by one of three methods:

#### **Method 1**

Method 1 values personal use at \$3.00 per round-trip commute (\$1.50 per one-way commute). Report the number of whole and fractional round trips on your time report. Since Minnesota

Statutes section 16B.55 generally prohibits use of a state vehicle for other than authorized state business or specified, authorized commuting, most state employees may use this method to report the value of personal use ([See Note 2 below](#)).

If you use this method, include the earnings code "CAR" on your time report and report each round-trip commute as 1 (.5 for a one-way commute). You must report all commutes you make in a day, so it is possible to report more than one round-trip commute per day (See Example 1 on the sample timesheet below).

SAMPLE TIMESHEET	Earn Code	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue
	REG	8	8				8	8	8	7	8			8	8
	VAC			8											
	SIK								1						
<b>Example 1: Commuting method</b>	<b>CAR</b>	<b>1</b>	<b>1</b>				<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>			<b>1</b>	<b>1</b>

Note that the second Thursday on the timesheet has an extra commute to and from the doctor's office.

### Method 2

Method 2 values personal use at a certain number of cents per mile of personal use (70 cents effective January 1, 2025) ([See Note 3 below](#)). If you use this method, include the earnings code "CMI" on your time report and report each mile of personal use, including commuting (See Example 2 on the sample timesheet below).

SAMPLE TIMESHEET	Earn Code	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue
	REG	8	8				8	8	8	7	8			8	8
	VAC			8											
	SIK								1						
<b>Example 2: Cents-Per-Mile method</b>	<b>CMI</b>	<b>30</b>	<b>30</b>				<b>30</b>	<b>30</b>	<b>30</b>	<b>56</b>	<b>30</b>			<b>30</b>	<b>30</b>

Note that the second Thursday on the timesheet has an extra commute to and from the doctor's office.

### Method 3

Method 3 must be used if you can't use method 1 or 2. It values personal use based on the vehicle's lease value. If you must use this method, ask your agency's payroll unit for instructions on reporting the use.

### NOTES

#### Note 1:

The IRS exempts certain vehicles from these requirements. See the list that follows these notes.

#### Note 2:

The commuting method of valuing personal use of an employer-provided vehicle can only be used if the following criteria are met:

1. The employer requires the employee to commute in the vehicle for bona fide non-compensatory business reasons. Examples of acceptable reasons include lack of space to store the vehicle, the expectation that the employee will respond to emergency calls from home, security reasons, etc.
2. Use of the vehicle for personal purposes other than commuting is prohibited.

3. The employee is not a "control employee" of the state. A control employee is an elected official or any employee whose compensation equals or exceeds that of a federal employee at Executive Level V (\$183,100).
4. The vehicle is used in connection with the employer's business.

**Note 3:**

The cents-per-mile method of valuing personal use of an employer-provided vehicle can only be used if the following criteria are met:

1. The vehicle is driven at least 10,000 miles in a year.
2. The fair market value of the vehicle when first made available does not exceed a specified maximum. The table below shows the maximum for the indicated years.

Year	Passenger Automobile Other Than a Truck or Van	Truck or Van
2025	\$61,200	\$61,200
2024	\$62,000	\$62,000
2023	\$60,800	\$60,800
2022	\$56,100	\$56,100
2021	\$51,100	\$51,100
2020	\$50,400	\$50,400
2019	\$50,400	\$50,400
2018	\$50,000	\$50,000
2017	\$15,900	\$17,800
2016	\$15,900	\$17,700
2015	\$16,000	\$17,500

3. The vehicle is reasonably expected to be regularly used in the employer's business.
4. The employee must keep a log to substantiate the business and personal usage of the vehicle.

**Exempt Vehicles**

This procedure does not apply to the following types of vehicles and uses which are exempted by the IRS from reporting requirements. In general, an exempt vehicle is one that is unlikely to be used more than minimally for personal purposes because of the way it is designed. Exempt vehicles include:

- Clearly marked police and fire vehicles (see guidelines below).
- Unmarked vehicles used by law enforcement officers if the use is officially authorized (see guidelines below).
- Ambulances and hearses used as such.
- Cargo carriers that have 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.
- Passenger buses used as such with a capacity of at least 20 passengers.
- School buses.
- Tractors and other special purpose farm vehicles.
- Certain pickup trucks and vans (see guidelines below).

## Guidelines

Clearly marked police and fire vehicle: A vehicle owned or leased by a governmental unit that is required to be used for commuting by a police officer or firefighter who is always on-call. Personal use (other than commuting) outside the limit of the police officer's arrest powers or the firefighter's obligation to respond to an emergency must be prohibited by the governmental unit. Clearly marked means that, through painted symbols or words, it is easy to see that the vehicle is a police or fire vehicle. A marking on a license plate is not a clear marking for this purpose.

Unmarked law enforcement vehicle: Personal use must be authorized by the governmental unit that owns or leases the vehicle and employs the officer. The personal use must be necessary to help enforce the law, such as being able to report directly from home to a stakeout site or emergency. Using unmarked vehicles for vacation or recreation trips does not qualify as authorized use.

Law enforcement officer: A person employed full-time by a governmental unit that is responsible for preventing or investigating crimes involving injury to persons or property (including catching or detaining persons for such crimes), who is allowed by law to carry firearms, execute search warrants, and make arrests (other than citizen's arrest), and who regularly carries firearms (except when working undercover). It may include an arson investigator who meets these requirements.

Qualified pickup truck or van: To qualify as a non-personal use vehicle, a pickup truck or van must:

- Be specially modified so it is unlikely to be used more than minimally for personal purposes,
- Have a loaded gross vehicle weight not over 14,000 pounds, and
- Be clearly marked with permanently affixed decals, painting, or advertising associated with the employer's trade, business, or function.

In addition, the pickup truck or van must meet the following qualifications:

Pickup truck:

- Must be equipped with at least one of these: a hydraulic lift gate, permanently installed tanks or drums, permanently installed side boards or pages that materially raise the level of the sides of the truck bed, or other heavy equipment (such as an electric generator, welder, boom, or crane used to tow automobiles and other vehicles), or
- Must be used primarily for transporting a particular type of load (other than over public highways) in connection with construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operation for which it has been specially designed or modified to a significant degree.

Van: Must have a seat for the driver only or the driver and one other person, and either permanent shelving has been installed filling most of the cargo area, or the cargo area is open and the van constantly (during working and nonworking hours) carries merchandise, material, or equipment used in the employer's trade, business or function.

## Assistance

If you have questions about this information, contact your Human Resources or Payroll office. You can obtain contact information from within Self Service. Under "Need Assistance?", select "Employee Contacts".