

## Memo

**Date:** December 29, 2025

**To:** Erin Bailey, Deputy Chief of Staff, Governor's Office

**From:** Katie Karow, Director, Statewide Payroll Services

### RE: Use of Employer-Provided Vehicles, Governor and Lieutenant Governor

The Internal Revenue Service (IRS) requires all personal use of employer-provided vehicles to be valued using one of three valuation methods. This value must be included in employee wages and reported on the W-2. Exemptions from reporting this compensation for the governor and lieutenant governor are found in policies published by the Government Finance Officers Association (GFOA), IRS Publication 15, Minnesota State Statute 16B.55, subd 5., and supported by the executive protection unit.

#### Exclusion of Reporting Personal Use of Employer-Provided Vehicles

Based on the policy exclusions listed below, the governor and lieutenant governor are not subject to recording taxable compensation for the use of employer-provided vehicles. As such, the Minnesota Management & Budget Operating Policy and Procedure PAY0019 does not apply.

- **GFOA publication** – the governor and lieutenant governor are government officials, required to be able to respond to situations 24-hours per day. Salaries are set by statute, and their use of an employer-provided vehicle is for the convenience of the employer (the State of Minnesota).
- **Publication 15** – the governor and lieutenant governor are provided executive protection by law enforcement and are driven to and from their destinations in marked and unmarked vehicles. As a government official required to report directly to situations, the use of state-owned vehicles are authorized by the employer (state statute 16B.55).
- **State Statute 16B.55, subd 5.** – explicitly exempts the governor and lieutenant governor from additional taxable compensation for the use of state vehicles.
- **Executive Protection** – the Minnesota Department of Public Safety have executive security detail for the governor and lieutenant governor, in part including providing transportation by law enforcement or other security detail as necessary.

#### Important to Note

No taxable income will be recorded for the governor and lieutenant governor for use of employer-provided vehicles

## Supporting Policies for Personal Use of State-Owned Vehicles

**The Government Finance Officers Association (GFOA)** published an undisputed policy, dated May 1985, concluding state and local governments shall be exempted from recording employer-provided vehicles as compensation. Supporting statements include:

- Government officials are on-call twenty-four hours a day to respond immediately to emergency situations.
- Salaries are set by statute and increasing the compensation has legal restrictions.
- Use of the government vehicle is for the convenience of the employer.

**IRS Publication 15** defines the employee's use of qualified nonpersonal use vehicles is a working condition benefit. There are two examples which shall apply to this memo, including:

- Clearly marked, through painted insignia or words, police, fire, and public safety vehicles, provided that any personal use of the vehicle (other than commuting) is prohibited by the governmental unit.
- Unmarked vehicles used by law enforcement officers if the use is officially authorized. Any personal use must be authorized by the employer, and must be related to law-enforcement functions, such as being able to report directly from home to an emergency situation. Use of an unmarked vehicle for vacation or recreation trips can't qualify as an authorized use.

Publication 15 also states "you can generally exclude the value of a working condition benefit you provide to an employee from the employee's wages." When this fringe benefit is excluded, it is not subject to federal income tax withholding, social security tax, Medicare tax, federal unemployment tax under the Federal Unemployment Tax Act (FUTA), or Railroad Retirement Tax Act (RRTA) taxes and aren't reported on Form W-2.

**Per Minnesota State Statute 16B.55, subd 5.,** the use of a state vehicle by the governor or lieutenant governor is excluded from compensation. This state statute provides that there shall be no valuation method applied to travel in a state vehicle while holding either position.

## Executive Protection

The Minnesota Department of Public Safety has an Executive Protection Unit to ensure the safety of the governor, lieutenant governor and their staff per Minnesota State Statute 299D.03, subd. 1.10. They also handle security at the Governor's Residence on Summit Avenue in St. Paul and at any other primary residence the governor may have. Part of this security detail includes providing the governor and lieutenant governor transportation by law enforcement or other security detail as deemed necessary by Minnesota State Patrol and/or Department of Public Safety. A statement of security requirements for the governor and lieutenant governor will be provided by the Minnesota State Patrol and/or Department of Public Safety upon taking office and shall remain in effect until the appointment is ended. Regardless of receipt of such statement, security detail is provided under state statute.

## Resources

Government Official: [What Is a Government Official? | LegalClarity](#)

Public Officer: [Tax withholding for government workers \(Governor or Mayor\) | IRS](#)

GFOA policy: [Tax Regulations on Employer-Provided Vehicles](#)

Users of employer-provided vehicles: [Publication 463 \(2024\), Travel, Gift, and Car Expenses | IRS](#)

Minnesota State Statute Exemptions: [Minnesota State Statute 16B.55, subd 5](#)

Minnesota State Statute Safety of Governor: [Minnesota State Statute 299D.03, subd. 1.10](#)

Minnesota Department of Public Safety: [Executive Protection Unit](#)

Minnesota Management & Budget Operating Policy and Procedure PAY0019: [Reporting Personal Use of Employer-Provided Vehicles for Tax Purposes](#)

## Questions?

Questions from agency payroll and HR staff can be directed to [earncode.leave.mmb@state.mn.us](mailto:earncode.leave.mmb@state.mn.us)