

GEORGETOWN UNIVERSITY



FINANCIAL AFFAIRS MANUAL

Issuing Department Financial Affairs	Topic: Tax Treatment and Reporting of University-Provided Vehicles to Officers, Faculty and Staff Employees	Policy # 1013 FA 167-08	
New	Revised: January 1, 2008	Supersedes Policy #	Effective Date: April 15, 1997

1013.0 POLICY: Tax Treatment and Reporting of University- Provided Vehicles to Officers, Faculty and Staff Employees

1013.1 STATEMENT: Under the Internal Revenue Code, a vehicle provided by the University to an employee that is used for business is considered a ‘working condition fringe benefit’ and no portion of the value of the vehicle need be included in the wages of the employee. However, if any part of the vehicle is used for personal purposes, an allocation based on mileage will be used to determine the amount of personal use. The personal use of a vehicle is defined by the IRS as any use that is not for the employer’s trade or business. An example of personal use is the commute to and from work. According to IRS Reg.1.61-21(a), the fair market value of personal usage of University-provided vehicle(s) will be treated as taxable income and included in the wages of the employee subject to the applicable withholdings. In accordance with IRS Regulation 1.61-21(d) (2) iii, the University will use the Annual Lease Value Method for determining the amount of income to be imputed to the employee for the personal use of the vehicles(s) provided.

1013.2 APPLICABILITY: This policy applies to current Georgetown University Officers, faculty and staff employees.

1013.3 PURPOSE: The purpose of this policy is:

- To ensure that the tax laws are observed with respect to all arrangements concerning University-provided vehicle(s).
- To ensure that the Payroll Department is appropriately apprised of any consequential arrangement involving University vehicle(s).
- To provide guidance to University campuses, schools, departments, and operation units concerning the meaning of applicable statutes and regulations and the nature of the substantiation requirements necessary to support the exclusion from taxable income for the value of the actual

business portion of the vehicle(s) usage and the inclusion of income for personal usage of the vehicle(s).

1013.4 ADMINISTRATION AND IMPLEMENTATION:

- The following information must be forwarded to Risk Management for all University-provided vehicles(s); copies of the leasing contract transmittal, executed lease agreement or purchase agreement, auto certificate of title, photocopy of the driver's license for each designated driver, and a list of moving violations within the past three (3) years, including number and type of violations for each designated driver.
- The University, in accordance with special IRS accounting rules, will report the annual tax period for vehicle usage as 12/1 to 11/31. Based on the previous quarter's information worksheet, Payroll will calculate and include the amount of personal usage of the vehicle in gross wages for the next pay period. Appropriate FICA taxes will be withheld from the employee's paycheck. Twice a year, Payroll will provide each employee with a report showing the breakdown between taxable and non-taxable vehicle usage. University provided Vehicle-Fringe Benefit Calculation.
- To calculate the amount to be added to an employee's income for personal use of a University-provided vehicle, the fair market value must be determined. The fair market value for leased cars will be determined by using the N.A.D.A Official Used Car Guide (blue book). For cars that are owned by the University, the fair market value is determined by the purchase price of the auto. When the vehicle purchase price is used in determining the fair market value, IRS regulations require that the vehicle purchase must have been at arm's length. The fair market value of leased and owned vehicles will be revalued after four (4) years of services using the N.A.D.A. Official Used Car Guide.
- Mileage Log- Information Worksheet: All employees with University-provided vehicle(s) must maintain a mileage log substantiating the time and place of the business use, the number of miles driven and the business purpose. Mileage Record PDF Form.
- All employees with University –provided vehicle (s) must forward to the Payroll Department the University Provided Vehicle Information Worksheet documenting total mileage, business mileage and personal mileage. The information worksheet allows the employee to choose between electing to have 100% of the value of the vehicle included in gross income or authorizing the Payroll Department to calculate the personal usage for purposes of including the amount in gross income. If the Payroll Department does not receive the mileage log and the information worksheet to substantiate the business use of the vehicle(s) provided, one hundred percent (100%) of the annual value of the vehicle will be included in the employee's gross income. The following are the due dates for the information worksheets.

Report Period	Due date
December 1- May 31	June 15
June 1 – November 30	December 15

- The Annual Lease Value Method assumes that maintenance and insurance costs are paid by the employer. The Annual Lease Value Method does not include the value of employer-provided fuel but if provided it will be included in the employee's gross income.
- Reporting Requirements: All employees receiving University-provided vehicle(s) will receive a statement every six months from payroll reporting the taxable and non-taxable vehicle mileage. All personal usage of University-provided vehicle(s) will be reported as gross income on form W-2.

1013.5 RESPONSIBILITIES: All employees who possess a University-provided vehicle are required to follow the procedures outlined in this policy.

1013.6 ENFORCEMENT and ACCOUNTABILITY: The policy is enforced by the campuses' Chief Financial Officers and Internal Audit. Additional reviews may be conducted by the University's financial auditors, A-133 auditors, or agency specific auditors. Each campus Chief Financial Officer shall report annually to the Senior Vice President, CFO and Treasurer on efforts undertaken by the CFO to ensure this policy's implementation

1013.7 RESOURCES: Contact the University Payroll Department if you have any questions about this policy or if you would like more information. Contact Risk Management if you have any questions about information requested by the Risk Management Department.

ATTACHMENT A Mileage Records PDF Form

ATTACHMENT B University Provided Vehicle- Quarterly Information Worksheet

ATTACHMENT C University Provided Vehicle Fringe Benefit Calculation

1013.8 APPROVAL:

The only University officials who are authorized to make decisions or representations concerning the tax treatment of vehicles are the Treasurer and their designated representatives. Other University officials should refrain from making promises or representations, orally or in writing without first consulting with the Treasurer or their designated representative. To the extent that any contract of employment contains promises or representations concerning vehicle reimbursements, the University will not be under any obligation to honor such promises or representations unless they are approved in advance by the Treasurer and their designated representative.

1013.9 REVIEW CYCLE: The policy is reviewed annually by the Tax Office and Payroll Department.