

Commute Use of State Vehicles

Resources:

- Risk Management [website](#)
- Fleet Operation's [Administrative Rule R27-3](#)
- Travel information and forms visit the [state website](#), Fleet website: <https://fleet.utah.gov/> or the [Court's Intranet](#)
- [State Finance Policy Personal Use of State Vehicles 10-01.00](#)
- [Travel Trip Log](#)
- [Business Use of State Vehicles 12-05.01](#)
- [Section 12-10.00 Forms such as Trip log](#)

Purpose:

This document defines the policies and procedures the Courts must follow to ensure compliance with IRS and Administrative Rules regarding the taxation of commute use of state vehicles.

Background:

The Legislature has not authorized personal use of state vehicles by Court personnel. However, commute use of state vehicles is authorized as outlined below. Commute use is defined in Administrative Rule R27-1 as:

"Commute Use" means use of a state vehicle by an employee driving between the employee's residence and the employee's assigned work location more than five calendar days per month.¹ Commute Use is subject to the Commuting Rule as outlined in IRS Publication 15-B.

Commute use must be handled in accordance with [IRS Publication 15-B](#) and Administrative Services, Fleet Operation's [Administrative Rule R27-3](#).

State Finance has authorized commute use in the following 3 circumstances:

- A. Commute use in a state vehicle: taxable at \$3 per day under IRS Commuting Rule. (See Commute Use in Admin Rule R27 and Policy "A" below)

¹ Using a state vehicle for commuting purposes less than 6 days per month is a de minimis fringe benefit that is not subject to tax. Prior written approval (email is acceptable) for de minimis fringe benefit commute use of a State vehicle including having a state vehicle overnight, must be obtained from the Trial Court Executive (for Districts) or Deputy State Court Administrator (for AOC and other court divisions). In all cases, the decision should reflect the best ultimate business use of the vehicle

- B. Commute use in a qualified nonpersonal-use vehicle: nontaxable. (See Take-Home Use in Admin Rule R27 and Policy “B” below)
- C. Commute Use Vehicles Authorized by the Legislature and Commute Use Not Eligible Under Policy A: taxable under the IRS Lease Value Rule. (See Policy C below)

The individual taxation impacts of commute use of a state vehicle escalates substantially from Policy A to Policy C. Policy B is a nontaxable option **but no Court state owned vehicles qualify for exemption under Policy B.** Finance will work with TCEs and other who advise Court employees to ensure they are aware of the impacts and can choose wisely.

Commute use is limited to 50 miles one-way (100 total miles) per day. Except in cases where it is customary to travel out of state in order to perform an employee’s regular employment duties and responsibilities, the use of a state vehicle outside the State of Utah for commuting purposes requires the approval of the State Court Administrator, Deputy State Court Administrator or their designee. Utilizing State vehicles for unauthorized commute use may be considered a basis for dismissal.

Policy:

- **See Policies #1 - #11 in Business Use of State Vehicles 12-00.00**

Approval by State Court Administrator/Deputy State Court Administrator Required
Before an employee may commute in a state vehicle, it must be approved by either the State Court Administrator, Deputy State Court Administrator or their designee. See Administrative Services, Fleet Operations Administrative Rule [R27-3](#). The authorizing person must ensure any commute use of a state vehicle is in compliance with Administrative Rule R27 and IRS Publication 15-B – Fringe Benefits Valuation Rules (Commuting Rule) or the Lease Value Rule. Commute use needing approval includes Policy A, Policy C and any nontaxable de minimis commute use of < 5 days per month.

Authorization by State Statute Required

An Elected or other State Official may be assigned a state vehicle as part of their compensation package only when authorized by the Legislature. Depending on the Legislative authorization, the state vehicle may be used for both business and commute use. However, the commute use of the vehicle is taxable and will be added to the State Official’s W-2. **The Courts have no persons who are assigned a state vehicle for commute use via the Legislature.**

Policy A - Commuting in a State Vehicle Under the IRS Commuting Rule (De minimis Taxable)

IRS Commuting Rule

The IRS Commuting Rule may only be used for an employee’s travel in a state vehicle

between the employee's place of residence and place of business > than 5 days a month² if all of the following conditions are met:

1. It is required by the employer for legitimate business reasons and NOT provided as a form of compensation to the employee;
2. The employee is not allowed to use this state vehicle for any use other than commuting or state business;
3. The employee is not an elected official; and
4. The employee's total salary and wages must be less than the Federal Government Executive Level V compensation amount. For calendar year 2021, this amount is \$160,700. **District, Juvenile and Appellate Judges do NOT qualify to use this rule due to salaries being in excess of the salary cap.**

If all the above criteria are met, the IRS Commuting Rule applies and the employee's commute in a state vehicle will be valued for tax purposes at \$1.50 per one-way commute or \$3 round trip. If any of the requirements of the IRS Commuting Rule are not met, commuting use will be added to W-2 wages using the IRS Lease Value Rule (See Policy C).

Taxable Amount Automatically Added to Payroll

To improve compliance with the IRS Commuting Rule, a \$30 (10 days at \$3.00 per day) non-cash taxable amount will be automatically added to the employee's payroll records each pay period and reported on the employee's IRS form W-2 (W-2) as taxable earnings. In cases of carpooling, the IRS requires the amount to be added to the income of each employee in the vehicle.

If an employee's actual commute differs from the \$30 per pay period, the department should submit, on a monthly basis to the AOC Finance, Attn: Travel Coordinator a properly approved Employee Reimbursement/Earnings Request form FI 48 for the employee, with an explanation and the correct taxable amount. AOC Finance will report this change to the State Division of Finance who will adjust the employee's payroll record to the correct taxable amount.

Policy B - Commuting in Qualified Nonpersonal-Use Vehicle (nontaxable)

Qualified Nonpersonal-Use Vehicle

Commuting between an employee's home and place of business in a Qualified Nonpersonal-Use Vehicle is not taxable as long as the requirements in IRS Publication 15-B are met.

A Qualified Nonpersonal-Use Vehicle (QNPUV) is defined by the IRS as a state vehicle that employees are not likely to use more than minimally for commute purposes because of its design. These state vehicles generally include police, fire, and public safety

² See footnote 1 for treatment of commute use if less than 6 days per month.

vehicles; unmarked vehicles used by law enforcement officers if the use is officially authorized and use is related to law enforcement functions, such as being able to report directly from home to an emergency situation; any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds, etc. For a complete list see IRS Publication 15-B – Topic: “Qualified nonpersonal use vehicles.”

Currently, based on the IRS qualification that these vehicles “are not likely to [be used] more than minimally for commute purposes because of its design” no Court vehicles are QNPUV.

Policy C - Commute Use Vehicles Authorized by the Legislature and Commute Use Not Eligible Under Policy A

Based on Fleet research, there are NO court vehicles that are authorized by the Legislature. Commute use of vehicles authorized by the Courts for persons who do not meet all of the rules for Commute Use Policy A, must use Policy C. Under Policy C the IRS Annual Lease Value Rule is used for determining the amount of taxable fringe benefit income which will be added to the W-2 earnings of the individual who was provided the vehicle.

Note: All District, Juvenile and Appellate Judges (and any other Court employee who earns more than the Federal Government Executive Level V salary³) fall under Policy C and cannot use Policy A.

Annual Lease Value

Annual Lease Value will be determined by State Finance based on the Trip Logs and IRS rules. However, in broad terms, Annual Lease Value (per IRS Publication 15 –B – Topic: “Annual Lease Value”) of an automobile is determined as follows:

1. Determine the FMV of the automobile on the first date it is available to any employee for commute use. (DAS Fleet Operations will provide this amount)
2. Using the IRS Publication 15-B Table 3-1, read down column (1) until you come to the dollar range within which the FMV of the automobile falls. Then read across to column (2) to find the annual lease value. (Ex., per Table 3-1 a \$30,000 FMV vehicle has an annual lease value of \$8,250)
3. Multiply the annual lease value by the percentage of commute miles out of total miles driven by the employee.

Using the above IRS rules, a vehicle with a FMV of \$30,000 driven 40% for commute use during the year and the balance authorized court business use will have the following income added to the W-2 of the person assigned the vehicle:

$\$8,250 \text{ annual lease value} \times 40\% \text{ commute use} = \$3,300 + \text{commute use fuel cost if paid by court gas card}$

³ Federal Salary Level V may change each year. The amount for 2021 is \$160,700.

The IRS Annual Lease Value Rule requires W-2 earnings to be increased based on the annual lease value of the vehicle, including fuel, for the miles driven for commute use as recorded on monthly Trip Logs, as a percentage of the combined commute and business use miles driven for the vehicle in the year.

Trip Log⁴

The individual provided the vehicle is required to submit monthly a Trip Log (See Exhibit 1) to the AOC Finance Department, Attn: Payroll Coordinator which shows (1) the beginning and ending odometer readings for the reporting period, (2) a description of all trips that were for state authorized business and (3) the mileage of each of those business trips. Any mileage not documented by the business trips will be assumed to be commute use mileage. The Trip Logs will be forwarded by AOC Finance to State Finance who will calculate the income added to the W-2. If a Trip Log is not submitted to AOC Finance, the entire lease value of the vehicle for that period will be added to the individual's taxable income and included on their W-2.

The Trip Log must show the beginning and ending odometer readings of the state vehicle for the reporting period, which approximate a calendar year, and also a detailed record that includes all of the following information **for each state-authorized business trip**:

- 1) Number of miles driven;
- 2) Date of trip;
- 3) Beginning and ending locations;
- 4) Description of business purpose of trip – not just the destination.
For example: Meeting with Court Clerk to discuss court calendar.

Alternatives to Policy C

Because of the relatively higher cost of Policy C for Judges as compared to Policy A (estimated at \$300 - \$400 per month versus \$60 per month, respectively), AOC Finance encourages TCEs and others who advise Judges on the consequences of using state vehicles to carefully review these options with them.

A potential better option than Policy C is to commute to the nearest courthouse using a personal vehicle and then, using a state vehicle obtained there, to travel to the various locations where authorized state business can be conducted. This type of use of a state vehicle (after commuting from home to a courthouse in a personal vehicle) is not considered commuting and therefore does not trigger any commute use of a state vehicle thresholds.

⁴ If an individual is provided a vehicle for 30 or more days but less than an entire calendar year, the Annual Lease Value can be prorated. The proration calculation is in IRS Publication 15 – B – Topic: “Prorated Annual Lease Value.”

Procedures – After Authorization by State Court Administrator, Deputy State Court Administrator or their Designee

Policy A - Commuting in a State Vehicle Under the IRS Commuting Rule (Taxable)

Responsibility	Action
DAS Fleet Operations	<ol style="list-style-type: none">1. As part of the annual commute authorization process, provide the Division of Finance with the name and employee identification number (EIN) of the following:<ol style="list-style-type: none">a. Each employee who has been assigned a state vehicle with commute privileges.b. Each employee who no longer has a vehicle assigned with commute privileges.
AOC Finance/ DAS Division of Finance	<ol style="list-style-type: none">1. For employees assigned a state vehicle with commute privileges, update the employee's commute value Wage Type in the payroll system to automatically add \$30 per pay period to the employee's wages. For employees no longer assigned a vehicle with commute privileges, remove the employee's commute value from the payroll system.2. If necessary, correct the taxable amounts that were automatically added to the employee's wages by adjusting the employee's commute value amounts in the payroll system according to the information in the properly approved FI 48 forms received from the employee's department (Send FI 48 to AOC Finance, Attn: Travel Coordinator who will forward to DAS).3. Add the taxable amount to the employee's W-2 wages for federal and state taxation.
Employee's Department	<ol style="list-style-type: none">1. If necessary, approve and submit to the Division of Finance the Employee Reimbursement / Earnings Request, form FI 48, the employee has prepared to correct the automatic \$30 per pay period charge (See Policy item A.)2. During the year, notify the Division of Finance of changes to the employees who were authorized for commute privileges at the beginning of the year.3. For at least 7 years maintain a file of documentation to show compliance with IRS Publication 15B and Administrative Rule R27.

Policy B - Commuting in Qualified Nonpersonal-Use Vehicle (nontaxable)

Responsibility	Action
N/A for Courts	N/A for Courts

Policy C – Commute Use Vehicles Authorized by the Legislature and Commuting Not Eligible Under Policy A

Responsibility	Action
Individual	<ol style="list-style-type: none">1. Maintain a Trip Log of the vehicle’s business usage, specifying beginning and ending odometer readings for the reporting period and for each business trip: the number of miles driven; the date of trip; the beginning and ending locations; and the description of business purpose of trip – not just the destination.2. Submit the Trip Log to AOC Finance Attn: Payroll Coordinator monthly. AOC Finance will forward to State Division of Finance3. If the Trip Log is not submitted to the Division of Finance the entire lease value of the vehicle for that period will be added to the individual’s taxable income and included on their W2.
DAS Fleet Operations	<ol style="list-style-type: none">1. Notify the Division of Finance of the cost of the vehicle.
DAS Division of Finance	<ol style="list-style-type: none">1. Calculate the taxable value of the commute use based on both the car's value and the value of the fuel used for the commute miles in accordance with IRS regulations and schedules.2. Apply the taxable value to the wages subject to FICA withholding and add the taxable value to the W-2 wages for federal and state taxation.