

*Official copy forwarded
to each department.*

* City Finance and Accounting
Procedures (FAPS) # 9

* Use of City-Owned Vehicles

* Prepared 3/13/98

* Prepared By: _____

* Reviewed By: _____

* Approved By: _____

* Effective Date: 3/13/98

* City Managers Approval (if applicable): _____

CITY OF HAMPTON USE OF CITY-OWNED VEHICLES

New IRS Regulations regarding use of Employer (City)-provided vehicles require the employer to notify all affected employees as to how the taxable value will be computed, not later than October 31, 1989 or January 1 of each succeeding year. This policy provides such notification. These value methods shall remain in effect unless changes are made in the IRS Regulations. The valuation methods do not affect exempt vehicles. If the vehicle you are authorized to take home does not fit one of the definitions of an exempt vehicle (see attached) your personal use (including commuting use) is taxable.

Unless specifically stated in writing as a part of your compensation arrangement with the City, City-owned vehicles may not be driven for personal use, except commuting to and/or from work and de minimis personal use (e.g., stop for a personal errand between the business locations and/or employee's home).

The following methods will be used to value the taxable benefit derived from personal use of City-provided vehicles:

1. The commuting use of a City-provided (non-exempt) vehicle shall be \$3.00 per day based on 261 days per work year.

If more than one employee commutes in the car, each employee will have the \$3.00 per day value included in their taxable compensation.

2. Those vehicles covered by a specific compensation arrangement shall be valued for compensation purposes at the fair market annual-lease value (a table is provided in the regulations) unless he/she reimburses the City for all personal use.

The annual lease value does not include special equipment (e.g., cellular phones; etc.) or fuel cost.

Reimbursement to the City for personal use must be at the standard mileage rate of 27 cents per mile for the first 15,000 and 11 cents per mile over 15,000 miles. The cents per mile rate does not include special equipment. The employee must maintain adequate records to support the reimbursement amount.

The Finance Department requires all Department Heads to provide a list of City-owned vehicles assigned to the Department and driven for personal use (including commuting) and the City employee(s) to which the compensation applies. The listing should be submitted to the City Finance Department annually, not later than November 15th.

¶ 1612

What Vehicles Are Exempt From Recordkeeping?

Any vehicle that, by reason of its nature, is not likely to be used more than a very limited (de minimis) amount for personal purposes is exempt from the substantiation requirements generally imposed on employer provided cars (see ¶ 1608). The term "qualified nonpersonal use vehicle" is applied to these types of vehicles (.03). However, an employer's deductions related to the business use of such vehicles must still be an ordinary and necessary expenses of the taxpayer's business.

Examples of "qualified nonpersonal use vehicles" that fall within this exception are (.05):

1. forklifts;
2. cement mixers;
3. dump trucks;
4. garbage trucks;
5. refrigerated trucks;
6. tractors and other special purpose farm vehicles;
7. combines
8. flatbed trucks;
9. bucket trucks ("cherry pickers");
10. delivery trucks with seating only for the driver, including those with a jump seat;
11. any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds;
12. cranes and derricks;
13. school buses, ambulances and hearses used as such;
14. clearly marked police and fire vehicles, but personal use other than commuting must be prohibited by the employer;
15. unmarked law enforcement vehicles, but personal use must be incident to the employee's law-enforcement functions (e.g., the ability to respond to emergency situations or report directly to a surveillance site) (see "Law enforcement officer", below);
16. passenger buses used as such with a capacity of at least 20 passengers;
17. moving vans used by professional moving companies but personal use must be restricted by the employer; and
18. trucks specially designed to carry and store equipment for emergency utility repairs (e.g., restoring or maintaining electricity, gas, or water utility services).

Vans and pickup trucks

Vans and pickup trucks are not automatically classified as exempt vehicles because they can be easily used for personal purposes. However, if a van or pickup truck has been specially modified with the result that it is not likely to be used more than a de minimis amount for personal purposes, it will be classified as a "qualified nonpersonal use vehicle" and exempt from the substantiation requirements. For example, a van that has only a front bench for seating in which permanent shelving has been installed, that constantly carries merchandise, and that has been specially painted with advertising or the company's name will qualify as a vehicle not susceptible to personal use (.10).

Law enforcement officer

In order for an unmarked police vehicle (see 15, above) to be classified as a qualified nonpersonal use vehicle, it must be used by a law enforcement officer.

A "law enforcement officer" is an individual who is a full-time employee of a governmental unit that is responsible for the prevention or investigation of crime. In addition, the employee must be authorized by law to carry firearms, execute search warrants and make arrests. The employee must regularly carry firearms except when it is not possible to do so due to the requirements of undercover work.

An arson investigator may be considered a "law enforcement officer" while an IRS special agent may not be (.20).