

<b>DEPARTMENTAL REGULATION</b>		Number: 2600-001
SUBJECT: Taxation of Fringe Benefits	DATE: February 21, 1990	
	OPI: Office of Finance and Management	

I PURPOSE

This regulation informs employees of the Internal Revenue Service (IRS) regulations on the taxation of certain noncash fringe benefits.

2 SPECIAL INSTRUCTIONS

This regulation supersedes DN 2600-1, Taxation of Fringe Benefits issued September 9, 1987, and includes mandatory changes to reporting requirements for the infrequent use of employer-provided transportation between work and home.

3 BACKGROUND

The Tax Reform Act of 1984 requires the reporting of certain employer-provided fringe benefits in an employee's gross compensation for tax purposes. As a result, Federal employees must pay Federal income taxes on the fair market value of noncash fringe benefits provided to them by the Government.

The major Departmental benefit subject to this treatment is employer-provided transportation between home and work.

4 REFERENCES

a Internal Revenue Service Temporary Regulations published at Title 26, Code of Federal Regulations, Part 1, Section 1.61 on the taxation of fringe benefits.

b Internal Revenue Service Temporary Regulations, published at Title 26, Code of Federal Regulations, Part 1, Section 1.132 on de minimis fringe benefits.

c Agriculture Property Management Regulations, Parts 104-38.5003 and 104-38.5004, which address the use of Government vehicles.

d Agriculture Travel Regulations, OM 2300-1, which contain policy for temporary duty travel, including local travel authorized for official business.

e Title I, Chapter 21, Section 4 of the National Finance Center Payroll/Personnel Processing Manual, which describes procedures for reporting employee personal use of Government-owned or -leased vehicles on Time and Attendance (T&A) Reports.

5 DEFINITIONS

a Control employee. An elected official or a Government employee whose pay equals or exceeds the pay of a Federal Government employee, holding a position at Executive Level V, determined under Chapter 11 of Title 2, United States Code, as adjusted by Section 5318 of Title 5, United States Code.

b Reporting year. Same as the pay year.

c Vehicle. Any motorized vehicle manufactured primarily for use on public streets, roads, and highways.

6 APPLICABILITY

Employees are liable for fringe-benefit taxes if they use a Government-owned or -leased vehicle (GOV) for commuting between home and work more than 1 day a month.

7 VEHICLES AS A FRINGE BENEFIT

a General. Commuting transportation is a fringe benefit when use of a Government vehicle is between residence and assigned work site at the official duty station for which the agency may not authorize an allowance under the provisions of the Agriculture Travel Regulations, DM-2300-1.

b Exclusions:

(1) Use of a Government vehicle for commuting is not more than 1 day a month. This amount of usage is a de minimis fringe benefit not included in the gross income of an employee.

(2) Travel between residence and work site at the official duty station which is reimbursable as an official travel expense, for example, from home to office on a day when travel involves an overnight stay away from the local duty station commuting area.

8 VALUATION OF FRINGE BENEFITS

The IRS differentiates between regular employees and control employees to determine the value of commuting transportation fringe benefits.

a Control employees. The value of a control employee's benefit includes the percentage of miles driven for commuting purposes multiplied by the annual lease value of the vehicle, fuel costs of \$0.055 multiplied by the number of miles driven, and the value of the chauffeur services provided, if any.

b Regular employee. The employee's taxable income includes \$1.50 multiplied by the number of one-way trips during the calendar year. This amount compensates for the value of the vehicle, maintenance, fuel, etc. If more than 1 employee commutes in the vehicle, the amount includable in the income of each employee is \$1.50 per one-way commute.

## 9 VEHICLE USAGE RECORDS

Agencies must maintain adequate vehicle usage records for control employees, because these records determine the value of the fringe benefits. Regular employees must maintain vehicle usage records to support the T&A Reports.

## 10 REPORTING VEHICLE USAGE

a Control employees. Control employees will use the Worksheet for Reporting Automobile Commuting Use to calculate and report the taxable benefit (see attachment 1). The Office of Operations and the Office of Finance and Management jointly determine the value for control employees.

b Regular employees. Under Internal Revenue Service Regulations, an employee cannot claim the de minimis use exemption when the employee uses the GOV on more than 1 day per calendar month in any single month during the year. Excess use, for example, more than 1 day in any 1 month, requires reporting of all GOV use during the year.

The regular employee who will use the GOV more than 1 day in any 1 calendar month during the year will record and report the number of one-way commuting trips during each pay period to the T&A contact (see attachment 2). An employee must report all one-way commuting trips. Transaction code 17 records the number of one-way trips to and from the employee's home in a GOV.

An employee who does not expect to use a GOV on more than 1 day in any month and later no longer qualifies for the de minimis use exemption is responsible for reporting the total number of one-way commuting trips during the calendar year to the agency T&A contact (see attachment 2). The T&A contact is responsible for reporting the employee's total number of one-way commuting trips during the calendar year on the last T&A Report ending during the calendar year. Transaction code 17 records the number of one-way trips to and from the employee's home in a GOV.

The National Finance Center determines and reports the amount included in income for regular employees if use of a GOV for

commuting exceeds 1 day per month in any single month during the year.

11 EFFECT ON WITHHOLDING TAXES

This regulation does not establish an income tax withholding requirement for affected employees. However, Social Security or the Medicare portion of Social Security, as appropriate, will be withheld at the end of the year.

END