STATE CONTROLLER'S BULLETIN

Terry Brann
State Controller

H. Sawin Millet Jr., Commissioner
Administrative & Financial Services

Bulletin #FY12-02

SUBJECT: IRS Reporting Requirements for State Vehicles

DATE: September 21, 2011

TO: All Department and Agency Finance Officers

FROM: Terry Brann, State Controller

In accordance with the Revenue Act of 1978, the Internal Revenue Service requires employees who have use of State vehicles to maintain records of their personal use of the State vehicles for tax reporting purposes.

Departments, Agencies, Boards and Commissions having one or more State vehicles must submit the attached report A, B, and/or C, as described below, to the Office of the State Controller (OSC) ***no later than November 7, 2011.*** Please remember that failure to submit by this date impacts the number of pay periods that are available to apply adjustments to employee's pay checks from a tax perspective.

The 2011 tax reporting period is November 1, 2010 through October 31, 2011.

NOTE: We will make available a list from Central Fleet Management covering the period of November 1, 2010 through September 30, 2011. This list will be available to view on the Controller's intranet website on or before October 30, 2011 **http://inet.state.me.us/osc/payroll/irsvehiclereporting.htm**. This list is intended to assist you in identifying individuals that should be contacted to report their personal use of a state *vehicle. Please be reminded, Agencies/drivers are still responsible for including any usage for the month of October in their totals for the 2011 tax year.*

Reminder: Not all vehicle usage is tracked by Central fleet management; therefore those agencies that are not required to report usage to Central Fleet will not appear on the list but are still required to comply with IRS rules posted in this bulletin.

Please do not contact Central Fleet for this information directly. Questions regarding this bulletin should be directed to April Newman or Betty Everatt in the Office of the State Controller.

Report A – 100% Business Use

Please fill out and return Report A if your employees use State vehicles for business purposes only and no commuting is involved. The IRS gives an example of de minimis use as "a stop for a personal errand on the way between a business delivery and the employee's home."

Employees who use a State vehicle, which includes commuting to and/or from work, will have a fringe benefit value of $3.00 per day ($1.50 each way) added to their gross income as reported on the their W-2 form, unless the vehicle is defined as a "qualified non-personal vehicle," as described on the attached *Qualified Nonpersonal Use Vehicle Exception* form.

If more than one State employee commutes in the same vehicle, the $3.00 per day fringe benefit value will be added to each employee's gross income.

14 State House Station
Burton M. Cross Building, 4th Floor
Augusta, ME 04333-0014

Phone: (207)626-8420
Fax: (207)626-8422

Report B – Business and Commuting Only by non-elected officials or employees earning less than $145,700
Please fill out and return Report B if your employees use State vehicles for commuting purposes. Your report to the OSC should identify each employee who has received the commuting fringe benefit and the total dollar value for the 2011 tax reporting period [November 1, 2010 through October 31, 2011].

Report C – Elected Officials or Employees Whose Compensation is $145,700 or More.

Please see the last three pages of this bulletin for information on completing this report.

PLEASE NOTE

The 2011 tax reporting period is November 1, 2010 through October 31, 2011.
New this reporting year: departments should complete and electronically submit the attached spreadsheet to april.d.newman@maine.gov**.** Hard copy forms are still required to be filed.
Departments, Agencies, Boards and Commissions who have not complied with the provisions of this Controller's Bulletin by November 14, 2011 will be responsible for any resulting delays in issuing 2011 W-2 forms for their employees and any potential fines assessed by the IRS. The IRS may fine the employer $50.00 for each employee W-2 form not issued by January 31, 2012.

Those employees who pay to commute to and from work in the State's Van Pool Program do not fall under these regulations and are not required to report.

If you have any questions concerning this policy, please feel free to contact April Newman, Financial Management Coordinator at 626-8436.

Departments must maintain records to support the information provided in response to this bulletin. For personal use of the State vehicle, the following information is required:

- Name of employees that use each vehicle
- Where the vehicle is stored during non work hours
- Written agreements or policy on use of the vehicle including restriction on use
- Mileage log

QUALIFIED NONPERSONAL USE VEHICLE EXCEPTION

A State employee who falls under the Qualified Nonpersonal Use Vehicle Exception will not have a fringe benefit value of $3.00 per day ($1.50 each way) added to their gross income as reported on the their W-2 form, and no record keeping is required. All of an employee's use of a qualified nonpersonal use vehicle is a working condition benefit. A qualified nonpersonal use vehicle is any vehicle the employee is not likely to use more than minimally for personal purposes because of its design. Qualified nonpersonal use vehicles generally include:

1. CLEARLY MARKED POLICE, FIRE OR PUBLIC SAFETY VEHICLES
   A police, public safety officer or fire vehicle is a vehicle, owned or leased by a governmental unit, or any agency or instrumentality whereof, that is required to be used for commuting by a police officer, public safety officer or fire fighter who, when not on a regular shift, is on call at all times, provided that any personal use (other than commuting) of the vehicle outside the limit of the police officer's arrest powers or firefighter's obligation to respond to an emergency is prohibited by such governmental unit. A police or fire vehicle is clearly marked if, through painted insignia or words, it is readily apparent that the vehicle is a police or fire vehicle. A marking on a license plate is not a clear marking for purposes of PL 99-44.

2. UNMARKED LAW ENFORCEMENT VEHICLES
   In general, the substantiation requirements of PL 99-44 do not apply to officially authorized uses of an unmarked vehicle by a "law enforcement officer". To qualify for this exception, any personal use must be authorized by the Federal, State, county or local government agency or department that owns or leases the vehicle and employs the officer, and must be incident to law-enforcement functions, such as being able to report directly from home to a stakeout or surveillance site, or to an emergency situation. Use of an unmarked vehicle for vacation or recreation trips cannot qualify as an authorized use.

The term "law enforcement officer" means an individual who is employed on a full-time basis by a governmental unit that is responsible for the prevention or investigation of crime involving injury to persons or property (including apprehension or detention of persons for such crimes), who is authorized by law to carry firearms, execute search warrants, and to make arrests (other than a citizen's arrest), and who regularly carries firearms (except when it is not possible to do so because of the requirements of undercover work).

The term "law enforcement officer" may include an arson investigator if the investigator otherwise meets the requirements of this paragraph, but does not include Internal Revenue Service special agents.

The term "public safety officer" includes an individual who is part of a rescue squad or ambulance crew whose members are rescue workers, ambulance drivers, paramedics, health-care responders, emergency medical technicians or other similar workers. Qualified individuals must be trained in rescue activity or the provision of emergency medical services and have the legal authority and responsibility to engage in rescue activity or provide emergency medical services. Rescue activity means search or rescue assistance in locating or extracting from danger persons lost, missing, or in immident danger of serious bodily harm. Emergency medical services means provision of first-response emergency medical care (other than in a permanent medical care-facility) or transporation of persons in medical distress (or under emergency conditions) to medical care facilities.

3. An ambulance or hearse used for its specific purpose.

4. Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.

5. Delivery trucks with seating for the driver only, or the driver plus a folding jump seat.

6. A passenger bus with a capacity of at least 20 passengers used for its specific purpose.

7. School buses.

8. Tractors and other special-purpose farm vehicles.

9. PICKUP TRUCKS

A pickup truck with a loaded gross vehicle weight of 14,000 pounds or less is a qualified nonpersonal use vehicle if it has been specially modified so it is not likely to be used more than minimally for personal purposes. For example, a pickup truck qualifies if it is clearly marked with permanently affixed decals, special painting, or other advertising associated with your trade, business, or function and meets either of the following requirements:

1) It is equipped with at least one of the following items.

a) A hydraulic lift gate.

b) Permanent tanks or drums.

c) Permanent side boards or panels that materially raise the level of the sides of the truck bed.

d) Other heavy equipment (such as an electric generator, welder, boom, or crane used to tow auto-mobiles and other vehicles).

2) It is used primarily to transport a particular type of load (other than over the public highways) in a construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operation for which it was specially designed or significantly modified.

10. VANS

A van with a loaded gross vehicle weight of 14,000 pounds or less is a qualified nonpersonal use vehicle if it has been specially modified so it is not likely to be used more than minimally for personal purposes. For example, a van qualifies if it is clearly marked with permanently affixed decals, special painting, or other advertising associated with your trade, business, or function and has a seat for the driver only (or the driver and one other person) and either of the following items:

- Permanent shelving that fills most of the cargo area.
- An open cargo area and the van always carries merchandise, material, or equipment used in your trade, business, or function.

REPORT A

"BUSINESS PURPOSES ONLY"
USE OF STATE OF MAINE VEHICLES
(No Personal Use)

*Department*_____

*Agency/Division*_____

*Vehicle License Plate, Vehicle Year, Make and Model*_____

*Employee's Name*_____

*Date(s) of Use*_____

Mileage

November l, 2010 through October 31, 2011

_____	_____	_____
Start	*Stop*	*Total*

I understand that the vehicle is assigned for State business purposes only and has not been used for personal purposes other than de minimis use.

This is to satisfy substantiation record requirements in accordance with PL 99-44.

*Employee's Signature*_____ *Date*_____

*Supervisor's Signature*_____ *Date*_____

The original should be sent to the Office of the State Controller, SHS#14, Attn: April Newman.
A copy should be retained by Department's/Agency's Administrative Unit for audit purposes

REPORT B

"BUSINESS COMMUTE PURPOSE ONLY"
USE OF STATE OF MAINE VEHICLES
(Commuting Use Allowed)

Elected Officials or Government Employees Earning $145,700 or More in 2011 must file Report C.

*Department*_____

*Agency/Division*_____

*Vehicle License Plate, Vehicle Year, Make and Model*_____

*Employee's Name*_____

*Social Security Number*_____

Number of Days Vehicle is used to commute _____*X $3.00 =*_____

Mileage

November 1, 2010 through October 31, 2011

_____	_____	_____
Start	*Stop*	*Total*

I understand that this vehicle is assigned for State business purposes, other than de minimis use, and commuting to and/or from work.

During non-business use the vehicle is stored at

_____

This information is to satisfy substantiation record requirements in accordance with PL 99-44.

*Employee's Signature*_____ *Date*_____

*Supervisor's Signature*_____ *Date*_____

The original should be sent to the Office of the State Controller, SHS#14, Attn: April Newman.
A copy should be retained by Department's/Agency's Administrative Unit for audit purposes

REPORT C

"CONTROL EMPLOYEES" (Elected Officials or Government Employees Earning $145,700 or More in 2011 - All other use Report B)
USE OF STATE OF MAINE VEHICLES
(Commuting Use Allowed)

*Department*_____

*Agency/Division*_____

*Vehicle License Plate, Vehicle Year, Make and Model*_____

*Employee's Name*_____

*Social Security Number*_____

*Vehicle Fair Market Value*_____

*Annual Lease Value (Table)*_____

		Miles	*% of Total*
November 1, 2010	*Business Use*	_____	_____
through	*Personal Use*	_____	_____
October 31, 2011	*Total Use*	_____	_____

This information is to satisfy substantiation record requirements in accordance with PL 99-44.

$_____ X _____ % = $_____ + (5.5 cents X _____) or $_____

Annual Lease Value X Personal Use = Annual Lease Value + Gasoline Cost or Personal Miles

Annual Lease Value (ALV)	*$_____*
Gasoline at 5.5 cents	*$_____*
2011 Increased Taxable Income	***$_____***

The ALV includes maintenance and insurance but not gasoline. If the employer pays for gasoline either an additional 5.5 cents per personal mile or the actual cost must be added to the value of the benefit and included in the employee's gross income.

The Fair Market Value (FMV) is the FMV on January 1 of that year unless the special accounting rule is used, and then the valuation date is November 1 of the prior year.

*Employee Signature*_____ *Date*_____

The original should be sent to the Office of the State Controller, SHS#14, Attn: April Newman.
A copy should be retained by Department's/Agency's Administrative Unit for audit purposes.

Report C – Elected Officials or Employees Whose Compensation is $145,700 or More.

Please fill out and return Report C if any of your employees is defined as a "control" employee. Control employees are not allowed to use the Commuting Valuation rule. A control employee is either an elected official or a government employee whose compensation is equal to or exceeds Federal Government Executive Level V. For 2010, the compensation amount is $145,700. Control employees must report and pay income taxes on the personal/commuting portion of the annual lease value of their State vehicle, plus 5.5 cents per mile or the actual cost of gasoline provided by the State (see attached *Annual Lease Value Table*).

Example:

For a control employee with a $10,000 State vehicle, driven 24,000 miles, of which 6,000 miles is on State business and 18,000 miles is personal/commuting, the taxable income is:

Annual Lease Value (ALV) for $10,000 car = $3,100 Personal Use % (18,000 ÷ 24,000) = 75%

Annual Lease Value	($3,100 * 75%)	$2,325
Gasoline at 5.5 cents	(18,000 * 5.5¢)	990
2009 Increased Taxable Income		$3,315

The Fair Market Value (FMV) is the FMV on January 1 of that year unless the special accounting rule is used, in which case the valuation date is November 1 of the prior year.

Employees should make the necessary changes in their own withholding taxes because the State has elected the “notification method” of withholding.

ANNUAL LEASE VALUE TABLE

Automobile Fair Market Value	Annual Lease Value	Automobile Fair Market Value	Annual Lease Value
$ 0 - 999	$600	$22,000 - 22,999	$6,100
$1,000 - 1,999	$850	$23,000 - 23,999	$6,350
$2,000 - 2,999	$1,100	$24,000 - 24,999	$6,600
$3,000 - 3,999	$1,350	$25,000 - 25,999	$6,850
$4,000 - 4,999	$1,600	$26,000 - 27,999	$7,250
$5,000 - 5,999	$1,850	$28,000 - 29,999	$7,750
$6,000 - 6,999	$2,100	$30,000 - 31,999	$8,250
$7,000 - 7,999	$2,350	$32,000 - 33,999	$8,750
$8,000 - 8,999	$2,600	$34,000 - 35,999	$9,250
$9,000 - 9,999	$2,850	$36,000 - 37,999	$9,750
$10,000 - 10,999	$3,100	$38,000 - 39,999	$10,250
$11,000 - 11,999	$3,350	$40,000 - 41,999	$10,750
$12,000 - 12,999	$3,600	$42,000 - 43,999	$11,250
$13,000 - 13,999	$3,850	$44,000 - 45,999	$11,750
$14,000 - 14,999	$4,100	$46,000 - 47,999	$12,250
$15,000 - 15,999	$4,350	$48,000 - 49,999	$12,750
$16,000 - 16,999	$4,600	$50,000 - 51,999	$13,250
$17,000 - 17,999	$4,850	$52,000 - 53,999	$13,750
$18,000 - 18,999	$5,100	$54,000 - 55,999	$14,250
$19,000 - 19,999	$5,350	$56,000 - 57,999	$14,750
$20,000 - 20,999	$5,600	$58,000 - 59,999*	$15,250*
$21,000 - 21,999	$5,850		

***** For automobiles with a fair market value of more than $59,999, the annual lease value equals:

(.25 X the fair market value of the automobile) + $500.