**Use of Courtesy Vehicles and Vehicle UPPS No. 03.01.12**

**Allowances Provided by the University Issue No. 4**

**Revised Date: 01/09/2020
Effective Date: 11/05/2014
Next Review Date: 04/01/2026 (E6Y)**

 **Sr. Reviewer: Associate Vice President for Financial Services**

**01. POLICY STATEMENTS**

01.01 The purpose of this policy is to establish procedures for reporting the personal use of courtesy vehicles and for reimbursement of business mileage related to courtesy vehicles. This policy is also intended to cover reimbursement of excess business mileage related to vehicle allowances provided to certain authorized staff. The intention of this policy is to be in compliance with Internal Revenue Service (IRS) requirements, the [State of Texas Travel Regulations Act](https://statutes.capitol.texas.gov/Docs/GV/htm/GV.660.htm), and [The Texas State University System (TSUS) Rules and Regulations](https://www.tsus.edu/about-tsus/policies.html), Series 20801, pertaining to travel allowances.

01.02 Personal use of courtesy vehicles is reportable as taxable income to the employee on the employee’s annual W-2 statement. Texas State University will calculate taxable amounts using the prorated annual lease value, as defined by the IRS, and will apply the ratio of personal miles to total miles driven in a determinable period. The applicable [IRS reference](https://www.irs.gov/pub/irs-drop/n-19-34.pdf) follows:

“For employer-provided vehicles available to employees for personal use for an entire year, generally the value of the personal use may be determined under the automobile lease valuation rule of Treas. Reg. § 1.61-21(d). Under this valuation rule, the value of the personal use is the Annual Lease Value.”

01.03 Courtesy Vehicle Business Mileage – Authorized employees who use a courtesy vehicle can be reimbursed for official business travel at a rate not to exceed 50 percent of the standard mileage rate authorized, as published by the IRS.

01.04 Mileage Reimbursement in Addition to Vehicle Allowance – Employees who receive a vehicle allowance can only be reimbursed for excess business mileage. Excess business mileage is defined as business travel outside of the San Marcos area. The San Marcos area includes a 50-mile radius of San Marcos, but does not include the greater Austin area or the greater San Antonio area. The reimbursement for excess business mileage is only reimbursed at 50 percent of the federal mileage rate, as published by the State Comptroller’s Office.

01.05 This policy does not apply to the use and operation of Texas State official police vehicles.

01.06 This policy applies to all university vehicles, including those owned or leased by the university, as well as courtesy vehicles provided to certain authorized staff by local car dealerships.

01.07 The IRS may assess penalties and interest against employees who fail to comply with this policy. In addition, the university may discipline employees who do not comply with this policy.

01.08 If other university-related groups wish to supply vehicles to university employees, the groups must send written documentation of the arrangement to the director of Payroll and Tax Compliance, who will review and approve for compliance with this policy.

01.09 The reporting year for courtesy car reports begins November 1 and ends October 31. Personal usage is reported monthly or quarterly, depending on arrangements made by the department with the Payroll and Tax Compliance Office. For employees who report on a quarterly basis, the reporting quarters and corresponding paycheck dates are:

|  |  |
| --- | --- |
| Reporting Quarters:November 1 - January 31February 1 - April 30May 1 - July 31August 1 - October 31 | Paycheck Affected: March 1 paycheck June 1 paycheck September 1 paycheckDecember 1 paycheck  |

**02. DEFINITIONS**

* 1. Courtesy Vehicle – any vehicle provided to an employee by the university for university business reasons without regard to ownership. The university, one of its affiliated organizations (e.g., a foundation), or a car dealership may hold the actual title to employer-provided vehicles. This definition also includes any vehicles provided directly to university employees by a car dealership. This definition includes all vehicles whether owned, leased, or received as a gift. Fuel expenses are reimbursed for official business travel by employees who are authorized to use a courtesy vehicle. All personal use of the courtesy vehicle is documented and included as taxable income to the employee.
	2. Personal Use of a Courtesy Vehicle – includes commuting from home to work and any other travel that is not official business travel. Personal usage of a courtesy vehicle must be reported on a [Courtesy Car Declaration Form](http://www.txstate.edu/payroll/taxspec/forms/contentParagraph/06/document/courtesy%20car%20declaration%20form_ending%20odometer.doc) and is reported to the Payroll and Tax Compliance Office as taxable income. Forms are located on the Payroll and Tax Compliance Office website, [Resources & Forms](https://www.txstate.edu/payroll/resourcesforms.html).
	3. Vehicle Allowance – an authorized additional payroll amount for certain designated officials to be used to cover all vehicle expenses, including fuel for travel within the San Marcos area. All official business travel within the San Marcos area is considered to be a part of the vehicle allowance (see Section 01.04 for a definition of the San Marcos area). Only excess business mileage is reimbursed to employees who receive a vehicle allowance.
	4. Official Business Travel – includes travel to perform employment-related duties, such as transporting official recruits or prospective employees. The business purpose must be clearly defined on the travel voucher. Under no circumstances will commuting mileage from home to work be reimbursed.

\*02.05 An Arm's Length Transaction – a transaction in which neither the buyer nor seller are under any compulsion to buy or sell, and both are acting based on reasonable knowledge of the facts involved.

* 1. Designated Department Personnel – the employees in each department designated by the appropriate vice president that have the responsibility to report courtesy vehicle changes and personal use to the Payroll and Tax Compliance Office.

\*02.07 Facilities Management – university fleet manager responsible for handling Texas State’s corporate TxTag toll account.

**03. RESPONSIBILITIES OF AND PROCEDURES FOR ACCOUNT MANAGER, EMPLOYEE, AND DESIGNATED DEPARTMENT PERSONNEL**

03.01 Designated department personnel must notify the Payroll and Tax Compliance Office when a courtesy vehicle or vehicle allowance is provided to a new or existing employee, and the documentation must include the following:

1. the employee’s name and Texas State identification number, or Human Resources Master File Person ID;
2. the employee’s job title and department;
3. the name and contact information of the account manager and designated department personnel;

1. the vehicle identification number (VIN), make, model, and year of the courtesy vehicle;
2. the beginning odometer reading;
3. documentation of the invoice price, manufacturer's retail price, or Blue Book value (if used vehicle);

1. the amount of the vehicle allowance and the purpose intended for the vehicle allowance; and

1. the date the employee will begin using the courtesy vehicle or vehicle allowance.

03.02 Courtesy vehicle drivers are required to notify designated department personnel immediately when a new courtesy vehicle is obtained from the dealership. Documentation provided by courtesy vehicle drivers to designated department personnel must include the following:

1. the new vehicle VIN;
2. the make, model, and year;
3. the invoice price, manufacturer's retail price, or the Blue Book value (if used vehicle);
4. the beginning odometer reading;
5. the date the vehicle is received for use by the courtesy vehicle driver; and
6. the date the previous vehicle was returned by the courtesy vehicle driver to the dealer (if applicable).

03.03 Designated department personnel must report any courtesy vehicle change of information to the Environmental Health, Safety, and Risk Management Office immediately so vehicles can be added, or information can be updated on the university’s insurance policy. Failure to report this information can result in a lapse of liability insurance coverage on the vehicle.

\*03.04 Designated department personnel must notify Facilities Management of the addition or deletion of courtesy vehicles so that they can ensure that TxTag bills are routed to the correct department. Failure to report the addition of courtesy vehicles could result in penalties being levied by toll authorities for late toll payment. Documentation provided must include:

1. vehicle make, model, and year;
2. vehicle license plate number; and
3. department using the vehicle.

03.05 Complete Mileage Log

Each employee who is assigned a vehicle must document all business and total miles driven. The documentation must include the date and business mileage of each business trip. All business mileage must be supported by written records (e.g., logs, calendars, or other means) reflecting the date, place, and nature of business.

The employee is responsible for retaining copies of all written records to be presented upon demand in the event of internal or external audits. These records are to be maintained for five years from the year in which the personal mileage was reported on the employee’s W-2.

03.06 Complete and Submit the Courtesy Car Declaration Form

* + 1. At the end of business on the last day of the reporting period, the employee must complete the [Courtesy Car Declaration Form](http://www.txstate.edu/payroll/taxspec/forms/contentParagraph/06/document/courtesy%20car%20declaration%20form_ending%20odometer.doc) for all university-provided vehicles used during the previous reporting period. This form will serve as written substantiation of business and personal use. At the end of each reporting period, the employee must document the total mileage driven during the reporting period and the odometer reading at the end of the reporting period. The business mileage will be subtracted from the total mileage to get the personal mileage.

* + 1. The Athletics business office should forward the completed form to the Payroll and Tax Compliance Office by the 10th day of the month following the end of the reporting period.
		2. Reporting periods and due dates are as follows for either monthly or quarterly reporting:
1. Quarterly Reporting – November 1-January 31 is due February 10; February 1-April 30 is due May 10; May 1-July 31 is due August 10; August 1-October 31 is due November 10.
2. Monthly Reporting – Reports are due no later than the 10th of each month for the prior month’s usage.

03.07 If an employee fails to file the [Courtesy Car Declaration Form](http://www.txstate.edu/payroll/taxspec/forms/contentParagraph/06/document/courtesy%20car%20declaration%20form_ending%20odometer.doc) by the due date, the estimate of personal versus business usage will be determined as being 50 percent business use and 50 percent personal use. If an employee fails to file more than two [Courtesy Car Declaration Forms](http://www.txstate.edu/payroll/taxspec/forms/contentParagraph/06/document/courtesy%20car%20declaration%20form_ending%20odometer.doc) in any calendar year, on the third violation the designated department personnel will estimate 100 percent of the vehicle use as personal use. After being reported in a period, estimated mileage will not be revised.

03.08 Travel vouchers must be used to claim reimbursement for official business mileage. All business mileage must be supported by written records reflecting the date, place, and nature of business. If fuel receipts are used, reimbursement will not exceed 50 percent of the standard mileage rate. The account manager has the discretion to determine whether a traveler will be reimbursed using actual fuel receipts or 50 percent of the standard mileage rate.

03.09 To determine mileage amounts, the employee must use the [State of Texas Travel Allowance Guide](https://fmx.cpa.state.tx.us/fmx/travel/textravel/index.php) located on the university’s [Travel Office website](http://www.txstate.edu/gao/ap/travel/links.html).

 If the mileage is less than the distance listed in the mileage guide, the employee may only claim the actual miles traveled.

 Alternatively, odometer readings may be used to determine mileage amounts in the following three cases:

1. if the mileage is not listed in the guide;
2. if the employee is traveling to a location within a city and the employee wants to track actual miles; or
3. in-city mileage.

Odometer readings must be tracked on a mileage log and must be listed point-to-point with a descriptive or physical address. A descriptive address must be listed as the school visited, direction, and number of miles from the closest intersection, or city, if necessary. Point-to-point means a building, house, highway intersection, or other localized spot. Address only must be listed once on the mileage log for the duty point. Forms are located on the Payroll and Tax Compliance Office, [Resources & Forms](https://www.txstate.edu/payroll/resourcesforms.html).

 MapQuest or other on-line mileage websites will not be accepted in lieu of odometer readings.

 If the account manager elects to reimburse actual fuel receipts, mileage documentation is still required to justify amount of fuel reimbursement.

03.10 Record keeping for Texas State owned or leased automobiles and justification of expenses or mileage reimbursements related to vehicle allowances or courtesy vehicles is the responsibility of the employee.

03.11 Maintaining Vehicle List and Valuation

New acquisition of a courtesy vehicle and any subsequent changes to courtesy vehicles must be reported to designated department personnel. At the beginning of each reporting period, designated department personnel will request from Environmental Health, Safety, and Risk Management a current list of courtesy vehicles on file. This list should be used to determine fair market value each reporting period.

1. The university will use the safe-harbor valuation rule as the fair market value. For an employer-provided vehicle, this is the purchasing cost (including sales tax, title, and other purchase expenses) if made at arm's length. For a leased vehicle or dealer-provided vehicle, this includes:

1) the manufacturer's suggested retail price of the auto less eight percent (including sales tax, title, and other purchase expenses);

2) the retail value as reported by a nationally-recognized pricing source (i.e., Blue Book) that regularly reports new or used vehicle retail values; or

3) the manufacturer's invoice price (including any options) plus four percent.

1. The fair market value will be used to determine the prorated annual lease value from the Annual Lease Value Table provided by the IRS in [Publication 15-B](https://www.irs.gov/pub/irs-pdf/p15b.pdf). For consistency in reporting, designated department personnel will use the fair market value of the vehicle possessed on the first day of the reporting period for the entire period, regardless of when a courtesy vehicle change took place during the reporting period.

03.12 Designated department personnel will use the current list of vehicles provided by Environmental Health, Safety, and Risk Management to calculate the federal income taxes owed on the value of the personal use of the vehicle. The value is calculated using the prorated annual lease value amount multiplied by the ratio of personal mileage to total mileage. This information will be sent to the Payroll and Tax Compliance Office to be taxed in the next pay period.

03.13 If the employee expends university-paid gasoline for personal use, the designated department personnel will determine the value to be added to the employee’s taxable income. The value of the gasoline expended for personal use will be determined using the same ratio calculated in Section 03.11 a. The value of personal use is subject to federal withholding, social security, and Medicare tax.

03.14 The following conditions must be met if other department staff members (other than primary listed driver) use courtesy vehicles on file with the university:

* 1. the department staff member must be on the university’s approved drivers list before driving a courtesy vehicle (see [UPPS No. 05.05.02](http://www.txstate.edu/effective/upps/upps-05-05-02.html), Driver Selection, for additional clarification on this process);
	2. the dealer that owns or leases the designated courtesy vehicle must approve of the department staff member (other than the primary driver) driving the designated courtesy vehicle; and
	3. if Sections 03.14 a. and b. are met, the other department staff member may use the designated courtesy vehicle for business purposes only.

Any violations to this policy may result in removal of courtesy vehicle privileges for the courtesy vehicle driver and the university.

**04. PAYROLL AND TAX COMPLIANCE OFFICE RESPONSIBILITIES AND PROCEDURES**

* 1. Payroll Taxes
1. Upon receiving the [Courtesy Car Declaration Form](http://www.txstate.edu/payroll/taxspec/forms/contentParagraph/06/document/courtesy%20car%20declaration%20form_ending%20odometer.doc) from the designated department personnel, the Payroll and Tax Compliance Office will include the calculated personal use of the university-provided vehicle as income in the employee’s next paycheck. The value of the personal use will be subject to federal withholding, social security, and Medicare tax.

1. The paycheck following the end of the period as outlined in Section 01.09 will reflect applicable taxes.

04.02 Annual W-2 Tax Statement – Boxes 1, 3, and 5 of employee W-2 tax statements will reflect income related to this policy.

04.03 Personal Tax Implications – The university is not allowed to give personal tax advice to employees. Employees should consult with their personal tax advisor regarding the reporting requirements on their personal tax return.

**05. REVIEWERS OF THIS UPPS**

05.01 Reviewers of this UPPS include the following:

Position Date

Associate Vice President for April 1 E6Y

Financial Services

Director, Payroll and April 1 E6Y

Tax Compliance Office

**06. CERTIFICATION STATEMENT**

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

Associate Vice President for Financial Services; senior reviewer of this UPPS

Vice President for Finance and Support Services

President