

**STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION**

**OFFICE OF ACCOUNTS AND CONTROL**

**SECTION**

**POLICY/PROCEDURE NUMBER**

A-51

**SUBSECTION**

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**STATE LAW**

Section 42-11.3 of the General Laws establishes several requirements concerning the use and accountability of state-owned (employer-provided) vehicles. It is the responsibility of the Director of Administration, the various department directors, and the Office of State Fleet Operations to ensure compliance with RIGL 42-11.3 and each agency head is accountable to the Department of Administration for the enforcement of these policies. Please see the "Rules and Regulations Governing the Office of State Fleet Operations and the Management and Use of State Owned Motor Vehicles by State Agencies" for information regarding state vehicle usage and annual State Fleet reports required.

***Definitions:***

"Commuting" means driving a motor vehicle owned by a governmental body to and from the work place and an employee's residence.

"Commuting miles" are miles that an employee drives between the employee's home and his/her work place.

"Department Director" means the heads of departments enumerated in Section 42-6-2 of the General Laws.

"Employee" means an individual who works for a governmental body not less than thirty-five (35) hours a week.

"General officer" means the governor, the lieutenant governor, the attorney general, the secretary of state and the general treasurer.

"Governmental body" means any department, commission, council, board, bureau, committee, institution, legislative body, agency, government corporation, including, without limitation, the board of governors for higher education and board of regents for elementary and secondary education or other establishment of the executive, legislative or judicial branch of the state.

"Law enforcement officer" means an individual: 1) who is employed on a full-time basis by a governmental body that is responsible for the prevention or investigation of crime involving injury to persons or property (including the apprehension or detention of persons for such crimes); 2) who is authorized by law to carry firearms, execute search warrants and to make arrests (other than merely a citizen's arrest); and 3) 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" shall include an arson investigator if the investigator otherwise meets these requirements.

"Own" means control and the intent to control and includes any type of arrangement, including by way of illustration, and not by limitation, a lease arrangement, whereby an employee of a governmental body is supplied principal and exclusive use of a motor vehicle by his or her employer.

"State Owned Vehicle" is a motor vehicle which is owned by a governmental body.

"Work place" is defined as the place that is noted in a department's database/record where an employee regularly

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performs his or her normal office functions or reports for duty at the beginning of a shift.

**REIMBURSEMENT FOR PERSONAL USE OF STATE OWNED VEHICLES**

The law (Section 42-11.3-4) requires reimbursement from employees (with certain exceptions) for use of state-owned vehicles for commuting purposes. The general officers, law enforcement officers, and department directors are exempt from reimbursing for commuting use. However, if a general officer uses a state-owned vehicle for political purposes, he/she is responsible for reimbursement related to such use.

Unless exempt under items 1 through 6 below, all employees using a state vehicle for commuting purposes are required to reimburse the State on a monthly basis at the current cents-per-mile rate allowed by the IRS. Failure to reimburse the state for commuter miles on a monthly basis shall result in the commuting authorization being withdrawn by the Director of Administration.

1. The motor vehicle is used by law enforcement officers {as defined in Section 42-11.3-1(4)} and for whom written approval by the employees' appointing authority and the director of administration has been given.
2. Employees who are on emergency response status; the need for these employees to respond to emergencies in an assigned vehicle must be clearly established and must be clearly beneficial to the state. (42-11.3-4(e)[1](ii))
3. Employees who must work in their assigned vehicle outside of their permanent duty station for at least 80% of their scheduled workweek. (42-11.3-4{e}[1](iii)).
4. Situations in which it is clearly more beneficial for the state if the employee uses an assigned vehicle to travel from his/her residence to a temporary or seasonal work place. (42-11.3-4(e)[1](iv))
5. The vehicle is needed on a per trip basis and the employee is required to use the vehicle either before or after regular working hours. (42-11.3-4{e}[1](v))
6. An employee has been assigned a specially equipped vehicle and is required to work with the vehicle after regular working hours. (42-11.3-4(e)1)(vi))
7. A situation exists whereby it is established that an employee's commuting use of a state-owned vehicle is clearly beneficial to the state and for whom written approval by the employees' appointing authority and the director of administration has been given. (42-11.3-4(E)2)

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**FEDERAL LAW**

***FEDERAL TAX LIABILITY***

Under IRS regulations, the imputed value of personal use of an employer-provided vehicle must be included in the employee's gross pay and is taxable for income and social security purposes. Under the regulations, the employer is exempt from withholding taxes, other than Social Security, if the employer notifies the employee that the employer is not withholding and the employer includes the value in the employee's W-2. The regulations also allow for payment of Social Security Taxes annually.

*The State of Rhode Island will not withhold income taxes but will include this taxable income on the employee's W-2 and Social Security Taxes will be withheld in December of each year.*

***RECORDKEEPING REQUIREMENTS***

Employees are required to keep records substantiating the personal use of an employer-provided vehicle and the business use of the vehicle. Even if an individual is exempt under state law from the state reimbursement requirement, the amount of benefit that is added to an employee's gross pay is still considered a taxable fringe benefit for IRS purposes. However, when the employee reimburses the employer for the fair market value of the personal use of the vehicle, no income results to the employee. Partial payments reduce the employee's income by the amount of the payment. The amount added to wages is not considered salary for the purposes of computing retirement benefits.

The following employer-provided vehicles are considered non-personal use vehicles and are to be excluded from the reporting requirement:

- a. Clearly marked (through painted insignia or words) police, fire, and public safety vehicles
- b. An ambulance or hearse used for its specific purpose
- c. Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds
- d. Delivery trucks with seating for the driver only, or the driver plus a folding jump seat
- e. A passenger bus with a capacity of at least 20 passengers used for its specific purpose
- f. School buses
- g. Tractors and other special-purpose farm vehicles
- h. Bucket trucks ("cherry pickers")
- i. Cement mixers and combines
- j. Cranes and derricks
- k. Dump trucks (including garbage trucks)
- l. Flatbed trucks
- m. Forklifts
- n. Qualified moving vans
- o. Qualified specialized utility repair trucks (other than a van or pick-up truck)
- p. Refrigerated trucks
- q. Officially authorized uses of unmarked vehicles by law enforcement officers or arson investigators who are full-time employees, authorized to carry fire arms, execute search warrants and make arrests
- r. Such other vehicles the (IRS) commissioner may, from time to time, designate

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An employer may treat the value of the benefits provided during the last two months of the calendar year as paid during the subsequent calendar year. The State of Rhode Island did adopt this procedure. In 1985, we reported the value of the personal use of a vehicle for the period January 1 to October 31. In subsequent years, the value of the benefit is calculated for the period November 1 (of previous year) to October 31 (of current year).

The law implements the record-keeping standard of "adequate records or sufficient evidence" to support any credit or deduction claimed for business use for an employer-provided vehicle. Examples of acceptable substantiation would be account books, diaries, logs, receipts, bills, trip sheets, expense forms or statements by disinterested witnesses. Records must substantiate the time, date, place, purpose and cost of travel with written evidence having more probative value than oral substantiation.

The state has a policy that state-owned vehicles cannot be used for personal use except for commuting purposes. "Commuting" is defined as driving an employer-provided vehicle to or from an employee's work site and residence. The reporting of commute miles should be based on the distance from an employee's home to their work site and not to a state vehicle storage facility.

Each employee, who does not regularly use a state vehicle for commuting shall maintain written evidence of their irregular or infrequent commuting.

**DEPARTMENT OR AGENCY RESPONSIBILITY**

Each employee that is assigned a state vehicle must complete the Annual Statement of Personal Usage for State Provided Vehicles. This form is used by the Office of Accounts and Control to report the value of daily commuting as a taxable fringe benefit on employee W-2 forms. It is the department or agency's responsibility to ensure that each employee assigned a state vehicle completes and submits Form A51a or A51b or A51c by the deadline specified in the annual memorandum issued by the State Controller's Office. The employee to whom the vehicle is assigned must sign and date each form.

Two copies of Form A51a or A51b or A51c and are to be returned by the employee to the department or agency payroll office on or before the deadline specified in an annual memorandum issued by the State Controller. The department or agency payroll office shall forward one copy to the Office of Accounts and Control, Central Payroll Section, One Capitol Hill, Providence, RI 02908, on or before the deadline specified in an annual memorandum issued by the State Controller's Office and retain one copy.

The taxable fringe benefit amount (vehicle use) as reported on the completed A-51 forms shall be entered on the payroll master file by the Office of Accounts and Control and will be reported in the "fringe benefit" column of the Payroll Attendance Report (Form A-80) on a pay period ending date to be specified in an annual memorandum issued by the State Controller's Office.

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**CALCULATING VALUE AND REPORTING FOR GOVERNMENT CONTROL EMPLOYEES**

Governmental control employees = elected officials or any employee whose compensation equals or exceeds the level of a Federal Government Executive Level V employee.

Go to <http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/> for the most recent Executive Schedule.

These officials may not use the commuting value method but can determine the value of the benefit using the annual lease value rule or the vehicle cents-per-mile rule.

**CALCULATING VALUE AND REPORTING FOR GOVERNMENT NON-CONTROL EMPLOYEES**

A State employee who is (1) provided a State-owned vehicle to drive to and from work for valid business reasons (lack of space to store the vehicle, for the ability to respond to emergency calls, security of the vehicle, etc.); (2) prohibited from using the vehicle for personal use; except for commuting or de minimis personal use, and (3) not a governmental control employee as defined above may use the vehicle cents-per-mile method, the \$3.00 a day method, or the annual lease value method.

Once either method is adopted, the employer and the employee must use this valuation technique for all subsequent periods until circumstances change. The types of non-personal vehicles listed on page 3 of these procedures are exempt from taxation. An employee provided with any other type of vehicle is subject to taxation on the commuting value.

An explanation and example of each method follows:

**COMMUTING RULE**

Under this rule, the value of the vehicle provided to the employee for commuting use is determined by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50. If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee's wages or reimbursed by the employee.

**ANNUAL LEASE VALUE RULE**

Using this option, if an employer-provided vehicle is made available to an employee, the amount that is added to his or her gross pay is the annual lease value (ALV) reduced by the cost of business use. To determine the amount of the benefit, a four-step process is necessary. First, the annual lease value (ALV) of the vehicle must be established. This is done by taking the fair market value (FMV) and applying it to the Annual Lease Value Table (which is contained in the IRS regulations). The FMV is the equivalent of the cost to the employee to purchase a similar vehicle without regard to a group discount. Upon reassignment, the ALV is recalculated based on the vehicle's fair market value of November 1 of the year of reassignment.

**NOTE** If an employee is assigned the same vehicle in one calendar year as the previous calendar year, the ALV determined for the previous November 1st through October 31st is to be used for the subsequent November 1st through October 31st. The AVL of a vehicle is to be recalculated every four (4) years.

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ANNUAL LEASE VALUE TABLE

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

\* Vehicles having a fair market value in excess of \$59,999, the annual lease value (ALV) is equal to: (FMV x 0.25) + \$500.

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Step 2 is to calculate the difference between personal and business mileage and to create a fraction that represents business use. The numerator of which is the difference between the total miles and the personal miles driven by the employee, and the denominator being the total miles driven by the employee. Step 3 determines the amount of business use by multiplying the ALV by the mileage fraction. Step 4 is to calculate the amount of the benefit to be included in the gross pay of the employee. To do this, first subtract the business use from ALV to calculate the total personal benefit. Then subtract the total amount reimbursed for commuting to calculate the net taxable benefit.

**EXAMPLE**

1. ALV: Employee A is provided an automobile with a FMV of \$17,500 and a corresponding ALV (using the chart) of \$4,850.
2. Fraction: Employee A drove a total of 10,000 miles. 2,000 of which were personal use.  
Numerator:  $10,000 - 2,000 = 8,000$  business miles  
Denominator: 10,000 total miles driven
3. Business Use:  $ALV \times \text{mileage fraction} = 4,850 \times \frac{8,000}{10,000} = \$3,880$
4. Amount of the taxable benefit to be included in gross income:  
(a)  $ALV - \text{Business Use} = \text{Personal Use (Total Personal Value)}$   
 $\$4,850 - \$3,880 = \$970$  Total Personal Value (TPV)  
  
(b)  $TPV - \text{Commuting Reimbursement} = \text{Net Taxable Benefit}$   
 $\$970 - \$630 = \$340$

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

In determining the taxable and lease value:

- a. For assistance in determining the fair market value of an individual's automobile, you may contact the Department of Administration, Division of Central Services at Centrex 277-6214.
- b. The official must provide a statement of the total miles driven and the total miles for personal use (including commuting to and from the office) for the period November 1 through October 31.

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- c. The value of State provided gasoline may be determined in two ways.
    - 1. 5.5¢ per mile of personal use, or;
    - 2. If the actual cost of gasoline for the period is known, multiply the percentage of personal use times the total cost.
  - d. If the individual has a chauffeur or other driver, the fair market value for such must be determined and included for the personal use, if applicable.

**VEHICLE CENTS-PER-MILE VALUATION RULE** (Standard Mileage Rate)

This method can only be used if the vehicle is regularly used for governmental business purposes, is driven 10,000 miles or more annually, and has a fair market value of \$16,000 or less (indexed annually by the IRS). A vehicle is considered regularly used if it is generally used each workday to transport at least three employees in an employer-sponsored commuting vehicle pool or if at least 50% of the annual mileage is for the employer's business. The 10,000 miles-per-year requirement refers to the vehicle's total mileage, not the distance that each employee using the vehicle must drive. If all conditions are not satisfied, the Annual Lease Value Rule must be used. Once adopted, both the employer and the employee must use this valuation technique for all subsequent periods.

The vehicle cents-per-mile rule allows the value of personal use of a state-owned vehicle to be calculated by multiplying the number of personal miles driven times the cents-per-mile rate allowed by the IRS at the time of the travel. This standard rate includes gasoline, insurance and maintenance. To calculate the taxable benefit, the amount reimbursed to the state, if any, is subtracted from the total personal value.

**EXAMPLE**

- 1. Standard Mileage Rate: Employee A drives 20,000 personal miles and 35,000 business miles. The standard mileage allowance for the personal miles driven is 56¢.
- 2. Amount of taxable benefit to be included in gross income is:
  - a. 20,000 miles x 56¢ = \$11,200 Total Personal Value
  - b. Total Personal Value Less Commuting Reimbursement Equals Net Taxable Benefit  
\$11,200 Less \$11,200 = \$0.00 Taxable Benefit

OR

  - c. Total Personal Value Less Commuting Reimbursement Equals Net Taxable Benefit  
\$11,200 Less \$0 = \$11,200 Taxable Benefit

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If an employee shares a vehicle with another employee(s), the employee determines his/her personal usage mileage during the reporting period, then reports his/her net taxable fringe benefit amount as shown in the following examples:

**EXAMPLE**

Employee 1 and Employee 2 share usage of the same vehicle with a fair market value of \$17,500 that is driven a total of 20,000 miles for the reporting period. Employee 1 uses the vehicle for the period September through May and commutes 30 miles round trip per workday for a total of 5880 personal usage miles. Employee 2 commutes 20 miles round trip per workday for June, July and August, for a total of 1300 personal usage miles.

Using the vehicles cents per mile method, Employee 1 would report \$3,292.80 (5880 miles x \$0.56 per mile) as a taxable fringe benefit, and Employee 2 would report \$728.00 (1300 miles x \$0.56 per mile) as a taxable fringe benefit.

Using the annual lease value method, the calculation of a taxable fringe benefit amount for each employee would be as follows:

1. Total Miles	20,000
2. Personal Usage Miles (of both employees)	<u>-7,180</u>
3. Business Miles	12,820
4. Annual Lease Value	\$4,850
5. % of Business Use (#3 ÷ #1)	<u>X 64.1%</u>
6. Annual Lease Value for Business Use Purposes	\$3,108.85
7. Annual Lease Value	\$4,850.00
8. Annual Lease Value for Business Use Purposes (#6)	<u>-3,108.85</u>
9. Annual Lease Value for Personal Use Purposes	\$1,741.15
10. Allocation of Annual Lease Value for Personal use Purposes	
10.1 Annual Lease Value for Personal Use Purposes (#9)	\$1,741.15
10.2 Employee 1 Allocation [5,880 miles ÷ 7,180 miles (#2)] =	\$1,425.90
10.3 Employee 2 Allocation [1300 miles ÷ 7,180 miles (#2)] =	\$ 315.25

**RATES AND EFFECTIVE DATE(S)**

The forms cover the period from November 1st of one calendar year to October 31st of the next calendar year. Annual memorandum issued by the State Controller's Office will include the per mile rates and their effective dates.

**FORMS**

A51a, A51b and A51c are located under "Payroll Forms" on the State Controller's website.