

Personal use of company automobile

There are four methods for determining the amount to be included in the employee's wage for personal use of a company-provided vehicle. Once a method is chosen, you must consistently use the same method the following year (with an exception of fair market value method). Personal use of a company auto is 100 percent taxable and reported in boxes 1, 3, 5, 14, and 16.

- > **Fair market value (FMV) method** – The employer determines the cost to lease for one year, multiplied by the ratio of personal mileage. This is the only method that can always be used even if a different method had previously been used.
- > **Lease value table method** – A table of government-approved lease values (below) based on a vehicle's FMV, which is based on the cost of the vehicle, or if a leased vehicle, its retail price. This value must be maintained for four years before changing the FMV of the vehicle.

Automobile fair market value	Annual lease
\$0 - 999	\$600
1,000 - 1,999	\$850
2,000 - 2,999	\$1,100
3,000 - 3,999	\$1,350
4,000 - 4,999	\$1,600
5,000 - 5,999	\$1,850
6,000 - 6,999	\$2,100
7,000 - 7,999	\$2,350
8,000 - 8,999	\$2,600
9,000 - 9,999	\$2,850
10,000 - 10,999	\$3,100
11,000 - 11,999	\$3,350
12,000 - 12,999	\$3,600
13,000 - 13,999	\$3,850
14,000 - 14,999	\$4,100
15,000 - 15,999	\$4,350
16,000 - 16,999	\$4,600
17,000 - 17,999	\$4,850
18,000 - 18,999	\$5,100
19,000 - 19,999	\$5,350
20,000 - 20,999	\$5,600
21,000 - 21,999	\$5,850

Automobile fair market value	Annual lease
\$22,000 - 22,999	\$6,100
23,000 - 23,999	\$6,350
24,000 - 24,999	\$6,600
25,000 - 25,999	\$6,850
26,000 - 27,999	\$7,250
28,000 - 29,999	\$7,750
30,000 - 31,999	\$8,250
32,000 - 33,999	\$8,750
34,000 - 35,999	\$9,250
36,000 - 37,999	\$9,750
38,000 - 39,999	\$10,250
40,000 - 41,999	\$10,750
42,000 - 43,999	\$11,250
44,000 - 45,999	\$11,750
46,000 - 47,999	\$12,250
48,000 - 49,999	\$12,750
50,000 - 51,999	\$13,250
52,000 - 53,999	\$13,750
54,000 - 55,999	\$14,250
56,000 - 57,999	\$14,750
58,000 - 59,999	\$15,250
Above 59,999	25% of FMV + \$500

- > **Cents per mile** – The number of personal miles driven multiplied by the standard mileage rate of 51.0 cents to June 30, 2011, and 55.5 cents from July 1, 2011, to Dec. 31, 2011 (2011 rate). This rate includes the cost of gas. If employee pays for the gas, the rate is reduced by 5.5 cents. You cannot use this method if the vehicle is subject to luxury auto limits. The 2011 luxury auto limit is \$15,300. You must drive at least 10,000 miles to qualify for this method.
- > **Commuting use method** – Used only when employer restricts personal use to commuting. Reimbursement is based on \$1.50 per way. This method cannot be used for a control employee of the company. A control employee is an employee who:
 - a. is a corporate officer earning at least \$95,000 in 2011;
 - b. is a director;
 - c. earns at least \$195,000 in 2011
 - d. owns 1 percent or more equity, capital, or profits interest in your business.

Group-term life insurance

The value of group-term life insurance exceeding \$50,000 is a taxable fringe benefit. The cost of excess coverage (less any amount paid by employee) is reported in boxes 1, 3, 5, 12, and 16 with a Code C. The “Uniform Premium Table I” is used to calculate the excess insurance. The age is determined by age as of the last day of the year. It is not subject to FUTA and SUTA taxes. If the policy is discriminatory against highly compensated employees, the cost is based on the table or actual cost of insurance, whichever is higher.

UNIFORM PREMIUM TABLE I IRC section 79 Fair market value of GTL insurance Per \$1,000 of excess benefit per month	
Age bracket	GTL cost factor
Under 25	\$0.05
25 to 29	\$0.06
30 to 34	\$0.08
35 to 39	\$0.09
40 to 44	\$0.10
45 to 49	\$0.15
50 to 54	\$0.23
55 to 59	\$0.43
60 to 64	\$0.66
65 to 69	\$1.27
70 and above	\$2.06

Insurance of dependents under \$2,000 is considered a de minimus fringe benefit. For anything over \$2,000, the entire amount is 100 percent taxable. The cost is determined by the same table as above, minus any portion paid by the employee. The age of the insured should be used, not the age of the employee.

Group-term life insurance is not taxable when the beneficiary of the policy is the company or a charitable organization, or the employee terminates during the year due to a permanent disability.

For more information or any questions you might have on this topic, we encourage you to contact your Baker Tilly advisor.