SUMNER COUNTY, TENNESSEE
DEPARTMENT OF FINANCE
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MEMORANDUM

TO: Elected Officials, Department Heads, and Applicable Employees
FROM: David Lawing, Certified Public Accountant
DATE: December 29, 2011
RE: Auto benefit reporting for 2012

This is a follow-up to the previous memorandums informing applicable parties that commuting mileage is taxable on some vehicles. If this is not applicable to you, please disregard this memorandum.

All auto commuting mileage (auto benefits which includes mileage between your official work station and your residence) is a taxable benefit, except for qualified nonpersonal-use vehicles and must be reported annually to the finance office before December 1st. Qualified nonpersonal-use vehicles generally include the following.

- Clearly marked, through painted insignia or words, police, fire, and public safety vehicles
- Unmarked vehicles used by law enforcement officers if the use is officially authorized
- An ambulance or hearse used for its specific purpose
- Any vehicle with a loaded gross weight of more than 14,000 pounds
- Delivery trucks with seating for driver only or a folding jump seat
- A passenger bus with a capacity of at least 20 passengers used for its specific purpose
- School buses
- Tractors and other special-purpose farm vehicles
- Bucket trucks, cement mixers, combines, cranes and derricks, dump trucks (including garbage trucks), flatbed trucks, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks
- Trucks and vans of less than 14,000 pounds if at least one of the following are applicable
    1. Hydraulic lift gate attached to vehicle
    2. Permanent tanks or drums attached to the vehicle
    3. Permanent side boards or panels that materially raise the level of sides of the truck bed are attached to the vehicle
    4. Other heavy equipment is attached to the vehicle
    5. If vehicle is used to transport a particular load (other than over the highway).

For all employees, except for elected officials and qualified nonpersonal-use vehicles, the commuting rule will generally be applicable. Elected officials need to use the cost-per-mile or lease value rule, which method is to be used is determined by the vehicle's purchase price. Following are the requirements to use the commuting rules. All of these requirements must be met.

- ✓ The vehicle is provided to an employee for county business, for a bona fide non-compensatory reason, and the county requires the employee to commute in the vehicle.
- ✓ The county establishes a written policy under which the employee cannot use the vehicle for personal reasons other than for commuting and de minimis personal use (such as a personal stop between work and home).
- ✓ The employee does not use the vehicle for personal purposes other than commuting and de minimis personal use.
- ✓ The employee is not a control employee (elected official).

For the commuting rule, each one way trip is taxable at $1.50 (or for a daily trip to work and home $3.00 a day). Any one utilizing the commuting rule must document the number of days (or trips) applicable for the period November 1st to October 31st. The taxable amount will be placed on your W-2 as income and the corresponding Social Security Taxes, Medicare Taxes, and federal withholdings will be deducted.

For officials and employees who do not meet any of the previous rules noted, either the cost-per-mile rule or the lease value rule must be used.

The cost-per-mile rule can only be used if the following is applicable.

- ➢ Sumner County reasonably expects the vehicle to regularly be used in its business through the calendar year; or the vehicle is driven at least 10,000 miles a year and the vehicle is used primarily by employees (consider the vehicle used primarily by employees if it is used consistently for commuting).
- ➢ You cannot use the cents-per-mile rule for an automobile if its value when first made available to any employee for personal use is more than an amount determined by the IRS as the maximum automobile value for the year. You cannot use the cents-per-mile rule for an automobile first made available to an employee in 2011 if its value at that time exceeded $15,300 for a passenger automobile or $16,200 for a truck or van.

For the cost-per-mile rule, you will need to bring to the finance office, by December 1st, the total number of miles driven for personal use (this includes commuting miles) from November 1, 2011 to October 31, 2012. This amount will be multiplied by 55.5 cents per mile and added to your W-2 as taxable income and the corresponding Social Security Taxes, Medicare Taxes, and federal withholdings will be deducted.

All other commuting (or personal use) will fall under the lease value rule. The lease value amount is calculated as follows.

- ➢ The fair market value (generally the price paid for the first four years) is used to determine the leased value.
- ➢ The fair market value will be used to determine the leased value on the pages 26-27 of the Internal Revenue Service's Circular 15-B for 2012.
- ➢ Since the automobile is used in Sumner County's business, the lease value may be reduced by the amount that is excluded from employee's wages as a working condition benefit.
- ➢ Amounts for gasoline on personal use (including commuting mileage) is not included in the lease value rate and must be calculated at 5.5 cents per mile.

All information pertaining to the leased value method from November 1, 2011 to October 31, 2012 needs to be supplied to the finance office by December 1st.

Sumner County utilizes the "special accounting rule", all benefits for the last (2) two months of the calendar year (November and December) are treated as paid in the next year.

If you have any questions, contact me at 451-6033 or Tabatha at 442-1142. I have attached a copy of Internal Revenue Service's Circular 15-B and Sumner County's Use of County Vehicle(s) policy. Anyone not responding by December 1st is considered to have reported that there is no taxable mileage for yourself or your department.