

## The Kentucky Division of Social Security

State Social Security Administrator for Kentucky's Public Employers and Employees

### Employer Provided Vehicles

The Division of Social Security is issuing updated and revised guidance to state agencies concerning state owned vehicles that are assigned to and driven by state employees. The information is for the potential taxability of the personal use incurred by some state employees who drive their vehicle from home to work and vice versa. This guidance should be used beginning January 1, 2002 to assist in determining any personal use of a state provided vehicle.

These updated procedures do not alter the valuation methods used to value any personal use of a state vehicle. The valuation methods, the annual lease valuation rule, the cents-per-mile valuation rule and the commuting valuation rule, are explained in a Division fact sheet available on the web at <http://www.state.ky.us/agencies/finance/depts/ss/cars.pdf>.

#### 1) Employee whose official work station is not the home and who is assigned a state vehicle

- ◆ Trip between home and the official work station (i.e.: a central office, regional office or other facility that is the employee's regular place of business) and vice versa.
  - ◆ **Taxable** - Add the personal use value for the vehicle to wages.

#### Example:

Facts. An employee with the Finance Department drives an employer-provided vehicle between home and the department's central office located in the Capitol Annex that is the employee's regular work location. The state owned vehicle is usually driven from home to the central office and then from the central office back to home on a regular basis each day.

Answer: The employee's use of the vehicle to travel between home and the central office and between the central office and home is personal. Hence, the department would be required to include that value attributable to that personal use in the employee's income and wages.

- ◆ Trip between home and a temporary, irregular work site other than the official work station.
  - ◆ **Non Taxable** - The daily transportation expenses incurred in going between the residence and other temporary work sites (not the official work station) and vice versa are business expenses. There is no personal use value for the vehicle.

A temporary place of business is a location where the employee performs service on an irregular basis. Revenue Ruling 99-7 defines "temporary work location" as a work location that is realistically expected to last (and in fact does last) for one year or less.

**Example:**

Facts. An employee with a forestry agency drives an employer-provided vehicle between home and a regular work location, an agency regional office. Occasionally the employee is called to fight a forest fire. The employee drives the vehicle from home to the fire site. The employee may return home each day, or may be required to remain at the fire site continuously for up to several months. The assignment to the fire site is not expected to last, and does not last, for one year or more.

Answer: The employee's use of the vehicle to travel between home and the regional office is personal. Hence, the agency would be required to include the value attributable to that personal use in the employee's income and wages. However, the transportation to the forest fire site is temporary, irregular and business-related and therefore excludable from the employee's income and wages as a working condition fringe benefit.

**2) Employee whose home is the official work station that qualifies as the principal place of business under section 280A of the Internal Revenue Code and who is assigned a state vehicle.**

- ◆ **Non taxable.** The daily transportation expenses incurred in going between the residence and other work sites, whether temporary, regular or within the metropolitan area, are business expenses. There is no personal use value for the vehicle.

For the personal use value of a state vehicle to be excluded from an employee's wages when the employee's home is the official work station that qualifies as a "principle place of business" under IRC 280A, an employee and the agency must meet the following criteria:

1. The agency must designate the employee's home as the official work station.
2. The employee's home must meet the conditions of IRC section 280A as the employee's principle place of business.
3. The employee must demonstrate to the agency the home qualifies as a legitimate tax deduction under IRC section 280A. The employee may demonstrate this by giving the agency a statement that certifies this qualification.
4. The designation of the home as the official work station must be for the convenience of the employer. The convenience of the employer means the agency has a substantial, non-compensatory business reason that requires this designation.

**Example:**

Facts: An employee is an investigator for a licensing board and works at various locations within an assigned geographic area conducting investigations of board licensees. The employee's official work station is the home, where the employee writes correspondence, makes telephone calls, conducts research and performs official administrative duties. The employee's home constitutes a principal place of business within the meaning of §280A of the Internal Revenue Code. The state owned vehicle is usually driven from home to various, random work sites during the day and then from the last work site back to home.

Answer: The scenario describes local transportation from the employee's residence to a work location. As the employee's residence is the employee's principal place of business, then the facts describe transportation between two business locations. If transportation is between two

business locations (including a residence that qualifies as a principal place of business), it is unnecessary to consider whether the work locations away from the residence are temporary or regular. Therefore, if the employee's residence is a principal place of business within the meaning of §280A, the transportation is business-related and not personal. Hence, the employee that uses such an employer-provided vehicle would be entitled to exclude the value attributable to such use from income and from wages.

**3) Employee whose home is the official work station that does not qualify as the principal place of business under section 280A of the Internal Revenue Code and who is assigned a state vehicle. Additionally, the employee's work sites are irregular, temporary and outside the metropolitan area where the employee resides.**

- ◆ **Non taxable.** There is no personal use value for the vehicle.

A metropolitan area includes the area within the city limits and the suburbs that are considered part of that metropolitan area.
----------------------------------------------------------------------------------------------------------------------------------

**Example:**

Facts: An employee is an auditor for the Tax Department and works at various locations within an assigned geographic area conducting audits of corporate taxpayers. The employee's official work station is the home which is located in Somerset, where the employee writes correspondence, makes telephone calls, conducts research and performs official administrative duties. The employee's home **does not** constitute a principal place of business within the meaning of §280A of the Internal Revenue Code. The state owned vehicle is usually driven from home to various, random work sites outside the Somerset metropolitan area during the day and then from the last work site back to home.

Answer:

As the specified work sites are not visited routinely, are outside the employee's metropolitan area and the duration of the work at each site is expected to be, and is, less than one year, then the work sites are temporary. The employee's travel between the residence and the work sites and back is business-related and not personal. Hence, the employee that uses such an employer-provided vehicle would be entitled to exclude the value attributable to such use from income and from wages.

**4) Employee whose home is the official work station that does not qualify as the principal place of business under section 280A of the Internal Revenue Code and who is assigned a state vehicle. Additionally, the employee's work sites are irregular, temporary and within the metropolitan area where the employee resides.**

- ◆ **Taxable.** Add the personal use value for the vehicle to wages.

**Example:**

Facts: An employee is an auditor for the Gaming Department and works at various locations within an assigned geographic area conducting audits of charitable gaming organizations. The employee's official work station is the home which is located in Louisville, where the employee writes correspondence, makes telephone calls, conducts research and performs official administrative duties. The employee's home **does not** constitute a principal place of business within the meaning of §280A of the Internal Revenue Code. The state owned vehicle is usually driven from home to various, random work sites within the Louisville metropolitan area during the day and then from the last work site back to home.

Answer: The "metropolitan area" rule of Revenue Ruling 99-7 applies. The entire Louisville metropolitan area where the employee resides is considered the employee's regular place of business, and only travel outside the Louisville metropolitan area can qualify as temporary and therefore business-related. Hence, the department would be required to include the value attributable to such personal use of the vehicle in income and wages for the employee that uses such an employer-provided vehicle.

**5) Employee whose home is the official work station that does not qualify as the principal place of business under section 280A of the Internal Revenue Code and who is assigned a state vehicle. Additionally, the employee's work sites are regular and not temporary.**

◆ **Taxable.** Add the personal use value for the vehicle to wages.

**Example:**

Facts: An employee is an inspector for the Agriculture Department and works at a set, fixed pattern of work sites each week inspecting agricultural stations. For example the inspector drives a state vehicle from the home to work site A every Monday, work site B every Tuesday, work site C every Wednesday, etc. The state owned vehicle is usually driven from home to the same work sites on a regular basis each day of each week. The employee's official work station is the home, where the employee writes correspondence, makes telephone calls, conducts research and performs official administrative duties. The employee's home **does not** constitute a principal place of business within the meaning of §280A of the Internal Revenue Code

Answer: The work locations are regular, not temporary, and the travel to and from home and each work location is personal. Hence, the department would be required to include the value attributable to such personal use of the vehicle in income and wages for the employee that uses such an employer-provided vehicle.

**Kentucky Division of Social Security  
403 Wapping Street-Suite 340  
Frankfort, Kentucky**

**Voice: (502)564-3952**

**Fax: (502)564-2124**

**Web site: [ssa.state.ky.us](http://ssa.state.ky.us)**