TO: Department Heads

FROM: Sara Di Martino
       HR Accounting Assistant
       UA Human Resources Accounting

DATE: March 24, 2022

SUBJECT: Personal Use of University Vehicles

An employee's personal use of university vehicles is a taxable benefit to the employee and must be reported on the employee's W-2. Note that commuting between the employee's home and work in a university vehicle is considered personal use of the university vehicle, and is a taxable benefit to the employee. The use of university vehicles for an occasional personal errand is considered a de minimis fringe benefit and is non-taxable. Use of clearly marked police and fire vehicles and qualified utility repair vehicles are exempt from the reporting requirements.

Enclosed is a listing of vehicles for which your department is responsible as of March, 2022. Please provide the attached instructions and worksheets to your employees who have access to use your department vehicles for their personal use (more than just an occasional errand). These employees are required to complete the employee notification statement and worksheets, and return them to UA Payroll by November 11, 2022.

If the vehicle listing needs to be updated or changed, please email a list of the changes to ua-finsys@alaska.edu.

If you have any questions regarding this information, please contact UA Payroll at ua-payroll@alaska.edu.

Thank you.
TO: University Vehicle Users

FROM: Sara Di Martino
HR Accounting Assistant
UA Human Resources Accounting

DATE: March 24, 2022

SUBJECT: Personal Use of University Vehicles

An employee's personal use of university vehicles is a taxable benefit to the employee and must be reported on the employee's W-2. Note that commuting between your home and work in a university vehicle is considered personal use of a university vehicle and is a taxable benefit. The use of university vehicles for an occasional personal errand is considered a de minimis fringe benefit and is non-taxable. Use of clearly marked police and fire vehicles and qualified utility repair vehicles are exempt from the reporting requirements.

EMPLOYEE RECORD RETENTION RESPONSIBILITIES
The Internal Revenue Service regulations require that "adequate records or sufficient evidence" to support claimed business use of employer provided vehicles must be maintained. Use of the commuting valuation method requires maintenance of a log or record of the number of commuting trips made during the year. Each of the other methods of valuing the personal use requires maintenance of a detailed log or record of personal and business mileage. Examples of acceptable substantiation are account books, diaries, logs, receipts, or expense forms. Written records made at or near the time of use are less refutable by the IRS than oral substantiation. Failure to maintain adequate records may result in the full value of the vehicle, as calculated under the general rule, being reported as taxable income on your W-2.

ACCOUNTING PERIOD USED FOR CALCULATION
The university uses the alternative accounting period November 1, 2021 through October 31, 2022 for calculating the vehicle usage benefit. When calculating your personal use and total mileage information, use your mileage information from November 1, 2021 through October 31, 2022 instead of January 1, 2022 through December 31, 2022.
CALCULATING THE TAXABLE VEHICLE BENEFIT
There are four methods of calculating the values of the personal use – the general (fair market value) rule and three alternative methods: (1) the commuting valuation rule, (2) the cents per mile rule, and (3) the annual lease valuation rule. Note that once a method is used to calculate your taxable vehicle income, that method must be used every year unless you qualify to switch to the commuting valuation method. Complete the attached worksheets to calculate your taxable benefit.

The general valuation rule method represents the estimated cost of renting or leasing a comparable vehicle including insurance, gasoline, maintenance, and other services for a comparable period of time. That estimated lease value is prorated between business and personal use based on the number of personal miles and total miles driven, if the employee maintains adequate records. This method is usually less advantageous to use than the other methods.

The commuting valuation rule values the personal use at a flat rate for each commute, $1.50 one way or $3.00 round trip. This rule can be used if (1) the vehicle is used in the employer's business; (2) the employer requires the employee to commute to and from work in the vehicle; (3) the employer has a written policy prohibiting personal use other than commuting and de minimis personal use; (4) the employee, except for de minimis personal use, does not use the vehicle for any personal purpose other than commuting; and (5) the employee's compensation is less than $100,000 for calendar year 2022. This method may be used even if the “cents per mile” or “lease valuation” methods were used in prior years.

The cents per mile valuation rule values the personal use by multiplying the number of personal miles driven by the standard mileage allowance. The standard mileage rate for the period from November 1, 2021 thru December 31, 2021 is $0.56 (56 cents) per mile, and from January 1, 2022 thru October 31, 2022 is $0.585 (58.5 cents) per mile. The standard mileage rate includes provisions for the cost of insurance, maintenance, and gasoline. If the employee provides their own fuel, the standard mileage allowance is reduced no more than $0.055 (5.5 cents) per mile. Once adopted, this method must be used every year that the vehicle qualifies for such use unless you qualify to use the commuting method. The cents per mile rule can only be used if the vehicle is used primarily for business use (more than 50%), or (1) the vehicle is driven at least 10,000 miles during a year, and (2) the vehicle is driven primarily by the employee (not family members). If the university owns or leases the vehicle for only part of the year, the 10,000 miles threshold is reduced proportionally.

In addition, if 2022 is the employee's first year of access to personal use of the vehicle, the cost of the vehicle cannot exceed $56,100 for a passenger automobile (including trucks and vans). If the cost of the vehicle exceeds this amount, the employee is not eligible to use this method. The cost of the vehicle should be used as the FMV for the vehicle as long as it is in service provided the same employee uses the vehicle the entire time. The FMV should not be adjusted for depreciation. If the vehicle is not new when provided to the employee or the employee elects to switch to this method in a later year, the “blue book” value as of January 1 should be used for the FMV.

The annual lease valuation rule values the personal use based on the cost of the vehicle or its fair market value (blue book or equivalent) on the first day it is made available for personal use. The fair market value of the vehicle must be revalued as of January 1 after each full four-year period. The annual lease value for the vehicle is derived from comparing the vehicle’s fair market value to an IRS table. The lease value from the IRS table is multiplied by your total personal use percentage (total personal miles divided by total miles driven) to determine your taxable vehicle income. If the university provides fuel for the
vehicle, an additional 5.5 cents per mile driven or the actual cost of gasoline must be multiplied by the personal use percentage and added to the calculated taxable income (see the attached worksheets).

**EMPLOYEE ACTION REQUIRED**
Each affected employee must complete the attached employee notification statement indicating that they (1) know which alternative method or rule described above the university intends to use for valuation, (2) know the applicable substantiation requirements, and (3) know the effect of failure to comply with such requirements.

*The completed employee notification statement and the completed taxable benefit calculation worksheets must be returned to UA Payroll by November 11, 2022 for proper inclusion of your taxable benefit onto your W-2. If the completed statements are not received by UA Payroll, the university is required to calculate your taxable benefit using the general valuation rule, which typically produces the highest taxable income to include on your W-2.*

If you have any questions or require clarification of this information, please contact UA Payroll at ua-payroll@alaska.edu.

Thank you.
EMPLOYEE NOTIFICATION STATEMENT FOR
PERSONAL USE OF UNIVERSITY VEHICLES

EMPLOYEE NAME: ____________________________________________

EMPLOYEE ID NUMBER: _______________________________________

This statement represents confirmation that I have been informed that the University of Alaska intends to include the value of any personal use of a university vehicle on my W-2 for 2022. The income will be subject to Medicare tax withholding, unless I commenced employment with the university before March 31, 1986.

The following method will be utilized to value the personal use: (check one)

A. _______ General valuation rule

B. _______ Commuting valuation rule

C. _______ Cents per mile valuation rule

D. _______ Annual lease valuation rule

Note: If you have had the use of this vehicle in prior years, you must use the same method to calculate your taxable benefit as you used in prior years unless you qualify to switch to the commuting valuation rule.

I know the record keeping and substantiation requirements associated with the use of the above noted method of valuation and the consequence of the failure to maintain or comply with such requirements as described in a memorandum by UA Human Resources Accounting to vehicle users.

_________________________________   _______________________
Employee signature                      Date

Please return this form and the completed worksheets to UA Payroll by November 11, 2022.
UNIVERSITY OF ALASKA PERSONAL USE OF UNIVERSITY VEHICLE
TAXABLE BENEFIT CALCULATION WORKSHEET

UNIT (Campus): ________________________________

EMPLOYEE NAME: ________________________________

EMPLOYEE ID NUMBER: ________________________________

VEHICLE DESCRIPTION: ________________________________

ACCOUNTING PERIOD: November 1, 2021 through October 31, 2022
Internal Revenue Service regulations allow the university to calculate the personal use benefit from November 1, 2021 through October 31, 2022 to enable timely processing of the benefit on the W-2 forms. Please make sure that the calculations performed in this worksheet are based on your vehicle usage for the period November 1, 2021 through October 31, 2022 and NOT on January 1, 2022 through December 31, 2022 information.

PLEASE COMPLETE SECTION A, B, C OR D (see memorandum to vehicle users for definition and qualifications to use these methods).

A. General Valuation Method

Qualifications: If you use this valuation method, you must continue to use this method for all future years unless you qualify for the commuting valuation method or you receive a different vehicle.

Valuation Method: Please complete the following in order to determine the amount that will be added to your W-2 for taxable personal use of vehicle.

1. a. Fair market value (cost to lease for one year, must be revalued after every fourth full year) $ ________________
   b. Date value determined ________________
   c. How determined ________________

2. Personal use percentage multiplier
   a. Total personal miles driven ________________
   b. Total miles driven ________________
   c. Personal use percentage (2a divided by 2b) ________________
A. General Valuation Method (continued)

3. Calculation of taxable income
   a. Annual Lease Value (line 1a) $________________
   b. Personal use percentage (line 2c)
      (If full year, enter 100%)
   c. Taxable benefit (line 3a times 3b) $________________

B. Commuting Valuation Method

Qualifications: Please answer the following questions to see if you qualify to use the commuting valuation method. You may change to this valuation method if you are qualified even if you have used the cents-per-mile or annual lease valuation methods in the past.
   a. Is the vehicle owned or leased by the university?
      Yes    No
   b. Is the vehicle provided to you in order to transact university business?
      Yes    No
   c. Does the university require you to commute to and/or from work in the vehicle (i.e. vehicle needed for on-call duties)?
      Yes    No
   d. Will you earn less than $100,000 in calendar year 2022?
      Yes    No

If you answered “No” to any of the above questions, you do not qualify to use the commuting valuation method.

Valuation Method: Please complete the following in order to determine the amount that will be added to your W-2 for taxable personal use of vehicle.

1. a. Number of days driven for commuting _______________
   b. Rate ($3.00 round trip or $1.50 one way) _______________
   c. Taxable Benefit to be included on W-2 $________________
      (1a x 1b)

C. Cents-Per-Mile Method

Qualifications: Please answer the following questions to see if you qualify to use the cents-per-mile valuation method. If you use this valuation method, you must continue to use this method for all future years unless you qualify for the commuting valuation method or you receive a different vehicle.

   a. Is the fair market value of the vehicle less than $56,100 (including trucks and vans)?
      Yes    No
      Date value determined ________________________________
      How determined ________________________________
C. **Cents-Per-Mile Method (continued)**

b. Is the vehicle being used regularly by you for university business, or has the vehicle been driven at least 10,000 miles this year by a university employee?
   
   Yes   No

If you answered “No” to any of the questions in section C, you do not qualify to use the cents-per-mile valuation method.

**Valuation Method:** Please complete the following in order to determine the amount that will be added to your W-2 for taxable personal use of vehicle.

1. **Taxable Benefit to be included on employee's W-2:**
   a. Personal miles driven from 11/1/21 to 12/31/21  ________________
   b. Rate: 0.56 if fuel provided by university, 0.505 if fuel provided by employee. $_________________
   c. Taxable benefit 11/1/21 to 12/31/21 (1a x 1b) $_________________
   d. Personal miles driven from 1/1/22 to 10/31/22 __________________
   e. Rate: 0.585 if fuel provided by university, 0.53 if fuel provided by employee $_________________
   f. Taxable benefit 1/1/22 to 10/31/22 (1d x 1e) $_________________
   g. **Total taxable benefit for the calendar year (1c + 1f):** $_________________

D. **Annual Lease Value Method**

**Qualifications:** Please use this valuation method if you do not qualify for the commuting valuation method or the cents-per-mile valuation method. If you use this valuation method, you must continue to use this method for all future years unless you qualify for the commuting valuation method or you receive a different vehicle.

1. a. Fair market value $_________________
   
   *must be revalued after every fourth full year*
   b. Date fair market value determined __________________
   c. How determined: ________________________________________

2. **Annual Lease Value**
   
   *(see attached Annual Lease Value Table)* $_________________
D. Annual Lease Value Method (continued)

3. Partial year usage multiplier. Complete this step only if the university vehicle was available for your use for less than an entire year.

   a. Dates of vehicle availability
   b. Number of continuous days vehicle was available (less than 1 year)
   c. If 3b is greater than 30 days, divide 3b by 365 days and enter here
   d. If 3b is less than 30 days, then divide the lesser of (3b X 4) or 30 days by 365 days and enter here

4. Complete this step only if the university paid for/provided fuel.
   a. If the university provided fuel, then multiply
      i. total miles driven 11/1/21-12/31/21 by 0.56
      ii. total miles driven 1/1/22-10/31/22 by 0.385
   b. If the actual fuel cost was reimbursed by the university, enter reimbursed cost here

5. Personal use percentage multiplier
   a. Total personal miles driven
   b. Total miles driven
   c. Personal use percentage (5a divided by 5b)

6. Calculation of taxable income
   a. Annual Lease Value (line 2)
   b. Partial year multiplier (line 3c or 3d) (If full year, enter 100%)
   c. Multiply 6a times 6b and enter here
   d. Fuel provided (line 4a or 4b)
   e. Subtotal (add 6c and d)
   f. Personal use percentage (line 5c)
   g. Taxable benefit (line 6e times 6f)

Prepared By
Contact Phone

RETURN COMPLETED FORM TO UA PAYROLL NO LATER THAN NOVEMBER 11, 2022.
**Annual Lease Value Table 2022**

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* For vehicles having a fair market value equal to or in excess of $59,999, the Annual Lease Value is equal to (25% x automobile fair market value) + $500.