

Subject: Calculation of Fringe Benefits on County-Owned and Take Home Vehicles

Date: December 21, 2011

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- A. **PURPOSE:** To establish policies, procedures and criteria for the calculation of fringe benefits on county-owned and take home vehicles used by employees for commuting and work.

- B. **STATEMENT OF POLICY:** It is the policy of Pinal County to properly use public funds and to comply with federal tax law when allowing employees to commute to and from work in county-owned vehicles. Employees need to be aware that even in the case of occasional overnight usage of a county-owned vehicle, certain tax implications may be created.

- C. **SCOPE:** This policy applies to all Pinal County, Superior Court, and Clerk of Superior Court employees.

- D. **DEFINITIONS:** The following terms shall have the following meanings:
 - 1. “Commute Trip Mileage” means the mileage from an employee’s home to their “Duty Post”.

 - 2. “Control Employee” means an elected official or an employee meeting the Internal Revenue Service (IRS) requirements as provided annually by the Pinal County Finance Department.

 - 3. “Duty Post” means the office or site an elected official or county employee reports to perform the largest portion of the work day or work time.

 - 4. “Employee” means an employee of Pinal County, the Pinal County Superior Court or the Clerk of the Pinal County Superior Court.

E. TAKE HOME VEHICLES ADMINISTRATION RESPONSIBILITY

The Fleet Services Director shall provide to the Finance Director the fair market value and starting odometer reading of vehicles driven by all employees that take vehicles home for Internal Revenue Service Auto Fringe Benefit calculation.

The Presiding Judge, Elected Officials, County Manager, Assistant County Managers and Department Directors shall ensure that all employees with assigned county-owned vehicles used for commuting and work complete and maintain all required records.

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Finance Department Responsibilities:

1. The Finance Department will calculate the value of auto fringe benefits to be reported as income.
2. Payroll will verify the calculation.
3. Finance Department staff will be responsible to:
 - a. Receive notification of vehicle assignment forms and employee biweekly Vehicle Use Log forms and maintain them in the Finance Department according to the Arizona State Library, Archives and Public Records Record Retention Requirements for Counties.
 - b. Input and update mileage data into the financial software system so as to calculate auto fringe benefit withholding per the provisions of the Internal Revenue Service Code.
 - c. Annually prepare and transmit updated lists of employee auto fringe benefit withholdings to department directors or designees and Fleet Services Department.
 - d. Verify that the list of employees with auto fringe benefits withholdings matches those of the respective department and Fleet Services Department by December 31st of each year.

F. FRINGE BENEFIT VALUATION RULES

In calculating the value of a fringe benefit related to county-owned vehicles used for commuting and work, the County shall use the Lease Value Rule, Cents Per Mile Rule or the Commuting Rule as currently provided for and as amended by the Internal Revenue Service. Under the Lease Value rule, the determination of the value of a vehicle provided to an employee is made by using its annual lease value. For a vehicle provided only part of the year, either its prorated annual lease value or its daily lease value is used. In most cases, the Lease Value Rule shall be used.

In order to use the Commuting Rule (\$3.00/day) all of the following criteria must be met:

1. The employee must be required to use the vehicle for commuting for bona fide non-compensatory business reasons.

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2. The employee may not use the vehicle for any other personal purpose other than de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home).
3. The employee cannot be a "control" employee, meaning that the employee, in a governmental context, may not be an elected official nor have compensation which equals or exceeds the compensation paid to a Federal Government employee holding a position at Executive Level V, as adjusted each year (\$145,000 in 2011).

Failure to comply with the provisions of this policy may result in the County fuel card being suspended or deactivated.