

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, West Virginia 25305-0610



Area Code (304)
Phone: 347-4880
Fax: 347-4889

Memorandum

To: Joint Committee on Government and Finance – Post Audit Subcommittee Members

From: Aaron Allred, Legislative Auditor
Stacy L. Sneed, Director, Legislative Post Audit Division *ASJ*
Ethelbert Scott, Jr., Legislative Post Audit Manager
Lori B. Elliott, Legislative Post Auditor III

Date: December 7, 2009

Subject: Lease Value Rule

In our October report to the Subcommittee on Statewide Vehicle Use, we noted that some State spending units did not report the commuting value of State vehicles and others that did not properly report the commuting value of State vehicles for calendar year 2008. State spending units must properly report the commuting value as a taxable fringe benefit to the employees as required by U.S. Code Title 26 – the Internal Revenue Code.

We also stressed that if employees used state owned vehicles for more than 50% personal use, the Commuting Rule could not be used to value the personal use of the vehicle; therefore, an alternative valuation method must be selected. Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, issued by the U.S. Department of Treasury, Internal Revenue Service lists four different valuation methods that are acceptable to value commuting of employer provided vehicles; two of these methods can be used to value commuting when the vehicle is used for more than 50% personal use. If the Lease Value Rule is chosen for determining the value of the personal use, the value of fuel must be included on the employee's W-2 as separate wages as well as the annual lease value of the vehicle.

Publication 15-B states in part: "The annual lease value does not include the value of fuel you provide to an employee for personal use, regardless of whether you provide it, reimburse its cost, or have it charged to you. You must include the value of the fuel separately in the employee's wages. You can value fuel you provided at FMV or at 5.5 cents per mile for all miles driven by the employee. However, you cannot value at 5.5 cents per mile fuel you provide for miles driven outside the United States (including its possessions and territories), Canada, and Mexico. If you reimburse an employee for the cost of fuel, or have it charged to you, you generally value the fuel at the amount you reimburse, or the amount charged to you if it was bought at arm's length."

We recommend any spending unit that chooses to value the commuting of a State owned vehicle with the Lease Value Rule adhere to the reporting requirements within IRS Publication 15-B.