TAX INFORMATION MEMORANDUM

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Subj: Taxation of Employer-Provided Home-to-Work Transportation & SJA Certification for Senior DoD Members, Additional FEMA Disaster Area Designations and Amendments, Civil Union Joint Returns in IL

1. Memo from DoD Armed Forces Tax Council on Home-to-Work Transportation & SJA Certification for Senior DoD Members.

There are certain income tax implications of employer-provided home-to-work transportation when DoD dedicates a vehicle for the exclusive use of a single employee member. Certain high-ranking officials may be provided home-to-work transportation for security reasons. Please note that this is not to be confused with the DoD vehicles from a motor pool that are available for use by other employees.

LTC Evan Stone, Office of the Under Secretary of Defense (P&R) and Executive Director of the Armed Forces Tax Council, wrote the attached information paper which discusses the taxable, non-deductable nature of such home-to-work transportation which is treated as taxable wages or salary.

The substantive changes from last year are: (1) standard mileage rate is 51 cents (1/1/11 to 6/30/11) and 55.5 cents (7/1/11 to 12/31/11) and (2) valuation of trucks for cents-per-mile rule increased from $16,000 to $16,200. The passenger auto value of $15,300 remained the same as in 2010. See Footnotes 6 and 10 in the attached information paper.

Staff Judge Advocates to senior DoD members who are provided home-to-work transportation are required to (1) certify that these fringe benefits were authorized, (2) certify the value of these benefits and (3) submit the appropriate taxable gross income amounts to the servicing DFAS central site at least one per year. Please see the attached memo for specific guidance.

Also attached is a sample home-to-work memo for use by a Staff Judge Advocate to document these fringe benefits for DFAS. Memos should be sent to Ms. Charri Cephus-Long at DFAS. She can be reached at (216) 204-4355 and via email at charri.cephus@dfas.mil.

For more information on taxable fringe benefits, please see Publication 15-B, Employers Tax Guide to Fringe Benefits at: http://www.irs.gov/pub/irs-pdf/p15b.pdf.

2. FEMA Disaster Area Designations and Amendments for Louisiana, New Mexico, Virginia, Nebraska and Connecticut.

On December 6, 2011, the Federal Emergency Management Agency (FEMA) announced additional counties in five states that qualify for assistance from the Federal government as a result of severe weather, an earthquake, and Tropical Storm Lee.

LOUISIANA: Taxpayers in East Feliciana, Jefferson, Lafourche, Plaquemines, St. Bernard, St. Charles, Terrebonne, and West Feliciana areas are eligible for assistance from the federal government under the Disaster Relief and Emergency Assistance Act (42 USC 5121) as a result of Tropical Storm Lee, which began on September 1, 2011 (FEMA-4015-DR). Accordingly, taxpayers in those parishes who sustained losses attributable to the disaster may deduct the losses on their 2010 federal income tax returns.

NEW MEXICO: (FEMA-4047-DR). Taxpayers in Cibola and Sandoval Counties and the Pueblo of Acoma and the Pueblo of Santa Clara who sustained losses attributable to flooding that began August 19, 2011 may deduct the losses on their 2010 returns.

VIRGINIA: Taxpayers in Caroline, Essex, Fairfax, King and Queen, King George, Prince William and Westmoreland and the independent City of Alexandria counties who sustained losses attributable to Tropical Storm Lee beginning September 8, 2011, may deduct the losses on their 2010 returns (FEMA-4045-DR).

CONNECTICUT: Taxpayers in Fairfield, Hartford, Litchfield, Middlesex, New Haven, Tolland, and Windham counties who sustained losses attributable to severe storm beginning October 29, 2011 may deduct the losses on their 2010 returns (FEMA-4046-DR).

VIRGINIA NOTICE AMENDED: A November 4, 2011 notice (FEMA-4042-DR) in which certain areas in Virginia resulting from an earthquake during the period of August 23 to October 25, 2011, were determined to be eligible for assistance under the Act. Taxpayers in Spotsylvania County who sustained losses attributable to the disaster may deduct them on their 2010 returns.

NEBRASKA NOTICE AMENDED: A November 18, 2011 notice (FEMA-4013-DR) in which certain areas in Nebraska were determined to be eligible for assistance under the Act has also been amended. Taxpayers in the following counties who sustained losses attributable to the disaster may deduct them on their 2010 returns: Thurston County, including the Omaha Tribe of Nebraska and Iowa.

For additional information and resources, please visit FEMA at: http://www.fema.gov/index.shtm.

3. Illinois Department of Revenue Permits Joint Returns for Couples in Civil Unions.

The Illinois Department of Revenue reached an agreement with civil rights organizations that will permit same-sex couples in civil unions to file their state income tax returns jointly. The new policy, which will be available to taxpayers for the 2011 tax year, represents a reversal from the department's previous legal interpretation with respect to the Illinois Religious Freedom Protection and Civil Union Act (Public Act 96-1513). Civil rights groups said the change makes Illinois the tenth state, together with Washington, D.C., to permit same-sex couples to file joint state tax returns.

For full text of the civil union law, see http://pub.bna.com/fl/0961513.pdf.

4. Points of contact.

For questions or comments about this TIM, or if you have information you would like us to make available to your LA colleagues, please contact Code 16. Our contact information is in the sidebar.

INFORMATION PAPER

SUBJECT: Taxation of Employer-Provided Home-To-Work Transportation for CY 2011

1. Purpose. To provide information about the income tax implications of Employer-Provided Home-To-Work Transportation when DoD dedicates a vehicle for the exclusive use of an employee member (different rules apply when the vehicle is taken from a motor pool and is available for use by other employees/members).

2. Facts.

a. Taxable Benefit. The benefit of employer-provided home-to-work transportation is taxable, even if provided for security reasons. It is not deductable. When an employer pays for an employee's commuting expenses, the payment is taxable as wages or salary.

(1) Commuting expenses are not deductable because they are not considered to be business expenses. T. Reg. § 1.162-2(e). The taxpayer's cost of commuting to and from work is a personal expense and does not qualify as a deductible business expense for federal income tax purposes. T. Reg. § 1.262-1(b)(5).

(2) The IRS and courts have consistently ruled that commuting expenses are nondeductible because they are incurred for personal, not business purposes; taxpayers incur commuting expenses because they elect to live away from their places of employment; if they wanted to, they could live close to work and walk. *McCabe v. Commissioner*, 688 F.2d 102 (2d Cir.), *cert. denied*, 459 U.S. 906 (1982).

b. Valuation of Transportation benefits. T. Reg. § 1.61-21 and T. Reg. § 1.132-5 provide detailed rules concerning taxation of employer provided fringe benefits, including valuation of employee-provided home-to-work transportation. This paper consolidates those regulations and discusses how they are applicable to employees/members of the Department of Defense.

c. General and Special Valuation Rules. Unless a special valuation rule is used or properly applied, the "default" method of valuation is the general valuation method. Under the general valuation method, the value is determined by "the amount that an individual would have to pay in an arm's-length transaction to lease the same or comparable vehicle on the same or comparable conditions in the geographic area in which the vehicle is available for use." T. Reg. § 1.61-21 (b)(4). Under the default method, the value of chauffeur services must be added to the value of the vehicle. The valuation of such "chauffeur" services is determined by "the amount that an individual would have to pay in an arm's-length transaction to obtain the same or comparable chauffeur services in the geographic area, including the time the chauffeur is on-call as well as actual driving time." T. Reg. § 1.61-21(b)(5)(i)(A).

An employee/member may elect to use "special valuation rules" in lieu of the default method of valuation. The special valuation rules generally result in a lower value of the benefit (and lower taxable income) to the employee/member. The regulations provide three special

valuation rules: 1) the "annual lease value rule," 2) the "commuting vehicle valuation rule," and 3) the "cents per mile rule."

d. Annual Lease Value Rule. The annual lease value (ALV) rules are in T. Reg. § 1.61-21(d).

(1) Who may use this valuation method? Any DoD employee/member of the uniformed services may use this valuation method.

(2) Entire year. If the employee is provided with an automobile that is available for the entire calendar year, the value of the benefit provided is the ALV of the automobile. T. Reg. § 1.61-21(d)(1)(i)

(3) Less than a year. If the vehicle is provided to the employee for less than a full year, the ALV is "prorated annual lease value" or a "daily lease value." T. Reg. § 1.61-21(d)(4).

(i) Where an employer-provided auto is continuously available to the employee for a period of 30 or more days, but less than an entire calendar year, the value of the availability is the "prorated annual lease value," calculated by multiplying the ALV by a fraction, the numerator of which is the number of days of availability and the denominator of which is 365. T. Reg. § 1.61-21(d)(4)(i)(A).

(ii) Where an employer-provided auto is continuously available to the employee for at least one, but less than 30 days, the value of the use of the auto is its "daily use value," calculated by multiplying the ALV by a fraction, the numerator of which is the four times the number of days of the auto's availability (unless an election is made to treat all periods of continuous availability of the auto as periods of at least 30 days) and the denominator of which is 365. T. Reg. § 1.61-21(d)(4)(ii).

(4) Calculating the ALV. One calculates the ALV by first determining the fair market value (FMV) of the automobile as of the first date the automobile is made available to any employee for personal use (this may be recalculated every four years). Generally FMV is the amount someone would have to pay an unrelated third party to purchase the auto. The value of telephones or specialized equipment needed for the employer's business do not have to be included in the FMV of the auto if they aren't susceptible to personal use and are not used in another business by the employee.

(i) FMV may be determined under safe harbor rules. For a newly purchased auto, the purchase price in an arm's-length transaction can be used as FMV. Sales taxes and title fees are included in the FMV.

(ii) For employer-leased autos and revalued autos (revaluation may occur every four years), reasonable retail values that are regularly reported in a nationally recognized

publication can be used as FMVs. An alternative FMV for employer-leased autos is the manufacturer's suggested retail price less 8% (but including sales tax, title, and other expenses).

(iii) The employer may also use the manufacturer's invoice price (including options), plus 4%, as the FMV of an employer-leased vehicle. Notice 89-110, 1989-2 CB 447.

(5) Once you determine the FMV, you use the table in T. Reg. § 1.61-21(d)(2)(iii) to calculate the ALV. Locate the FMV of the vehicle in the first column; the ALV is indicated in the second column. For example, if the FMV of the vehicle is $30,000, the ALV is $8,250.

(6) The ALV must be reduced to account for business use of the vehicle (i.e. the amount attributable as a "working condition fringe benefit"). T. Reg. § 1.61-21(d)(1); T. Reg. § 1.132-5(b)(1)(i). The individual is subject to tax on the percentage use of the home-to-work miles as opposed to the business miles. Treas. Reg. 1.132-5(b)(1)(i). For example, if the home-to-work miles represent 10% of the total miles, then 10% of the ALV is taxable. (see enclosure 2, example A).

(7) If fuel is provided by the employer, it is valued at 5.5 cents per mile for miles driven in the U.S., Canada or Mexico. However, fuel may not be valued at 5.5 cents per mile for miles driven outside the U.S., Canada, or Mexico and must be valued at its FMV. T. Reg. § 1.61-21(d)(3)(ii)(B).

(8) When a chauffeur is provided, the fair market value of chauffeur services must be added to this amount (see enclosure 1).

e. Commuting Vehicle Valuation Rule. The second special valuation method is the "commuting vehicle valuation" rule. T. Reg. § 1.61-21(f)(i).

(1) Who may use this valuation method? Employee's/members who satisfy the requirements of either (A) or (B) below may use this valuation method.

(A) Any DoD employee/member of the uniformed services (other than a control employee/member)[1] may use this valuation method if:

(i) For bona fide non compensatory reasons (*e.g.,* security), the employee/member is required to commute;

[1] A control employee is any elected official, or employee/member whose compensation equals or exceeds the compensation paid to a Federal Government Employee at Executive Level V. Treas. Reg. § 1.61-21(f)(6). A control employee is not disqualified from using this valuation rule if the vehicle provided to the control employee is not an automobile. Treas. Reg. § 1.61-21(f)(2)(ii). The term "automobile" means any four-wheeled vehicle manufactured primarily for use on public streets, roads, and highways. Treas. Reg. § 1.61-21(d)(1)(ii). This does not apply when there has been a bona fide security study. Treas. Reg. § 1.132-5(m)(6).

(ii) There is a written policy that neither the employee/member or the family members of either may use the vehicle for personal use other than commuting or *de minimis* personal use (such as a stop for a personal errand on the way between conducting official business and the employee's/member's home);

(iii) Except for *de minimis* personal use, the employee/member does not use the vehicle for any personal purpose other than commuting; and

(iv) The vehicle is not chauffeur driven.[2]

(B) Provided the automobile is used for the period of a bona fide business oriented security concern,[3] any DoD employee/member of the uniformed services (to include control employees) may use this valuation method.[4] Additionally, the employee/member may exclude the value of any authorized personal use (other than commuting) of the vehicle that the security study determines to be reasonable and necessary for local transportation.[5]

(2) The value ascribed to the transportation using this rule is $1.50 per each one-way commute; this may be considerably less than the other valuation methods.

(3) When made available for the period of a bona fide business oriented security concern, the $1.50 amount includes the value of the bodyguard/driver. **This is the recommended special valuation rule for all government employees who qualify for the security exception and who reside 5 or more miles from their place of work.**

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[2] For purposes of the Commuting Vehicle Valuation Rule, an individual will not be considered a chauffeur if he or she performs non-driving services for the employer, is not available to perform driving services while performing such other services and whose only driving services consist of driving a vehicle used for commuting by other employees of the employer. T. Reg. § 1.61-21(f)(2)(i).

[3] A bona fide business-oriented security concern exists only if the facts and circumstances establish a specific basis for concern regarding the safety of the employee/member. No bona fide business-oriented security concern will be deemed to exist unless the employer establishes that an overall security program has been provided with respect to the employee involved. Normally, an overall security program is one in which security is provided to protect the employee on a 24-hour basis. However, an overall security program with respect to an employee is deemed to exist if:

[A] A security study is performed with respect to the employer and the employee (or a similarly situated employee of the employer) by an independent security consultant;

[B] The security study is based on an objective assessment of all facts and circumstances;

[C] The recommendation of the security study is that an overall security program is not necessary and the recommendation is reasonable under the circumstances; and

[D] The employer applies the specific security recommendations contained in the security study to the employee/member on a consistent basis.

[4] Treas. Reg. § 1.132-5(m)(6) allows this method to be used when necessary to satisfy a bona fide security concern. The requirements for using this valuation method (e.g., the requirement that the value of a driver be added to the applicable cents-per-mile rate) are waived for government employees during the period of a "bona fide security concern." Treas. Reg. § 1.132-5(m)(5).

[5] Treas. Reg. § 1.132-5(m)(1).

f. Cents-Per-Mile Rule. The third special valuation method is the "cents-per-mile" rule. T. Reg. § 1.61-21(e).

(1) Who may use this valuation method? Employee's/members who satisfy the requirements of either (A) or (B) below may use this valuation method.

(A) Provided the automobile is first made available for personal use in calendar year 2011 and does not exceed $15,300 in value,[6] any DoD employee/member of the uniformed services may use this valuation method if:

(i) DoD reasonably expects the vehicle will be regularly used to conduct official business throughout the calendar year; or

(ii) The vehicle is actually driven at least 10,000 miles during the year and use of the vehicle throughout the year is primarily by employees.

(B) Provided the automobile is used for the period of a bona fide business oriented security concern,[7] any DoD employee/member of the uniformed services may use this valuation method.[8] Additionally, the employee/member may exclude the value of the personal use (other than commuting) of the employer-provided vehicle that the security study determines to be reasonable and necessary for local transportation.[9]

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[6] 2011 rate is set in Rev. Proc. 2011-11 (2011 rate is $16,200 for truck or van). This amount is adjusted annually pursuant to a formula prescribed by law. If the automobile was first made available in a prior year, a different limit may apply. The Internal Revenue Service publishes this value annually in a Revenue Procedure. Prior rates for passenger automobiles are as follows: 2010 rate is $15,300 set in Rev. Proc. 2010-10; 2009 rate is $15,000 set in Rev. Proc. 2009-12; 2008 rate is $15,400 set in Rev. Proc. 2008-13; 2007 rate is $15,100 set in Rev. Proc. 2007-11; 2006 rate $15,000 set in Rev. Proc. 2006-15; 2005 rate is $14,800 set in Rev. Proc. 2005-48. For earlier years see Rev. Proc. 2004-20 and Rev. Proc. 2003-75.

[7] A bona fide business-oriented security concern exists only if the facts and circumstances establish a specific basis for concern regarding the safety of the employee. No bona fide business-oriented security concern will be deemed to exist unless the employee's employer establishes that an overall security program has been provided with respect to the employee involved. Normally, an overall security program is one in which security is provided to protect the employee on a 24-hour basis. However, an overall security program with respect to an employee is deemed to exist if:

[A] A security study is performed with respect to the employer and the employee (or a similarly situated employee of the employer) by an independent security consultant;

[B] The security study is based on an objective assessment of all facts and circumstances;

[C] The recommendation of the security study is that an overall security program is not necessary and the recommendation is reasonable under the circumstances; and

[D] The employer applies the specific security recommendations contained in the security study to the employee on a consistent basis.

[8] T. Reg. § 1.132-5(m)(6) allows this method when necessary to satisfy a bona fide security concern.

[9] T. Reg. § 1.132-5(m)(1).

(2) For 2011, a taxpayer who uses this method multiplies the number of personal miles by a rate of 51 cents per mile (for miles between January 1, 2011 and June 30, 2011) and by 55.5 cents per mile (for miles between July 1, 2011 and December 31, 2010).[10]

(A) If fuel is provided by the employer, it is included in the cents per mile rate. If fuel is not provided by the employer, the cents per mile rate may be reduced by no more than 5.5 cents per mile for miles driven in the U.S., Canada or Mexico. However, for miles driven outside the U.S., Canada, or Mexico the cents per mile rate does not reflect the FMV of fuel and the cents per mile rate may be reduced by 5.5 cents per mile unless the employer reimburses the cost of fuel or provides it in kind, in which case it must be valued at its FMV. T. Reg. § 1.61-21(e)(3)(ii).

(B) When a chauffeur is provided, the value of those chauffeur services must be added to these amounts.

(3) This method should be considered if the government employee who qualifies for the security exception resides less than 5 miles from the work place; otherwise, the commuting vehicle valuation rule would result in a lower taxable benefit.

g. Use of the Vehicle by Spouses and dependents. Normally, personal use of a government vehicle by a spouse or dependent constitutes taxable income to the employee/member.

(1) If a bona fide business-oriented security concern exists with respect to an employee/member (because, for example, threats are made on the life of an employee), the bona fide business-oriented security concern is deemed to exist they travel in the same vehicle at the same as the employee/member.

(2) Otherwise, a bona fide business oriented security concern must also exist in order to exclude the value of personal use by a spouse or family member. The value of local vehicle transportation provided to the employee's/member's spouse and dependents for personal purposes, other than commuting, during the period that a bona fide business-oriented security concern exists with respect to the employee/member will not be included in the employee's/member's gross income if the personal use is determined to be reasonable and necessary by a security study.

h. DoD Requirements.

(1) IAW DOD 7000-14-R, Financial Management Regulation, vol. 7A, table 44-1, note 14, each member's Service shall:

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[10] Notice 2010-88, 2010-51 I.R.B. 882 (providing a standard mileage rate of 51 cents beginning January 1, 2011); Announcement 2011-40, 2011-29 I.R.B. 56 (providing mid-year increase of standard mileage rate to 55.5 cents beginning July 1, 2011). *See also*, Rev. Proc. 2010-51 (beginning in 2011, the standard mileage rate will be published in annual notices).

(A) Identify members receiving government employer-provided home-to-work transportation, certify that the fringe benefits were authorized, calculate and certify the value of the taxable fringe benefits, and submit the appropriate taxable gross income amounts to the servicing DFAS central site no less often than once a year. Exception: When members receive taxable fringe benefits from active duty assignments outside their DoD Component, the agency providing the taxable fringe benefit calculates the value of the benefit provided, and the member's Service verifies the correctness of the calculations;

(B) Keep members receiving such benefits advised of the tax liability annually accruing to them.

(C) Members' certified taxable fringe benefit amounts must be sent to the supporting DFAS Center no less often than annually and not later than December 15, each year, for processing to:

(i) Include the taxable non-cash benefit amounts in members' gross income;

(ii) Withhold and deduct appropriate federal and state income taxes (not FICA taxes); and

(iii) Generate TD Forms W-2 that reflect the adjusted gross income and withholdings. Military Service field finance offices are not authorized to process taxable fringe benefits as additional taxable wages, to withhold applicable taxes, or to generate manual Forms W-2.

Prepared by: LTC Stone, Executive Director, Armed Forces Tax Council/703-693-1066
Date: November 16, 2011

Enclosure 1

DETERMINING THE FAIR MARKET VALUE OF CHAUFFEUR SERVICES
(Extract Treas. Reg. § 1.61-21(b)(5))

1. The fair market value of chauffeur services provided to the employee by the employer is the amount that an individual would have to pay in an arm's-length transaction to obtain the same or comparable chauffeur services in the geographic area for the period in which the services are provided. In determining the applicable fair market value, the amount of time, if any, the chauffeur remains on-call[1] to perform chauffeur services must be included. Moreover, all other aspects of the chauffeur's services (including any special qualifications of the chauffeur (e.g., training in evasive driving skills) or the ability of the employee to choose the particular chauffeur) must be taken into consideration.

2. Alternative valuation with reference to compensation paid. Alternatively, the fair market value of the chauffeur services may be determined by reference to the compensation received by the chauffeur from the employer.

a. Compensation" means compensation and the fair market value of nontaxable lodging (if any) provided by the employer to the chauffeur in the current year.

b. Adjustments to compensation. A chauffeur's compensation is reduced proportionately to reflect the amount of time during which the chauffeur performs substantial services for the employer other than as a chauffeur and is not on-call as a chauffeur.

Example 1. Assume a chauffeur is paid $ 25,000 a year for working a ten-hour day, five days a week and also receives $ 5,000 in nontaxable lodging. Further assume that during four hours of each day, the chauffeur is not on-call to perform services as a chauffeur because that individual is performing secretarial functions for the employer. Then, for purposes of determining the fair market value of this chauffeur's services, the employer may reduce the chauffeur's compensation by 4/10 or $ 12,000 (.4 x ($ 25,000 + $ 5,000) = $ 12,000). The fair market value of the chauffeur's services is $ 18,000 ($ 30,000 - $ 12,000). However, a chauffeur's compensation is not to be reduced by any amounts paid to the chauffeur for time spent "on-call," even though the chauffeur actually performs other services for the employer during such time. A determination that a chauffeur is performing substantial services for the employer other than as a chauffeur is based upon the facts and circumstances of each situation. An employee will be deemed to be performing substantial services for the employer other than as a chauffeur if a certain portion of each working day is regularly spent performing other services for the employer.

Example 2. DoD makes available to employee A an automobile and a full-time chauffeur B (who performs no other services for A's employer) for an entire calendar year. Assume that the annual lease valuation rule is used and that the Annual Lease Value of the automobile is

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[1] "On-call time" means the total amount of time that the chauffeur is not engaged in the actual performance of driving services, but during which time the chauffeur is available to perform such services. With respect to a round-trip, time spent by a chauffeur waiting for an employee to make a return trip is generally not treated as on-call time; rather such time is treated as part of the round-trip.

$9,250. Assume further that B's compensation for the year is $12,000 and that B is not furnished lodging that is excludable from B's gross income. The maximum amount subject to inclusion in A's gross income for use of the automobile and chauffeur is therefore $21,250 ($ 12,000 + $9,250). If 70 percent of the miles placed on the automobile during the year are for A's employer's business, then $6,475 is excludable from A's gross income with respect to the automobile as a working condition fringe ($ 9,250 x .70). Thus, $2,775 is includible in A's gross income with respect to the automobile ($ 9,250 - $ 6,475). With respect to the chauffeur, if 20 percent of the chauffeur's time is spent actually driving A or being on-call to drive A for personal purposes; then $2,400 is includible in A's income (.20 x $12,000). Eighty percent of $12,000, or $9,600 is excluded from A's income as a working condition fringe.

Enclosure 2

Example A: Home-to-work 2011 Fringe Benefit Computation (non-security).

Annual Lease Valuation Rule

Step 1: Identify FMV of Vehicle = $18,000
Step 2: Find ALV from T. Reg. 1.61-21(d)(2)(iii) = $5,100
Step 3: Determine total miles driven in 2011 = 10,000
Step 4: Allocate 2011 miles to business and home-to-work use.
Business = 9,000 (9,000/10,000=90% of ALV excluded)
Home-to-work = 1,000 (1,000/10,000=10% of ALV included)
Step 5: Taxable value of vehicle = 10% of ALV or $510
Step 6: Taxable value of fuel costs = 5.5 cents per mile or $55
Step 7: Taxable value of chauffeur = 10% of annual salary ($35,000) = $3,500

Total taxable home-to-work benefit to be included as wages = $4,065 ($510+$55+$3,500)

Example B: Home-to-work 2011 Fringe Benefit Computation (Security).

Commuting Valuation rule

Step 1: Determine number of one-way commutes in CY 2011
Step 2: Multiply $1.50 for each one-way commute

If 500 one-way commutes in CY 2011, **then** 500 X $1.50 = $750

Total taxable home-to-work benefit to be include as wages = $750

Example C: Home-to-work 2011 Fringe Benefit Computation (Security).

Cents per mile rule

Step 1: Determine number of one-way commutes in CY 2011
Step 2: Determine the distance in miles of each one way commute
Step 3: Multiply 51 cents per mile (1/1/11 to 6/30/11) and 55.5 cents per mile(7/1/11 to 12/31/11).

If 500 one-way commutes at 4 miles each (assume ½ before 7/1/11), then 500 x 4 = 2,000 miles total. 1000 x $.51 = $510 plus 1000 x $.555=$550 for a total of $1,060

Total taxable home-to-work benefit to be include as wages = $1,060