

Attention HR/Payroll Administrators,

Below are the IRS requirements for record keeping and timely reporting of taxable personal use of state vehicle.

This is being provided as there has been an uptick in required W-2C being issued for 2022 and other prior years. Not reflecting taxable income properly on each individual's W-2 subjects the State and the individual to additional taxes AND interest/penalties.

Another example is State supplied housing to make sure is reflected correctly.

Taxable car use is entered in the HRM application as a One-Time Deduction (OTDED) with the event TXCAR for the applicable time frame. See the Deductions Administration Training Manual located at myApps/Enterprise Readiness/HRM Payroll and Deductions.

It is the department's responsibility to timely and accurately report of all taxable income. Departments will be responsible for any penalties and interest due for these types of discrepancies.

For IRS employer-provided see pages 36 and 37: <https://www.irs.gov/pub/irs-pdf/p5137.pdf>

Summary Car Tax IRS Publication 5137

Substantiation Requirements

Under IRC Section 280F, vehicles are considered "[listed property](#)" and, therefore, to support an exclusion or deduction, separate records for business and personal mileage are required.

IRC Section 274(d)

If the employee **does not provide** records documenting business and personal mileage separately, the value of **all** use of the automobile is wages to the employee. Treas. Reg. Section 1.132-5(b)

If the employee **provides** to the employer records documenting business and personal use separately, **only** the personal use of the automobile is wages to the employee.

Exceptions to the recordkeeping requirements apply in certain situations discussed later in this section.

Valuation of Personal Use of Employer-Provided Vehicle

Personal use of an employer's vehicle that does not qualify for an exclusion creates taxable wages to the employee. The following procedures should be used to determine how much to include in wages on the employee's Form W-2.

Under the general valuation rule for fringe benefits, the amount to include in income is FMV, which is generally the lease value of the vehicle, but other rules may apply in certain circumstances. Treas. Reg. Section 1.132-5(b)

Three Automobile Valuation Rules

- Automobile Lease Valuation Rule -Treas. Reg. Section 1.61-21(d)
- Vehicle Cents-Per-Mile Valuation Rule -Treas. Reg. Section 1.61-21(e)
- Commuting Valuation Rule -Treas. Reg. Section 1.61-21(f)

Please email HRMPayroll@wvsao.gov if you have any questions.