A. Introduction

This section provides an explanation of several types of fringe benefits a state employee may be authorized to receive beyond cash wages and whether these benefits are classified as taxable wages under Title 26 of the United States Code (USC), also known as the Internal Revenue Code (IRC).

Unless specifically excluded by law, employee fringe benefits are taxable and must be reported on Form W-2. Taxable noncash fringe benefits (including personal use of employer provided motor vehicles) may be treated as being paid on a pay period, quarter, semi-annual, annual, or other basis. However, the benefits must be treated as paid no less frequently than annually. The State of Florida uses a special accounting period for vehicle fringe benefits, which is discussed later in this section.

Agencies may treat the taxable value of a single noncash fringe benefit as paid on one or more dates in the same calendar year, even if the employee receives the entire benefit at one time. For example, if an employee receives a noncash fringe benefit valued at $1,000 in one pay period during 2018, you may treat it as made in four pay periods of $250 each in 2018.

The deadlines for submitting taxable fringe benefits the Bureau of State Payrolls depends upon the method of submission and the way taxes are collected. For employees that receive taxable fringe benefits and terminate employment, careful coordination of the final salary payment is necessary. Every effort must be made to avoid a situation in which the terminated employee owes the State money for unpaid Social Security and Medicare taxes.

B. ACCOUNTABLE PLAN

The State of Florida provides some benefits under the Treasury Regulation (Treas. Reg.) section 1.62-2(2), Accountable plans. Generally, reimbursements and allowances paid to an employee under an accountable plan are excluded from the employee's wages and are not subject to withholding, Social Security and Medicare taxes.

1. Requirements

To be considered an accountable plan, a reimbursement or other employee expense allowance arrangement must comply with the three following conditions:

- The expenditure must have a business connection that would be paid or incurred in connection with the agency's primary purpose.
- The employee must adequately account for all expenditures to the agency within a reasonable period of time.
- The employee must return any excess reimbursement or allowance within a reasonable period of time.

2. Reasonable Period of Time

The IRS defines what a reasonable period of time is for requiring substantiation and the return of excess amounts.

- Advanced payments are made no more than 30 days before an employee incurs business expenses.
- Expenses are substantiated within 60 days after they are incurred or paid.
- Excess payments are returned to the employer within 120 days after being incurred or paid.
- Periodic statements should be provided to employees at least quarterly regarding unsubstantiated expenses or unreturned excess payments. The timeliness requirement will be satisfied if employee complies by substantiating the expenses or by refunding any excess within 120 days of the statement.

3. Per Diem and Car Allowances

A per diem or car allowance is a payment under a reimbursement plan or other expense allowance arrangement that:

- Is paid or incurred by the employee for lodging, meal and/or incidental expenses for travel away from home;
- Is reasonably calculated not to exceed the amount of expenses or anticipated expenses; and
- Is paid at the applicable federal per diem rate, a flat rate or stated schedule, or another schedule or rate specified by the IRS.

If an employer's reimbursement plan fails to meet any single requirement above, it is a non-accountable plan and payments made under the plan are subject to employment taxes. If the agency has an accountable plan and one employee fails to substantiate any expenditures, the plan will not become a nonaccountable plan for all other employees.

An Accountable Plan should contain all documents to stay in compliance with IRS regulations. Payments made under approved plans may be processed through the Bureau of Auditing using the standard expense voucher. Receipts and supporting documents and Form DFS-A3-1929 are to be attached to the voucher. Instructions are provided on the back of the form.

C. NONACCOUNTABLE PLAN

A nonaccountable plan is a reimbursement or expense allowance arrangement that does not meet one or more of the three conditions required of an accountable plan. Even if the agency has an accountable plan for reimbursements and expense allowances, the following payments are treated as being paid under a nonaccountable plan:

- Excess reimbursements that the employee does not return to the agency
- Reimbursements of nondeductible expenditures related to the agency

Any payments to an employee under a nonaccountable plan must be includable in the employee's wages and are subject to withholding, Social Security and Medicare taxes.

1. Continuing or Permanent Travel Advances

Reimbursement plans that provide the employee a fixed advance and then reimbursement after each trip for whatever is spent, so that the continuing advances remains fixed, are generally nonaccountable plans since they do not provide amounts reasonably calculated to match anticipated expenses or do not require the return of excess amounts.

Advances that exceed the time periods, or are not substantiated, or the excess not returned, become taxable income to the employee, subject to withholding, Social Security, and Medicare taxes. Accountable Plans that provide advances to the employee are discouraged.

D. SPECIAL ACCOUNTING PERIOD

The State of Florida uses the special accounting period for certain *noncash fringe benefits*, including vehicle fringe benefits. The special accounting period allows the state to compute the value of the benefits provided during the period beginning November 1 of the prior year and ending October 31 of the current calendar year. This gives the employer additional time to value noncash fringe benefits. The value of benefits provided in the last two months of a previous calendar year is included with the value of the benefits provided in the first ten months of the current calendar year. Social Security and Medicare taxes are calculated at the same percentage and as the current year's wages. The following restrictions apply.

- The rule applies only to noncash fringe benefits *provided* during November and December, not to all benefits the employer treats as paid during those two months.
- While the employer does not have to formally elect to use the special accounting rule, it must notify employees of its decision during the period beginning with the employee's last paycheck of the calendar year and ending with the employee's receipt of Form W-2 for that year.
- The employer can choose to use the special accounting rule for some benefits and not others, but if the rule is used for one benefit, it must be used for all employees receiving that benefit.
- The employer can use different ending dates during November and December for each benefit.
- The special accounting rule may not be used if the noncash fringe benefit is personal property normally held for investment or real property.
- The rule also cannot be used to value such benefits as reimbursed moving expenses or group-term life insurance.

The State Chief Financial Officer informs current state employees of the special accounting period on the employee Annual Earnings and Benefits Statements. These statements are provided to employees annually on the FLAIR Employee Information Center. Agencies are required to inform new employees within 30 days after the date that the employer first provides a vehicle to an employee.

The State of Florida uses a special accounting rule to value some noncash fringe benefits and are considered provided in the following year. (e.g., annual lease method, vehicle cents-per-mile method).

E. AWARDS, PRIZES, AND GIFTS

Generally, awards and prizes provided to employees for outstanding achievement, money-savings suggestions, etc., are included in the employees' income and are subject to federal income tax withholding, and Social Security and Medicare taxes. There are exceptions for noncash length-of-service awards, safety, retirement, and de minimis awards and prizes that comply with several restrictions.

1. Nontaxable Awards, Prizes, and Gifts

Length-of-service awards and de minimis fringe benefit awards that meet certain requirements may be excludable from income. Any other awards, such as recognition awards, are taxable.

a. Length-of-Service Awards

- General Requirements – To qualify for exclusion from income, a length-of-service award must be an award of "tangible personal property," which does not include cash or gift cards, gift certificates, stocks, bonds, vacations, meals, lodging or tickets to theater or sporting events. Also, the award must be presented in a "meaningful presentation." Finally, the award must not be disguised compensation.
- Specific Requirements – To qualify as nontaxable a length-of-service award must not be presented for less than five years on the job, and, must not have been awarded to the same employee within the last four years.

b. Retirement Awards

An award presented upon the occasion of an employee's retirement is a length-of-service award subject to the IRS employee achievement award rules. However, under appropriate circumstances, a traditional retirement award will be excludable from income as a de minimis fringe benefit.

Example: An employer provides a gold watch to each employee who completes 25 years of service with the employer. The value of the gold watch is excluded from gross income as a de minimis fringe benefit. However, if the employer provides a gold watch to an employee who has not completed lengthy service with the employer or on an occasion other than retirement, the value of the watch is not excludable from gross income under IRC section 132(e); Treasury Regulation (Treas. Reg.) 1.132-1, 1.132-6.

c. De Minimis Awards and Prizes

Certain property or services of small value may be provided to employees without including the value in the employees' income if the following conditions are met:

- The value of the benefit is so small that accounting for it would be unreasonable or impractical.
- The employer must take into account the frequency with which it provides the benefit to all its employees in making this determination.

Examples of nontaxable de minimis benefits:

- Certificates, pins, and other tokens of recognition, having nominal value.
- Coffee and donuts provided to employees.
- Traditional holiday gifts (e.g., turkeys, candy) with a small value (no cash or cash equivalents)
- Flowers, fruit, books, or similar property provided to employees under special circumstances (e.g., because illness, or family crisis).
- Transitional awards that are given upon retirement, such as gold watches for 25 years of service, are excludible even though they are high value.

The IRS has never set a specific dollar maximum on the value of a de minimis fringe benefit before it becomes taxable. If the value of the item is readily ascertainable, it would not constitute a de minimis fringe benefit because these items are not unreasonable or administratively impracticable to account for. To establish de minimis fringe benefit requires a determination of value relative to the frequency in which the benefit is provided. In an internal memorandum, the IRS did state that a noncash award with a fair market value of $100 would not qualify as a de minimis fringe benefit because an award of that size was not so small the employer would have difficulty accounting for it. This does not mean that all noncash awards or fringes with a value less than $automatically qualify as de minimis.

2. Taxable Awards, Prizes, and Gifts

As noted above, certain noncash length-of-service, retirement, and de minimis fringe benefits are excludable from the employee's income. Generally, noncash awards, prizes, and gifts provided to employees are included in the employees' income. Cash and cash equivalent awards are always taxable.

a. Cash and Cash Equivalents

Cash equivalent awards, such as a gift card, gift certificate or credit card, are generally taxable. Gift certificates and cards have a "readily ascertainable" value that can easily be accounted for. Gift certificates and gift cards generally do not qualify as de minimis fringes since they are considered cash equivalents.

The IRS reinforced its position in this area in 2004 when it ruled that a holiday gift coupon with a face value of $35 that was redeemable for merchandise at several local grocery stores was not a de minimis fringe benefit, even though the coupons could only be used once and the unused portion was forfeited. The employer distributed the coupons after it changed its prior holiday gift policy of distributing hams, turkeys, and gift baskets, but the IRS said that a cash equivalent, like a gift card, is not excludable from income even though the property or service bought with the card might be excludable as a de minimis fringe. The cards have a "readily ascertainable" value that can be easily accounted for.

b. Taxable Fringe Benefits:

- Any cash award, no matter how little.
- Cash equivalent, such as a gift certificate, gift card or credit card, even if the same property or service acquired (if provided in kind) is excludable.
- Savings bonds.
- Season tickets to sporting or theatrical events.
- An individual membership in a private country club or athletic facility, regardless of the frequency with which the employee uses the facility.
- Awards having a fair market value of $100 do not qualify as de minimis fringes.

3. Satisfactory Service Awards

Pursuant to section 110.1245, Florida Statutes (F.S.), each department head is authorized to incur expenditures to award suitable framed certificates, pins, and other tokens of recognition to retiring state employees, state employees who demonstrate satisfactory service to the agency or state, and appointed members of a state board or commission whose service to the state has been satisfactory. Such awards may not cost more than $100 plus applicable taxes.

a. Nontaxable Satisfactory Service Awards

- Noncash awards such as framed certificates, pins and tokens-of-recognition.
- Noncash awards to retiring employees that meet the exclusion requirements for length-of-service awards or de minimis fringe benefits.

b. Taxable Satisfactory Service Awards

- Cash or cash equivalent awards such as a gift certificate, phone card, gift card or credit card.
- Noncash awards provided to employees for outstanding achievement, money saving suggestions, etc. are generally included in the employee's income.

The taxable value of awards and prizes must be reported to the Bureau of State Payrolls (BOSP) using the On-Line Non-Cash Adjustment System. Refer to Payroll Preparation Manual, **Volume V, Section 7**. Taxable noncash awards are subject to gross-up and the payment of all income tax withholding, Social Security and Medicare taxes by the agency.

F. EDUCATION ASSISTANCE/TUITION WAIVERS

Employer provided education assistance may be excludable from the employee's income up to a maximum exclusion of $5,250 if the education is provided for job-related education under an accountable plan, or the education is not job-related and meets the IRS tests for a deductible business expense under IRC section 127, Education assistance programs.

1. Job-Related Education

Employer provided education assistance is excludable from the employee's income up to a maximum exclusion of $5,250 when such payments qualify under IRC section 132 as a working condition fringe benefit. The education assistance, even amounts in excess of $5,250, will be considered a working condition fringe benefit when the education is job-related and the amount paid would have been a deductible educational expense by the employee had the employee paid for it.

As provided by IRC section 132(d) and Treas. Reg. section 1.162-5, the following conditions must be met:

- The courses must not be necessary to meet the minimum education requirements of the current job.
- The courses are not taken to qualify the employee for a promotion or transfer to a different type of work.
- The education must be related to the employee's current job and must help maintain or improve the knowledge and skills required for that job (e.g., refresher or update courses). If the requirements change while the employee is working, employer-paid education designed to meet them is a working condition fringe benefit.

If these requirements are not met, tuition reimbursements must be included in employees' gross income and are subject to Social Security and Medicare taxes.

2. Non-Job-Related Education

Employer education assistance provided through a program meeting the requirements of IRC section 127 is excludable from income up to $5,250 per year for tuition, fees, books, supplies, and equipment. The exclusion does not apply to supplies, tools, or equipment that may be retained by the employee after completion of the course of instruction, or meals, lodging or transportation. The term "education assistance" also does not include any course or other education involving sports, games, or hobbies unless the education has a reasonable relationship to your business, or is required as part of a degree program.

An education assistance program is a separate written plan that provides education assistance only to your employees. The program qualifies only if all the following tests are met:

- The program benefits employees who qualify under rules that do not favor highly compensated employees.
- The program does not allow employees to choose to receive cash or other benefits that must be included in gross income instead of education assistance.
- You give reasonable notice of the program to eligible employees.

3. Taxable Education Assistance

Each agency providing education assistance to its employees must determine whether the assistance is excludable from gross income. Education not qualifying for income exclusion must be reported to the Bureau of State Payrolls for federal reporting and taxation purposes. Taxable values will be included with the employee's earnings through the employee record adjustment process. This process collects the Social Security and Medicare taxes on the next regular payroll after the employee record update is entered, or from the agency FLAIR account, but does not collect income taxes.

Employees should be notified of tax liabilities during the eligibility for enrollment approval process and, where applicable, provide employees an opportunity to request a tax exemption for job-related education. Agencies should notify employees having taxable education assistance of this additional tax liability so that they may adjust their Form W-4, Employee's Withholding Allowance Certificate, as needed. Documentation supporting courses determined to be tax exempt shall be retained by the agency. The final arbiter as to the tax exclusion is the IRS.

4. Reporting Taxable Education Assistance

Employing agencies must report taxable education assistance to BOSP using the On-Line Non-Cash Adjustments System (earnings code 9103). Instructions and submission deadlines for the online system are provided in **Volume V, Section 7** of the Payroll Preparation Manual.

When entering taxable tuition values using the On-Line Non-Cash Adjustment System, agencies should use the following dates for the "Benefit End Date" field. Only taxable education assistance values are to be reported to BOSP.

TERM	BENEFIT END DATE
Spring	03/31/2018
Summer	06/30/2018
Fall	09/30/2018

Taxable values must be reported in the current calendar year and cannot be carried over into the next calendar year. Employing agencies are encouraged to report these taxable values as soon as possible. If the employee is currently employed, the agency may report the value of the taxable tuition assistance over more than one pay period to distribute the collection of Social Security and Medicare taxes. Agencies collecting taxes through the payroll process in December should exercise care to ensure that the values are entered and approved prior to processing the last payroll of the year.

Prior to entering taxable education assistance value into the On-line Cancellation and Adjustment System, agencies should verify that the employee is still employed by the agency. To collect the taxes on payrolls, the agency must fill in the "Empee Pay Cycle" field on the online noncash adjustment.

Agencies having taxable education assistance for employees no longer on the payroll must report those taxable values and pay the employer and employee FICA taxes. Employee taxes paid by the employer are considered additional income to the employee unless collected from the employee during the calendar year. To record this additional income, the agency should enter a "Y" in the "Gross Up (Y/N)" field on the online noncash adjustment.

Nontaxable values are not reportable to BOSP. Documentation supporting nontaxable education assistance should be retained by the agency.

5. State of Florida Tuition Waiver Program

Subject to approval by the agency, state universities and community colleges shall grant state employees tuition and fee waivers of up to six credit hours per term, for courses taken on a space-available basis, pursuant to section 1009.265, F.S. State employees include employees of the executive, legislative, and judicial branches of state government; however, anyone employed by a state university is not considered an employee for the state employee fee waivers.

In order to provide a tax-exempt benefit, state agencies must abide by the written plan document. The document includes eligibility requirements, benefit provisions, and limitations that conform with current statutes, appropriations proviso language, and general state employment policies relevant to this program. If an agency elects not to administer the program pursuant to a written plan document, or fails to communicate the provisions of the qualified program to all eligible employees, waivers of tuition and fees could be subject to federal income, Social Security, and Medicare taxes.

TUITION & FEE WAIVERS FOR STATE EMPLOYEES

Comptroller's Memorandum No. 6 (2002-2003), Tuition & Fee Waivers for State Employees, provides guidance that allows the State of Florida to offer state employees tuition and fee waivers on a tax-exempt basis, pursuant to IRC Section 127. This memorandum and plan document may be found on the Chief Financial Officer's website at http://www.myfloridacfo.com/aadir/cm0/cm020306.htm. The plan document is displayed below: The attachment to this memorandum includes a sample plan of the document that agencies must adopt in order to provide tuition waiver benefits to state employees.

State of Florida Employee Educational Assistance Program

WHEREAS, Section 1009.265(1), Florida Statutes (2002) provides:

As a benefit to the employer and employees of the state, subject to approval by an employee's agency head or the equivalent, each state university and community college shall waive tuition and fees for state employees to enroll for up to 6 credit hours of courses per term on a space-available basis;

WHEREAS the State of Florida, as employer, in recognition of the dedicated public service of its employees, desires to assure its employees the maximum opportunity to receive the fringe benefit of this statutory tuition and fee waiver program without incurring additional income tax liability; and

WHEREAS pursuant to 26 U.S.C., 127 (Internal Revenue Code, Section 127), the State of Florida may provide tax free educational assistance to its employees under a qualified educational assistance plan;

THEREFORE, the State of Florida has adopted this State of Florida Employee Educational Assistance Program (the Program) for the exclusive benefit of employees of the executive, legislative and judicial branches of State government in accordance with the terms and conditions set forth below.

Section 1. Educational Assistance Benefits

1.1 Eligible participants shall receive waivers that cover the cost of tuition and applicable fees.

1.2 Waivers may cover undergraduate or graduate courses.

1.3 Courses need not be work related.

1.4 Courses may be taken at a state university or community college.

1.5 Pursuant to Section 1009.26(4), F.S., persons paying full fees and state employees taking courses on a space-available basis shall have priority over those persons whose fees are waived in all cases where classroom spaces are limited.

Section 2. Program Eligibility

To be eligible for participation in the Program, an individual must be currently employed by the State of Florida in a budgeted authorized position of the executive, legislative, or judicial branch. An individual compensated exclusively through Other Personal Services funds is not entitled to receive State fringe benefits and is not eligible to participate in the Program.

Pursuant to proviso language in the General Appropriations Act, individuals must be employed full time (I.E., 1.0 full-time equivalent).

Individuals who are on an approved educational leave, with or without pay, may participate in the Program.

No individual who is a currently employed full-time employee of the State of Florida occupying a budgeted authorized position in state government shall be deemed ineligible for participation in the Program because his or her position is included within any existing collective bargaining unit.

A participant who resigns, terminates, or otherwise loses eligibility during an academic term will remain eligible for the remainder of such academic term.

Section 3. Approval for Participation

Pursuant to Section 1009.265(1), F.S., the head of each executive branch agency and the equivalent executive level administrative functionary within the legislative and judicial branches, must approve participation of eligible individuals within their respective employment.

The Chief Financial Officer will maintain an Employment Verification Database for use in verifying the employment status individuals applying to enroll in courses.

Approval for participation in the Program does not constitute a guarantee of enrollment in any particular course offering. Whether an approved Program Participant achieves enrollment in any desired course offering is subject to the determination of the enrolling institution that space is available in that course offering and that the Program Participant has fulfilled all necessary curricular prerequisites for the offering in question.

Section 4. Educational Assistance Limitations

The maximum educational assistance available to any eligible employee under the Program is expressly limited to 6 credit hours per term (18 credit hours per Plan Year). For purposes of this section, the Plan Year is calculated on a calendar year basis, i.e., January 1 – December 31.

No assistance is available under the Program for the cost of application, books, supplies, equipment, or any other type of educational materials or local institutional fee associated with credit hours taken under the Program.

Courses involving sports, games or hobbies are not available for tax-free treatment under this Program, unless such a course is required as part of a degree program.

Each state university and community college is responsible for establishing the criteria by which courses are deemed eligible for "space-available" status.

Section 5. Valuation of Tuition and Fee Waivers

5.1 For purposes of the Program, each credit hour taken by an eligible employee under the statutory tuition waiver will be valued at the hourly rate charged by the enrolling institution for Florida residents or non-residents, as applicable, during the Plan Year.

5.2 Each state university and community college shall notify the program participants of applicable credit hour rates and fees, as needed to monitor the dollar value of waivers received during the Plan Year.

Section 6. Other Exclusions and Limitations

6.1 Pursuant to 26 U.S.C. 127, no more than $5,250 in educational assistance provided per Plan Year under the Program qualifies for tax-free treatment. Any educational assistance provided to a participant under the Program which is valued in excess of $5,250 will be reported to the Internal Revenue Service as income received by the participant.

6.2 No eligible employee may receive monetary or other compensation in lieu of participation in the Plan.

Section 7. Miscellaneous

7.1 It is the sole responsibility of each approved Program participant to register and enroll, on a space-available basis, at the enrolling institution where the participant desires to take one or more courses for credit, subject to the limitations of the program. No assistance with matriculation or enrollment will be provided to a participant by his or her employer.

7.2 The educational assistance provided under this Program is in addition to any other non-work related educational assistance that individual agencies may be providing in the form of tuition reimbursement, vouchers, fellowships, etc., none of which constitute a part of this Program.

7.3 Participation in this Program shall not be deemed to give any participant the right to be retained in the service of the state or to interfere with the right of the employing agency to terminate employment at any time, regardless of the effect such termination has on continued participation.

Section 8. Record-Keeping and Audit Control

8.1 As with all other non-cash fringe benefits, each employing agency is responsible for keeping accurate records of all educational assistance provided to employees, including waivers granted under this program.

8.2 The employing agency is responsible for determining when employees have received any taxable educational assistance during a Plan Year and notifying them of their respective tax liabilities. Agency responsibilities in connection with taxable educational assistance benefits will be as specified in **Volume VI, Section 3, Part F. Education Assistance / Tuition Waivers**, of the State Payroll Preparation Manual.

Section 9. Notice to Employees

9.1 The employing agency is responsible for informing its employees concerning the provisions of the State of Florida Employee Educational Assistance Program.

Each agency is encouraged to provide each of its employees with a copy of the Program and to post a copy of the Program in areas where agency notices to employees are customarily posted.

9.2 A copy of the State of Florida Employee Educational Assistance Program shall be posted on the Chief Financial Officer's website and on any other Relevant website maintained by the State of Florida to provide employment related information to State Employees.

Created: November 8, 2002

For additional information see IRS Reg. §1.127-2, Qualified Educational Assistance Program and IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits (www.irs.gov).

G. EMPLOYER-PROVIDED CLOTHING

The state of Florida's policy is to furnish uniforms, clothing, laundry service and safety footwear as perquisites to state officers and employees only in those specific instances where it is determined that the furnishing of such items is in the best interest of the State due to the exceptional or unique requirements of the position. DMS has established procedures for agencies to follow in developing a plan to be approved by DMS for the furnishing of perquisites to state officers or employees.

1. Items Issued to Employee

If a uniform is required by the employer for safety, security, or health purposes and is not suitable for everyday wear, the issuance to the employee of the uniform, or the purchase of the uniform by the agency, is a nonreportable and nontaxable event for federal employment tax purposes. Examples of these type items are safety equipment, special footwear, protective clothing, etc. These items may be processed directly through the Bureau of Auditing. The Reference Guide for State Expenditures, Perquisites can be found at http://www.myfloridacfo.com/Division/AA/Manuals/Auditing/Reference_Guide_For_State_Expenditures.pdf.

2. Payments Under Accountable Plan Rules

Providing allowances, advances or reimbursements for the purchase, maintenance or replacement of uniforms and tools are reportable and taxable events for federal employment tax purposes unless the employer maintains an accountable plan. Refer to the beginning of this section for an explanation of an "Accountable Plan."

Expense accounting by the employee is required to have sufficient detail to identify the specific nature of each expense and therefore conclude that the expense is attributable to the agency's business activities. Expenses are not to be aggregated into broad categories such as clothing. Written statements substantiating expenses in vague non-descriptive terms such as cleaning or shoes will not be accepted.

The following information must be provided and substantiated in order to make a reimbursement under an Accountable Plan:

a. Date expense incurred;

b. Amount of each separate expense item;

c. Specific description of each separate expense item;

d. Business reason or business benefit gained.

The following examples meet the substantiation requirements:

a. Receipt dated June 15, 2017, in the amount of $87.00 describing one pair lace up high top safety boot. A narrative is to be written on the receipt to meet the requirement of business purpose, such as, "field boot-firefighter."

b. Receipt dated July 3, 2017, in the amount of $15.00 describing, "three uniform shirts and 3 uniform pants, cleaning-State Trooper."

c. Receipt dated April 28, 2017, in the amount of $27.00 describing "3/4-inch steel ratchet, tool-airplane mechanic."

Form DFS-A3-1929, Accountable Plan Check-Off, should be completed and submitted with the voucher and supporting documents for Accountable Plan payments to employees for reimbursements, advances, and allowances for footwear, clothing, and tools.

3. Payments Under Nonaccountable Plan Rules

Allowances, advances, or reimbursements for the purchase, maintenance, or replacement of uniforms and tools are reportable and taxable events for federal employment tax purposes **unless** paid under the Accountable Plan Rules. These taxable payments should be submitted to BOSP using the People First System or via the On-Demand System. The procedures for the On-Demand System are found in **Volume IV, Section 9** of the Payroll Preparation Manual.

H. EMPLOYER-PURCHASED RETIREMENT SERVICE CREDIT

The Florida Retirement System (FRS) is a defined benefit plan qualified under 26 U.S.C. Section 401(a). The FRS provides that eligible members may purchase extra retirement credits for in state and out-of-state public employment and other types of eligible employment (sections 121.1115 and 121.1122, F.S.).

1. Employee Purchased Retirement Service Credit

The purchase of retirement service credits by an employee is not a taxable event and is not reportable to BOSP or the Internal Revenue Service.

2. **Employer Purchased Retirement Service Credit**

The employing agency may purchase an eligible employee's retirement service credit subject to agency head approval and budget authority. The payment to the FRS for the purchase of retirement service credit by an employing agency is considered gross income to the employee in the year of purchase and is subject to federal withholding, Social Security, and Medicare.

3. **Reporting Employer Purchased Retirement Service Credit**

Agencies providing this noncash benefit must report the taxable value for tax reporting and remitting to the Internal Revenue Service. The taxable value includes the amount paid by the agency to the FRS for the service credit plus gross-up for the employee withholding, Social Security, and Medicare taxes paid by the agency. Earnings Code 9142 has been assigned for this noncash fringe benefit.

Taxable values should be reported to the BOSP utilizing the On-Line Non-Cash Adjustment System, Earning Code 9142. This system is accessed through the Payroll Main Menu (PYRL); refer to **Volume V, Section 7** of the Payroll Preparation Manual. This section of the manual provides instructions on how to add and approve selected noncash adjustments. The agency's FLAIR account code is required for the gross-up and payment of employment taxes.

I. MOVING EXPENSES

The 2017 Tax Cut and Jobs Act, suspends the exclusion from income of employer-provided, job related moving expenses for taxable years 2018 through 2025. During those years, employer payments and reimbursements for moving expenses will be subject to Federal Income Tax withholding, social security, and Medicare taxes, including payments from the employer to third parties on behalf of the employee (e.g., payments to a moving company). The ability of a taxpayer to deduct moving expenses under IRC 2017 is also suspended through 2025, so the employee cannot deduct expenses for which the employer makes payments or reimbursements.

Prior to incurring or allowing an employee to incur moving expenses agencies should review the requirements for payment under the Florida Statutes and the respective personnel rules. Payments of moving expenses must also comply with the Bureau of Auditing, Reference Guide for State Expenditures at http://www.myfloridacfo.com/Division/AA/Manuals/Auditing/Reference Guide For State Expenditures.pdf . Attorney General Opinion prescribes the conditions that allow an agency head to approve the payment of travel expenses related to a move. See AGO 81-34, (http://myfloridalegal.com/ago.nsf/Opinions/BE76EA719560C471852565870069 22D5).

Section 216.262(1)(f), F.S., requires the approval of DMS, unless delegated to the agency head for perquisites furnished by an executive branch state agency. DMS has delegated to the agency heads, or their designee, the approval of the payment of moving expenses.

Moving expenses for entities of the Judicial Branch as defined in section 216.011(1)(r), F.S., are governed by Section 10, of the Florida State Courts System Personnel Regulations Manual. The Chief Justice must approve perquisites furnished by the judicial branch.

1. Vouchering and Audit Requirements for Moving Expenses

Vouchers requesting payment for moving expenses **must** contain sufficient information for a determination of the proper taxation and reporting. This should include the following:

- The locations of the former and new principal places of work and residence, and the commuting distance between the employee's former home and new work location.

Moving expenses should be classified utilizing the following object codes:

- **Object Code 1361 – Moving Expenses – Third Party – Nonqualified** – Vendor eligible costs determined to be nonqualified moving expenses as described above, for packing and shipping household goods or privately owned mobile homes, and travel expenses for state employees for authorized relocation expenses paid to a third party.
- **Object Code 2840 – Moving Expenses – Employee – Nonqualified** – Employee eligible costs determined to be nonqualified moving expenses as described above, for packing and shipping household goods or privately owned mobile homes, and travel expenses for state employees for authorized relocation expenses paid directly to an employee.

Moving expense payments to vendors (object codes 1361) must include the employee as the sub-vendor. This is essential for the reporting of moving expense information to the IRS and employee and for the taxation of nonqualified moving expense payments.

Payment or reimbursement of "Moving Expenses" (object codes 1361 and 2840) will be reported as wages on Form W-2 and will be subject to employment taxes. Taxable values obtained from payment vouchers posted by the Bureau of Auditing will be included with the employees' earnings through the employee records adjustment process. These taxable values will not be included with the employees' regular salary payment and therefore, income tax will not be withheld. The process will collect the social security and Medicare taxes on the next regular payroll after the employee record adjustment has been approved. Agencies should notify employees having nonqualified moving expenses of this additional tax liability so that they may adjust their Form W-4, Employee's Withholding Allowance Certificate, as needed.

The listed object codes have been established to work in conjunction with the following payroll earnings codes to facilitate the reporting and taxation of employee moving expenses.

OBJECT CODE	EARNINGS CODE	EQUIVALENT
1361	9196	Moving Expenses Third Party – Nonqualified
2840	9197	Moving Expenses – Employee – Nonqualified

For additional information refer to IRS Publication 521, Moving Expenses, and IRC section 132. IRS publications are available at website http://www.irs.gov.

J. PERSONAL USE OF STATE-PROVIDED VEHICLES

Motor vehicles owned, leased, or operated by any state agency shall be available for official state business only as authorized by the agency head, as defined in sections 287.012 and 287.17, F.S. The term "official state business" may not be construed to permit the use of a motor vehicle for commuting purposes, unless special assignment of a motor vehicle is (1) authorized as a perquisite by the Department of Management Services, (2) required by an employee after normal duty hours to perform duties of the position to which assigned, or (3) authorized for an employee whose home is the official base of operation. As used in section 216.262(1)(f), F.S. the term "perquisites" means those things, or the use thereof, or services of a kind that confer on the officers or employees receiving them some benefit that is in the nature of additional compensation, or that reduce to some extent the normal personal expenses of the officer or employee receiving them. *§287.17, F.S., F.S.; 60B-1, F.A.C.*

Taxability of Employer-Provided Vehicles

If an employer provides a vehicle that is used exclusively for business purposes (except for de minimis use, described below) there are no tax consequences or reporting. The use is treated as a working condition fringe benefit. Business use does not include commuting (as discussed later). Employees should maintain records to substantiate that all vehicle use was for business. Substantiation generally requires keeping daily records.

If an employer-provided vehicle is used for both business and personal purposes, substantiated business use is not taxable to the employee (see Substantiation Requirements, below). Personal use is taxable to the employee as wages. The employer can opt to include all use as wages; however, the employee can pay the employer for personal use rather than it treated as wages. *IRS Reg. § 1.61-21(c)*

The use of a qualified nonpersonal use vehicle, including commuting, is excludable to the employee; and recordkeeping and substantiation by the employee are not required by the IRS. See Exclusions from Income, below.

The following information is provided to assist agencies with determining the substantiation requirements for employer-provided vehicles and the reporting requirements for personal use.

1. Exclusion from Income
    a. Working Condition Fringe Benefit
    b. De Minimis Fringe Benefit
    c. Qualified Nonpersonal Use Vehicle

2. Taxable Personal Use
    a. Daily Transportation Expenses
    b. Business Use of Your Home
    c. Convenience of the Employer
    d. Telecommuting

3. Accounting for Vehicle Use
    a. Substantiation Requirements

b. Exception – Qualified Nonpersonal Use Vehicles
c. Safe Harbor Substantiation Rules

4. Determining Personal Use Value
a. General Valuation Method
b. Cents-Per-Mile Valuation Method
c. Commuting Rule
d. Lease Value Rules

5. Withholding Requirements

6. Reporting Taxable Values

1. Exclusion from Income

The value of the vehicle's use is not taxable if it qualifies for treatment as:

- A working condition fringe benefit under IRC section 132(d),
- A de minimis fringe benefit under IRC section 132(e), or
- A qualified nonpersonal use vehicle under Treas. Reg. sections 1.132-5(h) and 1.274-5T(k).

a. Working Condition Fringe Benefit

Use of an employer-provided vehicle can be excluded from employee income under the working condition fringe benefit exclusion where the employee would be entitled to claim a business deduction if they paid their own car expenses. Employees who would have been entitled to deduct the value of the car on their tax return as a business expense under IRC section 162 or as depreciation under IRC section 167, are not required to include the value of the business use of the employer's car in their income. However, if the employee uses the employer-provided vehicle for both business and personal use, the value of the working condition benefit is the part determined to be for business use of the vehicle. The employee must meet the substantiation requirements that apply to the deduction.

With respect to any listed property (including vehicles) business use substantiation includes adequate records or sufficient evidence corroborating the taxpayer's own statement (i) the amount or such expense or other item, (ii) the time and place of the travel, (iii) the business purpose of the expense or other item, and (iv)the business relationship of the persons. See Substantiation Requirements, below.

b. De Minimis Fringe Benefit

If the employee uses an employer-provided vehicle mainly for the employer's business, infrequent and brief side trips for personal reasons are considered de minimis benefits whose value is excluded from income. In determining whether the value of personal use of an employer-provided vehicle is de minimis, the employer must consider the frequency with which a vehicle is available to the employee for personal use. For example, an employee who drives an employer-provided vehicle on business and occasionally stops for lunch can exclude the value of personal use as a de minimis fringe benefit. If, however, the employee regularly has use of the car to go to lunch, the value could become significant, and prevent the availability of the car from being considered a de minimis fringe benefit.

Examples of De Minimis Nontaxable Personal Use

- Small personal detour while on business, such as driving to lunch while out of the office.
- Infrequent (not more than one day per month) commuting in employer vehicle. This does not mean that an employee can receive excludable reimbursements for commuting 12 times per year. The rule is available to cover infrequent, occasional situations. *IRS Reg. § 1.132-6(d)(3)*

An employee uses a motor pool vehicle for a business meeting. The employer requires that motor pool vehicles be returned at the end of the business day but the employee is delayed and the motor pool is closed when the employee arrives back at the office. The employee takes the vehicle home and returns it the next morning. Assuming that this is an infrequent occurrence for that employee, that is, generally happens no more than once a month; the commuting value of the trip would be considered a nontaxable de minimis fringe benefit. If not an infrequent occurrence, the commute would be taxable to the employee.

c. Qualified Nonpersonal Use Vehicles

In general, employees using employer-provided vehicles are subject to tax on the value of the personal use. If the business use of these vehicles is substantiated, it is excludable as a working condition fringe benefit under IRC section 132(f). Because most vehicles are by their nature are more likely to be used for personal use, they are considered "listed property" under IRC section 280F(d)(4). For these vehicles, any amount not substantiated as business use must be included in wages. Substantiation generally requires keeping daily records of vehicle use.

These substantiation requirements to not apply to "qualified nonpersonal use vehicles." A qualified nonpersonal use vehicle is one that, by its design, is not likely to be used more than minimally for personal purposes. Use of these vehicles is considered a working condition fringe benefit and does not require substantiation for the use to be excluded from the wages of the employee.

Qualified nonpersonal use vehicles generally include the following vehicles:

- Clearly marked, through painted insignia or words, police, fire, and public safety officer vehicles (see definition below).
- Ambulances and hearses used as such.

- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.
- Bucket trucks ("cherry pickers"), cement mixers, combines, cranes and derricks.
- Delivery trucks with seating for the driver only, or the driver plus one folding jump seat.
- Dump trucks (including garbage trucks).
- Flatbed trucks; forklifts.
- Passenger buses used as such with a capacity of at least 20 passengers.
- Qualified moving vans (as defined below).
- Qualified specialized utility repair trucks (as defined below).
- Refrigerated trucks.
- School buses (as defined in IRC section 4221(d)(7)(C))
- Tractors and other special purpose farm vehicles.
- Unmarked vehicles used by law enforcement officers if the use is officially authorized (see definition below).

Pickup trucks. A pickup truck with a loaded gross vehicle weight of 14,000 pounds or less is a qualified nonpersonal-use vehicle if it has been specially modified so it is not likely to be used more than minimally for personal purposes. For example, a pickup truck qualifies if is clearly marked with permanently affixed decals, special painting, or other advertising associated with your trade or business, or function **and meets either of the following requirements**.

- It is equipped with at least one of the following items.
    - A hydraulic lift gate.
    - Permanent tanks or drums.
    - Permanent sideboards or panels that materially raise the level of the sides of the truck bed.
    - Other heavy equipment (such as an electric generator, welder, boom, or crane used to tow automobiles and other vehicles).
- It is used primarily to transport a particular type of load (other than over the public highways) in a construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operation for which it was specially designed or significantly modified.

Vans. A van with a loaded gross vehicle weight of 14,000 pounds or less is a qualified nonpersonal-use vehicle if it has been specially modified so it is not likely to be used more than minimally for personal purposes. For example, a van qualifies if it is clearly marked with permanently affix decals, special painting, or other advertising associated with your trade or business, or function and has a seat for the driver only (or the driver and one other person) and either of the following items.

- Permanent shelving that fills most of the cargo area.
- An open cargo area and the van always carries merchandise, material, or equipment used in your trade, business, or function.

Qualified Moving Van. The term "qualified moving van" means any truck or van used by a professional moving company in the trade or business of moving household or business goods if –

- No personal use of the van is allowed other than for travel to and from a move site (or for de minimis personal use, such as a stop for lunch on the way between two move sites),
- Personal use travel to and from a move site is an irregular practice (i.e., not more than five times a month on average), and
- Personal use is limited to situations in which it is more convenient to the employer, because of the location of the employee's residence in relation to the location of the move site, for the van to be returned to the employer's business location.

Qualified Specialized Utility Repair Truck. The term "qualified specialized utility repair truck" means any truck (not including a van or pickup truck) specifically designed and used to carry heavy tools, testing equipment, or parts if –

- The shelves, racks, or other permanent interior construction which has been installed to carry and store such heavy items is such that is unlikely that the truck will be used more than a de minimis amount for personal purposes, and
- The employer requires the employee to drive the truck home in order to be able to respond in emergency situations for purposes of restoring or maintaining electricity, gas, telephone, water, sewer, or steam utility services.

Clearly Marked Police, Fire, or Public Safety Officer Vehicles. A police, fire, or public safety officer vehicle is a vehicle, owned or leased by a governmental unit, or any agency or instrumentality thereof, that is required to be used for commuting by a police officer, fire fighter, or public safety officer who, when not on a regular shift, is on call at all times, provided that any personal use (other than commuting) of the vehicle outside the limit of the police officer's arrest powers, or the fire fighter's or public safety's officer's obligation to respond to an emergency is prohibited by such governmental unit. A police, fire fighter, or public safety officer vehicle is clearly marked if, through painted insignia or words, it is clear that the vehicle is a police, fire, or public safety officer vehicle. A marking on a license plate is not a clear marking for purposes of this of this paragraph.

Unmarked Law Enforcement Vehicles. In general, the substantiation requirements of IRC section 274(d) and Treas. Reg. section 1.274-5T do not apply to officially authorized uses of an unmarked vehicle by a "law enforcement officer" (defined below). To qualify for this exception, any personal use must be authorized by the Federal, State, county, or local government agency or department that owns or leases the vehicle and employs the officer, and must be incident to law-enforcement functions, such as being able to report directly from home to a stakeout or surveillance site, or to an emergency situation. Use of an unmarked vehicle for vacation or recreation trips cannot qualify as an authorized use.

Law Enforcement Officer. The term "law enforcement officer" means an individual who is employed on a full-time basis by a governmental unit is responsible for the prevention or investigation of crime involving injury to persons or property (including apprehension or detention of persons for such crimes), who is authorized by law to carry firearms, execute search warrants, and to make arrests (or other than merely a citizen's arrest), and who regularly carries firearms (except when it is not possible to do so because of the requirements of undercover work). The term "law enforcement officer" may include an arson investigator if the investigator otherwise meets the requirements of this paragraph.

Public Safety Officer. A public safety officer is an individual serving a public agency in an official capacity, with or without compensation, as a:

- Law enforcement officer, with power of arrest, authority to carry firearms, and execute search warrants,
- Firefighter,
- Chaplain, or
- Member of a rescue squad or ambulance crew.

Example 1.
Detective C, who is a "law enforcement officer" employed by a state police department, headquartered in City M, is provided with an unmarked vehicle (equipped with radio communication) for use during off-duty hours because C must be able to communicate with headquarters and be available for duty at any time (for example, to report to a surveillance or crime site). The police department generally has officially authorized personal use of the vehicle by C but has prohibited use of the vehicle for recreational purposes or for personal purposes outside the state. Thus, C's use of the vehicle for commuting between headquarters or a surveillance site and home and for personal errands is authorized personal use as described in "Unmarked Law Enforcement Vehicles" above. With respect to these authorized uses, the vehicle is not subject to the substantiation requirements of IRC section 274(d) and the value of these uses is not included in C's gross income.

Example 2.
Detective T is a "law enforcement officer" employed by City M. T is authorized to make arrests only within M's city limits. T, along with all other officers on the force, is ordinarily on duty for eight hours each work day and on call during the other sixteen hours. T is provided with the use of a clearly marked police vehicle in which T is required to commute to his home in city M. The police department's official policy regarding marked police vehicles prohibits personal use (other than commuting) of the vehicles outside the city limits. When not using the vehicle on the job, T uses the vehicle only for commuting, personal errands on the way between work and home, and personal errands within City M. All use of the vehicle by T conforms to the requirements of the "Clearly Marked Police, Fire, and Public Safety Officer" described above. Therefore, the value of that use is excluded from T's gross income as a working condition fringe and the vehicle is not subject to the substantiation requirements of IRC section 274(d).

Example 3.

Director C is employed by City M as the director of the City's rescue squad and is provided with a vehicle for use in responding to emergencies. The city's rescue squad is not a part of City M's police or fire departments. The director's vehicle is a sedan which is painted with an insignia and words identifying the vehicle as being owned by the City's rescue squad. C, when not on a regular shift, is on call at all times. The City's official policy regarding clearly marked public safety officer vehicles prohibits personal use (other than for commuting) of the vehicle outside of the limits of the public safety officer's obligation to respond to an emergency. When not using the vehicle to respond to emergencies, City M authorizes C to use the vehicle only for commuting, personal errands on the way between work and home, and personal errands within the limits of C's obligation to respond to emergencies. With respect to these authorized uses, the vehicle is not subject to the substantiation requirements of IRC section 274(d) and the value of these uses is not includible in C's gross income.

IRC § 274(d); IRC 274(i); IRS Reg. §1.132-5(h); §1.274-5T; § 1.274-6T; IRS Chief Counsel Advice 200051041; IRB 2008-25, REG-106897-08

2. Taxable Personal Use

When an employer provides a vehicle to an employee for business purposes, the value of the vehicle may be excluded from the employee's income. However, if the employee uses the vehicle for personal as well as business reasons, only the portion of the vehicle's value that can be attributed to business may be excluded. Personal use of an employer-provided vehicle is treated as compensation and subject to employment taxes unless it qualifies for an exception.

a. Daily Transportation Expenses

The employee's costs of commuting between his or her residence and place of business or employment generally are -taxable personal expenses under Treas. Reg. sections 1.162-2(e) and 1.162-1(b)(5). However, the costs of going between one business location and another business location generally are non-taxable under IRC section 162(a).

IRS Revenue Ruling (Rev. Rul.) 99-7 provides the rules for determining whether daily transportation expenses incurred in going between the employee's residence and a work location are non-taxable business expenses under IRC section 162(a).

Transportation Between Residence and Work Location – In general, daily transportation expenses incurred in going between an employee's residence and a work location are taxable commuting expenses. However, such expenses are - non-taxable under circumstances described below.

1) An - employee may treat as non-taxable _ the daily transportation expenses incurred in going between the -employee's residence and a *temporary* work location *outside* the metropolitan area where the -employee lives and normally works. However, unless paragraph 2) or 3) below applies, daily transportation expenses incurred in going between the -employee's residence and a *temporary* work location *within* that metropolitan area are - taxable commuting expenses.

2) If an -employee has one or more regular work locations away from the -employee's residence, the -employee may treat as non-taxable the - daily transportation expenses incurred in going between the -employee's residence and a *temporary* work location in the same trade or business, regardless of the distance.

3) If an -employee's residence is the -employee's principal place of business within the meaning of IRC section 280A(c)(1)(A), the -employee may treat as non-taxable - the daily transportation expenses incurred in going between the residence and another work location in the same trade or business, regardless of whether the other work location is *regular* or *temporary* and regardless of the distance. (**Note: In the case of an employee, however, such expenses are deductible only if the principal place of business and exclusive and regular use requirements of the residence is for the convenience of the employer.**)

Temporary Location Defined – For purposes of paragraphs 1), 2), and 3) above, the following rules apply in determining whether a work location is *temporary*.

- If employment at a work location is realistically expected to last (and does in fact) last for 1 year or less, the employment is *temporary* in the absence of facts and circumstances indicating otherwise.
- If employment at a work location is realistically expected to last for more than 1 year or there is no realistic expectation that the employment will last for 1 year or less, the employment is *not temporary*, regardless of whether it exceeds 1 year.
- If employment at a work location initially is realistically expected to last 1 year or less, but at some later date the employment is realistically expected to exceed 1 year, that employment will be treated as *temporary* (in the absence of facts and circumstances indicating otherwise) until the date that the taxpayer's realistic expectation changes, and will be treated as *not temporary* after that date.

Guidance by IRS Chief Counsel's Office – CCA 200025052

- Clarified that Rev. Rul. 99-7 focuses on "daily" transportation expenses – those incurred by an employee going from the residence to a work location and back to the residence within a day – and therefore does not deal with business-to-business trips. Noted the general rule that costs associated with going between one business location and another business location are deductible business expenses, and explained that this general rule does not apply where one of the business locations is the employee's residence.
- Noted, where one of the business locations is the employee's residence, Rev. Rul. 99-7, Holding 3 applies, requiring that an in-home office meet the "principal place of business" criteria set forth in IRC section 280A(c)(1)(A) and that the trip be to a work location in the same trade or business as that of the in-home office. If an in-home office does not meet these requirements, trips between the residence and other work locations continue to be nondeductible commuting expenses unless the temporary location rules in Rev. Rul. 99-7 apply.

- Rev. Rul. 99-7 addresses only "daily" transportation expenses. Tax treatment of overnight travel expenses is governed by Rev. Rul. 93-86, and involves an analysis of the employee's tax home.

Whether an office-in-the-home meets the requirements of IRC section 280A(c)(1)(A) depends on the particular facts. We note, however, that an employee's office-in-the-home expenses are not deductible under IRC section 280A(c)(1)(A) unless the office is the employee's principal place of business, is used regularly and exclusively, and is for the convenience of the employer. This is inherently a factual determination.

3. Accounting for Vehicle Use

a. Substantiation Requirements

The major disadvantage of employer-provided vehicles to both the employee and employer is the recordkeeping requirements if the employee is permitted to use the vehicle for personal matters. If an employee uses an employer-provided vehicle for both business and personal travel, the employee must account to the employer for the business use. This is done by substantiating the usage (e.g., mileage), the time and place of the travel and the business purpose of the travel. Written records made at the time of each business use are the best evidence. Any use of an employer-provided vehicle by an employee that is not substantiated as business use is defined by the Internal Revenue Code to be personal use and is included in the employee's income.

b. Exception – Qualified Nonpersonal Use Vehicle

Use of a qualified nonpersonal use vehicle, including commuting, is excludable to the employee; and record-keeping and substantiation by the employee are not required by the IRS. See paragraph 1.c. above.

c. Safe Harbor Substantiation Rules – IRS Reg. § 1.132-5(e) and § 1.274-6T

Employees using employer vehicles are **not** required to keep detailed records of vehicle use if **all** the following tests are met:

1) For vehicles not used for personal purposes:

- The vehicle is owned or leased by the employer and is provided to the employee in the employer's business.
- When not in use, the vehicle is kept on employer's premises (i.e., motor pool cars).
- No employee using the vehicle lives at the employer's business premises.
- The employer has a written policy prohibiting personal use, except de minimis use (such as driving to lunch while away from the office).
- The employer reasonably believes the vehicle is not used for any personal use (other than de minimis).

2) **For vehicles not used for personal purposes other than commuting ($1.50 each way), the following conditions must apply:**

- The vehicle is owned or leased by the employer and is used in the employer's business.
- For bona fide noncompensatory reasons, the employer requires the employee to commute to and/or from work in the vehicle.
- The employer has established a written policy prohibiting personal use other than commuting and de minimis use.
- The employer reasonably believes that, except for commuting and de minimis use, no individual uses the vehicle for personal purposes.
- The employee is not a control employee (see Commuting Rule, below)
- The employer accounts for the commuting use by including the commuting value in the employee's wages. IRS Reg. § 1.274-6T(a)(3).

3) **Written Policy Statements**

The employer must maintain a written policy statement that implements a policy restricting personal use of employer-provided vehicles. A written policy statement adopted by a governmental unit as to employee use of its vehicles is eligible for these exceptions to IRC section 274(d) substantiation rules. A resolution of a city council or a provision of state law, or the state constitution qualifies as a written policy statement for the safe harbor provisions.

4) **Employer Monitoring Required**

Although detailed recordkeeping is not required, the employer must have some way to prove that the vehicles are being used in accordance with the rules. For example, the employer may use internal controls such as requiring employees using motor pools to sign vehicles out, and signed statements by the employees agreeing to no personal use, or (if applicable) no personal use other than commuting.

4. Determining Personal Use Value

Employee personal use of employer-provided vehicles that is not de minimis, and does not qualify for some other exclusion must be included in the employee's income as a taxable fringe benefit. To determine the amount to include in the employee's income, the Internal Revenue Service provides employers with four methods for valuing employees' personal use of employer-provided vehicles.

Employers may value the availability of personal use of an employer-provided vehicle under the general valuation method or one of three optional special valuation methods (the cents-per-mile valuation; the commuting valuation; and the lease valuation). The optional special valuation methods may be used only under certain circumstances.

Employers are not required to use the same valuation method for all vehicles or all employees. However, employers must use only one valuation method for a vehicle if more than one employee uses the same vehicle. The value determined must then be allocated to all employees using the vehicle.

The following procedure should be used to determine how much to include in wages on the employee's Form W-2.

Step 1: Compute personal use based on miles driven.
Example: 2,000 personal miles ÷ 10,000 total miles = 20% Personal use

Step 2: Apply valuation rule – General Valuation Rules or one of the three optional special automobile valuation rules.

a. General Valuation Method

The general valuation method may be used to value the use of a vehicle under any circumstances. Under this rule, the value of a fringe benefit is its fair market value (FMV). In general, the fair market value of an employer-provided vehicle is the amount the employee would have to pay a third party to lease the same or similar vehicle on the same or comparable terms in the geographic are where the employee uses the vehicle. A comparable lease term would be the amount of time the vehicle is available for the employee's use, such as a 1-year period.

Do not determine FMV by multiplying a cents-per-mile rate times the number of miles driven unless the employee can prove the vehicle could have been leased on a cents-per-mile basis.

Computation:

1.	Determine what employee would pay to lease the vehicle (FMV).	
2.	Multiply FMV by % of personal use (see Step 1, above) Example: Cost to lease vehicle (FMV) for 1 year, plus the value of fuel provided	$4,000
3.	Multiply by personal use 20%	20%
4.	Include in wage of employee	$ 800

b. Cents-Per-Mile Valuation Method

Under this rule, you determine the taxable value of a vehicle you provide to an employee for personal use by multiplying the standard mileage rate by the total miles the employee drives the vehicle for personal purposes. Personal use is any use of the vehicle other than use in your trade or business. The amount must be included in the employee's wages or reimbursed by the employee. **The standard mileage rate beginning January - 2018 is -54.5 cents per mile. -**

You can use the cents-per-mile rule if **either** of the following requirements is met.

- You reasonably expect the vehicle to be **regularly used** for business purposes throughout the calendar year.
- The vehicle meets the **mileage test**.

The cents-per-mile valuation method cannot be used when an employee is treating 100% of vehicle use as personal.

Maximum Automobile Value. You cannot use the cents-per-mile rule for an automobile (any 4-wheeled vehicle, such as a car, pickup truck, or van) if its value when you first make it available to any employee for personal use is more than an amount determined by the IRS as the maximum value for the year. For example, you cannot use the cents-per-mile rule for an automobile that you first made available to an employee in _**2018 if its value at that time exceeded -$27,300** for a passenger automobile or **-$31,000 for a truck or van**.

Vehicle – For the cents-per-mile rule, a vehicle is any motorized wheeled vehicle, including an automobile, manufactured primarily for use on public streets, roads, and highways.

Regular Use in Your Business – A vehicle is regularly used in your trade or business if at least one of the following conditions is met.

- At least 50% of the vehicle's total annual mileage is for business purposes.
- You sponsor a commuting pool that generally uses the vehicle each workday to drive at least three employees to and from work.
- The vehicle is regularly used in your trade or business based on all the facts and circumstances. Infrequent business use of the vehicle, such as occasional trips to the airport or between multiple business premises, is not regular use of the vehicle in your trade or business.

Mileage Test – The vehicle meets the mileage test for a calendar year if both of the following requirements are met:

- The vehicle is driven at least 10,000 miles during the year. If you own or lease the vehicle only part of the year, reduce the 10,000-mile requirement proportionately.
- The vehicle is used during the year primarily by employees. Consider the vehicle used primarily by employees if they use it consistently for commuting. Do not treat the use of the vehicle by another individual whose use would be taxed to the employee as use by the employee.

For example, if only one employee uses a vehicle during the calendar and that employee drives the vehicle at least 10,000 miles in that year, the vehicle meets the mileage test even if all miles are driven by the employee are personal.

Consistency Requirements – If you use the cents-per-mile method, the following requirements apply.

- You must begin using the cents-per-mile rule on the first day you make the vehicle available to any employee for personal use. However, if you use the commuting rule below when you first make the vehicle available to any employee for personal use, you can change to the cents-per-mile rule on the first day for which you do not use the commuting rule.
- You must use the cents-per-mile rule for all later years in which you make the vehicle available to any employee and the vehicle qualifies, except that you can use the commuting rule for any year during which use qualifies. However, if the vehicle does not qualify for the cents-per-mile rule during a later year, you can use for that year and thereafter any other rule for which the vehicle then qualifies.
- You must continue to use the cents-per-mile rule if you provide a replacement vehicle to your employee and your primary reason for the replacement is to reduce federal taxes.

Items Included in the Cents-Per-Mile Rate – The cents-per-mile rate includes the value of maintenance and insurance. Do not reduce the rate by the value of any service included in the rate that you did not provide. You can consider the services provided for the vehicle by using the general valuation method. The cents-per-mile rate includes the value of fuel you provide. If you do not provide fuel you can reduce the rate by no more than 5.5 cents.

c. Commuting Rule

Under this rule, you determine the value of a vehicle you provide to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by $1.50. If more than one employee commutes in this vehicle, this value applies to each employee. The value of each commute must be included in the employee's income or reimbursed by the employee.

You can use the commuting rule if **all** the following requirements are met:

- You provide the vehicle to an employee for use in your trade or business and, for bona fide non-compensatory business reasons, you require the employee to commute in the vehicle. You will be treated as if you had met this requirement if the vehicle is generally used each workday to carry at least three employees to and from work in an employer sponsored commuting pool.
- You establish a written policy under which you do not allow the employee to use the vehicle for personal purposes other than for commuting or de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home), and the policy is enforced. Personal use of a vehicle is all use that is not for your trade or business.
- The employee does not use the vehicle for personal purposes other than commuting and de minimis personal use.
- The vehicle is an automobile (any four-wheeled vehicle, such as a car, pickup truck, or van); the employee who uses it for commuting is not a control employee.

Commuting Rule Not Available for Control Employee – Personal use of a vehicle by a "control employee" cannot be valued using the commuting valuation rule ($1.50 rule). A control employee for a government employer is either of the following:

- An elected official, or an
- Employee whose compensation is at least as great as a Federal government employee at Executive Level V, which is $153,800 in 2018 rates.

Instead of the above definition of control employee, the employer may treat all employees who are "highly compensated" Generally, a highly-compensated employee for 2018 is an employee who received more than $120,000 in pay for the preceding year.

d. Lease Value Rules

Under this rule, you determine the value of an automobile you provide to an employee by using its annual lease value. For an automobile provided only part of the year, use either its prorated annual lease value or its daily value.

If the employee uses the automobile in your business, you generally reduce the lease value by the amount that is excluded from the employee's wages as a working condition benefit. However, you can choose to include the entire lease value in the employee's wages.

Consistency Requirements – If you use the lease value rule, the following requirements apply.

- You must begin using this rule on the first day you make the automobile available to any employee for personal use. However, the following exceptions apply.
    - If you use the commuting rule (discussed above) when you first make the automobile available to any employee for personal use, you can change to the lease value rule on the first day for which you do not use the commuting rule.
    - If you use the cents-per-mile rule (discussed above) when you first make the automobile available to any employee for personal use, you can use the commuting rule for any year during which the automobile no longer qualifies for the cents-per-mile rule.
- You must use this rule for all later years in which you make the automobile available to any employee, except that you can use the commuting rule for any year during which use of the automobile qualifies.
- You must continue to use this rule if you provide a replacement automobile to the employee and your primary reason for replacement is to reduce federal taxes.

1) Annual Lease Value Method

Under the Annual Lease Valuation Method, the fair market value of an employee's personal use of an agency-provided vehicle is determined by multiplying the annual lease value of the vehicle by the percentage of personal miles driven.

- **Fair Market Value (FMV).** The FMV of the vehicle is the amount a person would pay to buy it from a third party in an arm's length transaction in the area where the vehicle is bought or leased. The amount includes all purchase expenses, such as tax and title fees. If you have 20 or more vehicles, see IRS Reg. 1.61-21(d)(5)(v). You do not have to include the value of a telephone or any specialized equipment added to, or carried in, the vehicle if the equipment is necessary for your business.
- **Safe-Harbor Value.** You may be able to use a safe harbor value as the FMV. For a vehicle you bought at arm's length, the safe-harbor value is your cost, including tax, title, and other purchase expenses. For an automobile you lease, you can use any of the following as the safe-harbor value.
  - The manufacturer's invoice price (including options) plus 4%.
  - The manufacturer's suggested retail price minus 8% (including sales tax, title, and other expenses of purchase).
  - The retail value of the vehicle reported by a nationally recognized pricing source if that retail value is reasonable for the vehicle.

Items Included in Annual Lease Value Table – Each annual lease value in the table includes the value of maintenance and insurance (not fuel) for the vehicle. Do not reduce the annual lease value by the value of any of these services that you did not provide. For example, do not reduce the annual lease value of a maintenance service contract or insurance you did not provide. (You can consider the services provided for the vehicle by using the general valuation rule discussed earlier.)

Items Not Included in Annual Lease Value Table – You must include the value of fuel separately in the employee's wages. You can value the fuel you provide at FMV or at 5.5 cents per mile for all miles driven by the employee. 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.

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. If you have 20 or more vehicles, see Regulations section 1.61-21(d)(3)(ii)(D).

If you provide any service other than maintenance and insurance for a vehicle, you must add the FMV of that service to the annual lease value of the vehicle to figure the value of the benefit.

4-Year Lease Term – The annual lease values in the table are based on a 4-year lease term. These values will generally stay the same for the period that begins with the first date you use this rule for the vehicle and ends on December 31 of the fourth full calendar year following that date. Figure the annual lease value for each later 4-year period by determining the FMV of the vehicle on January 1 of the first year of the later 4-year period and select the appropriate amount that corresponds to the appropriate dollar range.

Using the Special Accounting Rule – The State uses the special accounting rule for fringe benefits (November 1 through October 31). You can figure the annual lease value for each later 4-year period at the beginning of the special accounting period that starts immediately before the January 1 date described in the previous paragraph.

Transferring a Vehicle from One Employee to Another – Unless the primary purpose of the transfer is to reduce federal taxes, you can refigure the annual lease value based on the FMV of the vehicle on January 1 of the calendar year of transfer, or if using the special accounting period, at the beginning of the special accounting period in which the transfer occurs.

Fleet-Average Valuation – Employers that provide 20 or more vehicles for business use by employees may determine the annual lease value of separate vehicles within the fleet by using the average valuation of the fleet. **This approach is available only for vehicles values under the annual lease value method that have a FMV in 2018 of $20,600 for a passenger automobile or $23,100 for a truck or van.**

The annual lease value calculated for the fleet remains in effect from Jan. 1 of the year the method is applied to the fleet until Dec. 31 of the next calendar year; thus, the valuation is in effect for two years. Vehicles added to the fleet during such period are valued using the annual lease value of the other vehicles in the fleet.

Employer-provided fuel for fleet vehicles may be valued on a fleet-average basis or 5.5 cents per mile, whether or not fuel is provided in kind. If the fleet average method is used, the employer must recalculate the valuations every two years.

2) Prorated Annual Lease Value

If you provide a vehicle to an employee for a continuous period of 30 days or more but less than an entire calendar year, you can prorate the annual lease value. Figure the prorated annual lease value by multiplying the annual lease value by a fraction, using the number of days of availability as the numerator and 365 as the denominator.

If you provide a vehicle continuously for at least 30 days, but the period covers two calendar years (two special accounting periods if using the special accounting rule), you can use the prorated annual lease or the daily lease value. If you have 20 or more vehicles, see IRS Reg. §1.61-21(d)(6).

3) Daily Lease Value

If you provide an automobile for a continuous period of less than 30 days, use the daily lease value to figure its value. Figure the daily lease value by multiplying the annual lease value by a fraction, using four times the number of days of availability as the numerator and 365 as the denominator.

However, you can apply a prorated annual lease value for a period of continuous availability of less than 30 days by treating the vehicle as if it had been available for 30 days. Use the prorated annual lease value if it would result in a lower valuation than applying the daily lease value to the shorter period of availability.

4) Annual Lease Value Calculation

Under the Annual Lease Valuation Method, the fair market value of an employee's personal use of an employer-provided vehicle is determined by multiplying the annual lease value of the car by the percentage of personal miles driven. Using the table below, the employer must determine the fair market value of the vehicle as of the first day it was made available to any employee for personal use. This table is also available in IRS Publication 15-B (www.irs.gov). To find the annual lease value, read down until you come to the dollar range within which the FMV of the automobile falls, then read across to find the annual lease value.

IRS ANNUAL LEASE VALUE TABLE

Automobile Lease Fair Market Value		Annual Lease Value	Automobile Lease Fair Market Value		Annual Lease Value	Automobile Lease Fair Market Value		Annual Lease Value
From	**To**		**From**	**To**		**From**	**To**	
$0	999	$600	15,000	15,999	4,350	34,000	35,999	9,250
1,000	1,999	850	16,000	16,999	4,600	36,000	37,999	9,750
2,000	2,999	1,100	17,000	17,999	4,850	38,000	39,999	10,250
3,000	3,999	1,350	18,000	18,999	5,100	40,000	41,999	10,750
4,000	4,999	1,600	19,000	19,999	5,350	42,000	43,999	11,250
5,000	5,999	1,850	20,000	20,999	5,600	44,000	45,999	11,750
6,000	6,999	2,100	21,000	21,999	5,850	46,000	47,999	12,250
7,000	7,999	2,350	22,000	22,999	6,100	48,000	49,999	12,750
8,000	8,999	2,600	23,000	23,999	6,350	50,000	51,999	13,250
9,000	9,999	2,850	24,000	24,999	6,600	52,000	53,999	13,750
10,000	10,999	3,100	25,000	25,999	6,850	54,000	55,999	14,250
11,000	11,999	3,350	26,000	27,999	7,250	56,000	57,999	14,750
12,000	12,999	3,600	28,000	29,999	7,750	58,000	59,999	15,250
13,000	13,999	3,850	30,000	31,999	8,250	59,999+	(0.25 x FMV of Automobile) + $500	
14,000	14,999	4,100	32,000	33,999	8,750			

Example: John, a state employee, drives a state-provided vehicle that he used for both business and personal driving. John drove 17,000 miles during the year – 12,300 state business miles and 4,700 personal miles. The vehicle's fair market value is $16,200. The amount of the vehicle's fair market value that must be included in John's income for the year is calculated as follows:

Annual Lease Value of $16,200 vehicle (from table) = $4,600

% Of personal miles = 4,700 ÷ 17,000 = .2765
FMV of personal use = $4,600 × 0.2765 = $1,271.90

If the employee has the vehicle for less than a year but it is available for use for at least 30 consecutive days, the annual lease value (ALV) must be prorated for that period by using the following formula:

Prorated ALV = ALV × (number of days available ÷ 365)

If the vehicle is available to the employee for periods of less than 30 consecutive days during the year, the employer may treat the vehicle as being available for 30 days to avoid the harsher valuation rules (unless the availability is 7 or fewer days per year). See Daily Lease Value above.

FUEL NOT INCLUDED – The annual lease value does not include the value of employer-provided fuel. The employer must include the value of fuel separately in the employee's wages. You can value the fuel provided at FMV or at an IRS-approved rate of 5.5 cents per mile.

5. Withholding Requirements

The general rule for taxing fringe benefits is that all benefits are taxable to the recipient based on the fair market value (FMV), and the provider of the benefit is responsible for withholding federal income taxes, social security and Medicare taxes. The taxes may be withheld from the recipient's cash compensation. The fair market value of the fringe benefit may be reduced, however, by the following amounts:

- Any amount that the law excludes from compensation; and
- Any amount that the recipient pays for the benefit.

Employers may elect either to withhold or not to withhold federal income taxes on the taxable value of the employee's personal use of a state vehicle. Employers can make different withholding elections for different employees. However, the employer must withhold social security and Medicare taxes from the employee even if income taxes are not withheld. The employer must also pay its matching social security and Medicare tax on the taxable value. Affected employees must be notified in writing of the election not to withhold by the employer by January 31 of the year for which the election is made or within 30 days after the employee first gets the vehicle (whichever is later). The employer can change its decision not to withhold by notifying the employee in writing. The State Chief Financial Officer informs affected employees on the Employee Annual Payroll Information Statement. The statements are distributed with the employee copy of Form W-2 each January. Agencies are required to inform new employees within 30 days after the date the employer first provides a vehicle to an employee that the State has elected to not withhold income tax on the taxable value of the employee's personal use of a state vehicle.

6. Reporting Taxable Values

The employer must report the value of an employee's personal use of the employer-provided vehicle as taxable income and include this amount on the employee's Form W-2.

- Identify all employees receiving vehicle fringe benefits such as:
  - Employees commuting to and from work in a State vehicle;
  - Employees with use of a State vehicle for personal purposes;
  - Vehicles leased by the State for employee use, which are used for commuting and/or personal purposes;
  - Vehicles provided to State employees from a foundation that acts as an administrative extension of a unit of government;
  - Third party provided vehicles (e.g., county government).
- Determine if the vehicle driven qualifies as one of the exceptions for personal use.
- Determine the value of the employee's personal use of the vehicle by using the lease valuation, commuting valuation, or cents-per-mile rule discussed above.
- Use the On-Line Non-Cash Adjustment System to report the employee's earnings for value of the personal use of the vehicle. Agency instructions and submission deadlines for the online system are provided in **Volume V, Section 7**.

K. PERSONAL USE OF STATE AIRCRAFT

Aircraft owned, leased, or operated by any state agency shall be available for official state business only as authorized by agency heads. Internal procedures are required to be developed to ensure state aircraft are used only for official state business or for purposes consistent with official state business as defined in chapter 287, F.S.

Persons not on official state business may be transported on a space available basis when approved by and when accompanying the Governor, the Lt. Governor, a member of the Cabinet, the Speaker of the House of Representatives, and the President of the Senate or the Chief Justice of the Supreme Court. However, such transportation is not considered official state business, Chapter 60B-4.003, F.A.C.

1. Determining Taxable Personal Use

The value of an employee's business travel in a state plane or helicopter is excluded from the employee's income as a working condition fringe benefit. Transportation that is not for official state business may result in taxable income. If the travel is primarily personal, the value is included in the employee's income. Travel that combines business and personal purposes must be allocated to each. Spouses, dependents, or other persons that accompany employees on state business may also incur taxable income to the employee unless on bona fide state business (see IRC §274(m)(3)). Social security, Medicare, and income tax apply to any taxable income exceeding the amount, if any, paid by the employee for the flight.

2. Determining Taxable Value

Agencies may choose to value personal flights on state aircraft under either the general or special valuation rules. The special valuation rule may be used to determine the value of benefits if they prove to be more advantageous than the general fair market value. Agencies must use the same valuation method to value all personal flights by employees in any one calendar year.

3. General Valuation Rule

Under the general valuation method, the value of the flight is equal to the cost of chartering a comparable aircraft for a comparable flight. The charter cost must be allocated among all employees aboard, including those traveling on business. The general valuation rule for a personal flight on a state-provided piloted aircraft sets the fair market value at the cost of chartering a comparable aircraft and pilot for a comparable flight in an arm's-length transaction.

4. Special Valuation: Noncommercial Flights

Under the special valuation rule for noncommercial flights, the value depends on the weight of the aircraft, the number of miles flown, and whether or not the employee is a "control" employee. A control employee is an elected official or an employee whose compensation equals or exceeds $153,800 2018 rate). Instead of using the Control Employee definition, you can choose to define a control employee as any highly compensated employee, which is an employee that received more than $120,000 in pay for the preceding year.

The value of a flight is determined under the base aircraft valuation formula (also known as the Standard Industry Fare Level formula or SIFL) by multiplying the SIFL cents-per-mile rates applicable for the periods during which the flight was taken by the appropriate aircraft multiple provided in section IRS Reg. §1.61–21(g)(7) and then adding the applicable terminal charge. The SIFL cents-per-mile rates in the formula and the terminal charge are calculated by the federal Department of Transportation and are reviewed semi-annually. If an employer uses the noncommercial flight valuation rule to value any flight provided to an employee, it must use the rule to value all eligible flights provided to employees during the calendar year.

Each leg of a flight (each time the employee deplanes) must be valued as a separate flight, unless an intermediate stop is made solely due to weather conditions or to refuel or service the aircraft. Therefore, a round trip includes at least two flights.

Under the noncommercial flight valuation rule, the value of a flight on an employer-provided aircraft for an individual who is less than two years old is deemed to be zero.

Flights for guests of control employees are valued as control employees. For example, assume that a control employee, his spouse, and his two children fly on a state-provided aircraft for personal purposes. The maximum certified takeoff weight of the aircraft is 12,000 lbs. The amount includible in the employee's income is 4 x [(300 percent x the applicable SIFL cents-per-mile rates multiplied by the number of miles in the flight) plus the applicable terminal charge].

The following chart containing the Standard Industry Fare Level, sets forth the terminal charges and SIFL mileage rates used to calculate the value of personal flights on employer provided or commercial aircraft for purpose of federal Income, social security, and Medicare taxes. These rates are set by the Department of Transportation in January and July of each year:

<table>
<tr><th colspan="4">STANDARD INDUSTRY FARE LEVEL (Federal Department of Transportation)</th></tr>
<tr><th>Six-Month Period</th><th>Mileage Range</th><th>Amount per Mile</th><th>Terminal Charge</th></tr>
<tr><td rowspan="3">January 1, 2018 – June 30, 2018</td><td>0 – 500</td><td>$0.2282</td><td rowspan="3">$41.71</td></tr>
<tr><td>501 – 1,500</td><td>$0..1740</td></tr>
<tr><td>Over 1,500</td><td>$0..1673</td></tr>
<tr><td rowspan="3">July 1, 2017 – December 31, 2017</td><td>0 – 500</td><td>$0.2222</td><td rowspan="3">$40.63</td></tr>
<tr><td>501 – 1,500</td><td>$0.1694</td></tr>
<tr><td>Over 1,500</td><td>$0.1629</td></tr>
<tr><th colspan="4">AIRCRAFT MULTIPLES (Reg. §1.61-21(g))</th></tr>
<tr><th>Maximum Certified Takeoff Weight</th><th colspan="2">Control Employee</th><th>Non-Control Employee</th></tr>
<tr><td>6,000 lbs. or less</td><td colspan="2">0.625</td><td>0.156</td></tr>
<tr><td>6,001 lbs. – 10,000 lbs.</td><td colspan="2">1.250</td><td>0.234</td></tr>
<tr><td>10,001 lbs. – 25,000 lbs.</td><td colspan="2">3.000</td><td>0.313</td></tr>
<tr><td>25,001 lbs. or more</td><td colspan="2">4.000</td><td>0.313</td></tr>
</table>

5. **An Exception to the Special Valuation Rule** applies when individuals flying on state business occupy half of the aircraft's regular seating capacity. In that case, a personal flight by an employee is valued at zero, and no additional income is incurred. For purposes of this rule, spouses, and dependent children and parents of employees, retired and disabled employees will be treated as employees (IRC §132(h)(1)-(3)).

   Example: Assume that 60 percent of the regular passenger seating capacity of an employer's aircraft is occupied by individuals whose flights are primarily for state business and are excludable from income. If a control employee, his spouse, and his dependent child fly on the employer's aircraft for primarily personal reasons, the value of the three flights is deemed to be zero.

6. **To Value a Personal Use Noncommercial Flight, the following steps are taken**:

   - Miles traveled are multiplied by the SIFL rates per mile to arrive at mileage charges;
   - The total mileage charge is multiplied by the weight-based employee aircraft multiple; and
   - The product from step 2 is added to the SIFL terminal charge.

7. **Combination Business and Personal Flights**

   If an employee flies on a state aircraft for combined business and personal reasons, the amount of income attributed to the employee must be adjusted. If the flight is made primarily for business purposes, determine the value of the flight as made and subtract the value of the flight that would have been made had there been no personal trip.

Example: An employee flies in a state aircraft from Tallahassee to Miami on business, then flies to Orlando for vacation, and returns to Tallahassee. Three flights are involved, and are valued according to the special valuation rule. The value of a round trip flight between Tallahassee and Miami also is determined. The difference between the two values is the amount of income incurred by the employee.

8. Reporting Procedures

- Identify all employees and guests with personal flights on state aircraft.
- Determine the value of the flight using either general or special valuation rules **less any reimbursement made by the employee**.
- Subtract the nonpersonal value of the trip.
- Contact BOSP for special processing instructions.

L. TRAVEL EXPENSE REIMBURSEMENTS

1. Auto Expense Reimbursement

IRS regulations permit reimbursement of business expenses for local travel or transportation expenses while away from home through a mileage allowance. The amount of the allowance up to the federal business standard mileage rate is deemed substantiated and not taxable to the employee, so long as the employee substantiates the time, place, and business purpose of the travel. The federal business standard mileage rate beginning January 1, -2018 is -54.5cents per mile.

a. State Mileage Allowance (Cents Per Mile)

Agency heads may authorize the use of privately owned vehicles for official travel in lieu of publicly owned vehicles or common carriers. The approved traveler is entitled to a mileage allowance reimbursement at a fixed rate of 44.5 cents per business mile effective July 1, 2006. Refer to §112.061, F.S.

b. State Monthly Mileage Allowance

Agency heads may grant monthly mileage allowances in fixed amounts for use of privately owned vehicles on official business in lieu of the cents per mile allowance paid under the accountable plan rules. Monthly mileage allowances are taxable income to the employee and should be submitted to the Bureau of State Payrolls for payment using the People First System or via the On-Demand System (See **Volume IV, Section 9**). Also, see Reference Guide for State Expenditures at http://www.myfloridacfo.com/Division/AA/Manuals/Auditing/Reference_Guide_For_State_Expenditures.pdf; and, §112.061(7)(f), F.S.

2. Lodging and Meal Reimbursements

Payments to employees for reasonable and necessary expenses incurred while traveling overnight away from home on the employer's business are not taxable to employees, provided these payments are made under an "accountable plan." Likewise, employer payments for food and lodging expenses for employees who temporarily assigned to a distant job location, which precludes their daily, return to their regular workplace are excluded from income. If an assignment to a single location away from home is expected to, or lasts for one year or more, it may be considered indefinite, rather than temporary. Employer payments for travel expenses (transportation, food, and lodging) for indefinite employment away from home are taxable to the employee.

Florida Statutes §112.061 establishes standard travel reimbursement rates, procedures, and limitations, applicable to all public officers, employees, and authorized persons whose travel is authorized and paid by a public agency. All travel must be authorized and approved by the head of the agency, or his or her designated representative, from whose funds the traveler is paid.

Computation of Travel Time for Reimbursement – For purposes of reimbursement rates and methods of calculating fractional days of travel, the following principles are prescribed:

- The Class A travel shall be a calendar day (midnight to midnight). The Class B travel day shall begin at the same time as the travel period.
- For Class A and Class B travel, the traveler shall be reimbursed one-fourth of the authorized rate of per diem for each quarter, or fraction thereof, of the travel day included within the travel period.

Rates of Per Diem and Subsistence Allowance – For purposes of reimbursement rates and methods of calculation, per diem and subsistence allowances authorized travelers shall be allowed for subsistence, either of the following for each day of travel **at the option of the traveler**:

- Eighty dollars per diem; or
- If actual expenses exceed $80, the amounts permitted for Class C subsistence, plus actual expenses for lodging at a single-occupancy rate to be substantiated by bills paid therefore. (Class C subsistence rates: $6 Breakfast; Lunch $11; Dinner $19)

3. Companion Travel Expense

Florida Statutes §112.061 provides rates, procedures, and limitations, applicable to all public officers, employees, and authorized persons whose travel is authorized and paid by a public agency.

IRS regulations provide that travel expenses of a spouse, dependent, or other individual (not including business associates) accompanying an employee on a business trip are taxable to the employee unless:

- The spouse, dependent, or other person is also an employee of the employer providing the reimbursement;

- The travel of the spouse, dependent, or other person is for a bona fide business purpose; and
- The expenses would otherwise be deductible as a business expense by the spouse, dependent, or other person.