

WORKSHEET FOR COMPUTING ADDITIONAL COMPENSATION RESULTING
FROM PERSONAL USE OF A COMPANY AUTOMOBILE

The following must be answered by the employer:

COMPUTATION OF ADDITIONAL COMPENSATION (check applicable method)

I. COMMUTING VALUATION METHOD¹ – The vehicle must be owned or leased by the employer. The employer has established a written policy under which neither the employee, nor any individual whose use would be taxable to the employee, may use vehicle for personal purposes, other than for commuting or de minimis personal use. This method is not available for any director; 1% or more shareholders; a board- or shareholder-appointed, confirmed, or elected officer of the employer whose compensation equals or exceeds \$105,000; or an employee whose compensation exceeds \$215,000. For a government employer, for this purpose, the term *employee* does not include an elected official or a government employee whose compensation equals or exceeds the compensation paid to a federal government employee holding an Executive Level V position (\$151,700 for 2017)².

_____ X \$3.00 (\$1.50 per one-way commute) = \$ _____
Days commuting Additional Compensation

II. ANNUAL LEASE VALUE METHOD³ – method available to any employee. It utilizes the annual lease value table and holds that the FMV is that at the time made available to any employee or at January 1 following the end of a 4 calendar year period. Once adopted, you must continue to use this method for the vehicle. This method can only be adopted in the first period during which the vehicle is available for use to any employee, except that the employer may change to the commuting value method if the use of the automobile no longer qualifies. *The FMV is redetermined at January 1 (or the beginning of special accounting period) of the fifth full calendar tax year based on the FMV at that time. Also, the FMV may be redetermined on January 1 of the year of transfer (or the beginning of special accounting period) if the vehicle is transferred to another employee.*

\$ _____
Fair Market Value at the original acquisition date or January 1 subsequent to the deemed 4 year lease term

\$ _____ X (_____ / 12) X _____ = \$ _____
IRS Annual Lease Value Business Months Annual Personal (A)
In Use Use Percentage (%)

If Employer Pays for Gas:

_____ X 5.50¢ = \$ _____
Personal Miles on Company-paid Gas (B)

Additional Compensation (A+B) \$ _____

¹ Federal Regulation § 1.61-21(f)

² Federal Regulation § 1.61-21(f)(6)

³ Federal Regulation § 1.61-21(d)(2)(iii)

Annual Lease Value Table

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

For automobiles having a fair market value in excess of \$59,999, the Annual Lease Value is equal to (.25 x fair market value of the automobile) + \$500.⁵

III. GENERAL VALUATION METHOD⁶ – as determined on the basis of all facts and circumstances. This method is available to any employee. Burden of proof rests with taxpayer.

Cost to buy or lease comparable auto	_____ (A)
Insurance	_____ (B)
Maintenance	_____ (C)
Fuel	_____ (D)
Total cost (A+B+C+D)	_____ (E)
Personal use percentage	_____ (F)
Additional Compensation (ExF)	\$ _____

⁴ Federal Regulation 1.61-21(d)(2)(iii)

⁵ Federal Regulation § 1.61-21(f).

⁶ Federal Regulation § 1.61-21(b)

IV. CENTS PER MILE METHOD⁷ – only available if all of the following statements are correct.

- ___ Vehicle is regularly used in trade or business throughout the calendar year
- ___ Total business and personal miles driven are at least 10,000 per year (Safe Harbor is 50% Business Use if less than 10,000 miles)
- ___ Vehicle is primarily used by employee (not family members)
- ___ Fair market value of auto does not exceed \$15,900 for passenger automobiles (\$17,800 for trucks, vans, minivans, and SUV's) when first made available to any employee

Personal miles _____ X 53.50¢ = \$ _____ **Additional Compensation**
(If employer does not pay for gas, use 48.00¢)

This method can only be adopted in the first period during which the vehicle is available for use with the exception of the commuting value method, which may be used prior to the change. Once adopted, you must continue to use this method for the vehicle, unless it no longer qualifies.

SUMMARY

Additional compensation to include on employee's W-2 Statement is \$ _____

Additional Social Security tax to withhold from employee's salary is:

_____ X 6.20% = \$ _____
Additional Compensation Social Security Rate
(Only withhold social security on wages up to \$127,200.
No withholding if year-end wages exceed this amount.)

Additional Medicare tax to withhold from employee's salary is:

_____ X 1.45% = \$ _____
Additional Compensation Medicare Rate

Additional Medicare tax to withhold from employee's salary in excess of \$200,000 is:

_____ X 0.9% = \$ _____
Additional Compensation Medicare Rate
(Amount In Excess of \$200,000)

Example #1

Employee A has a base salary of \$195,000

Employee A has \$10,000 of additional compensation due to personal use of auto

Calculation:

Social Security withholding: \$10,000 x 6.20% = \$620.00

Medicare withholding: \$10,000 x 1.45% = \$145.00

Additional Medicare withholding: \$5,000 x 0.90% = \$45.00

⁷ Federal Regulation § 1.61-21(e)

Example #2

Employee A has a base salary of \$185,000

Employee A has \$10,000 of additional compensation due to personal use of auto

Calculation:

Social Security withholding: $\$10,000 \times 6.20\% = \620.00

Medicare withholding: $\$10,000 \times 1.45\% = \145.00

Additional Medicare withholding: $\$0 \times 0.90\% = \0.00