



## IRS Fringe Benefit Reporting Questions and Answers

**Q How many State Fund drivers will this affect?**

A: We estimate as many as 1,000 drivers will have to use the IRS Safe Harbor FMV method to calculate the personal use of the State Fund car..

**Q If I have to report under the Safe Harbor FMV method, how much income will I need to report each month?**

A: This will vary depending on the lease value of the car you are driving and the number of personal miles you drive, but we estimate that imputed income could range from \$6,000 to 9,000 annually. It is a good idea to check with your tax advisor to understand how this will impact you.\* (see chart below for illustrative examples)

**Q If I don't want to report that much income using the Safe Harbor FMV rule can I turn my car in?**

A: Yes. Affected employees may want to turn their car in sooner to limit the imputed income and potentially a heavier tax burden. The Implementation Committee will help with the process for handling cars that are turned in.

**Q If I must re-file my personal use certification form to the State Controllers Office, will they take additional taxes out of my check all at once? Can I get a payment plan?**

A: Human Resources will work with individuals on the timing of filing the forms with the State Controllers' system to avoid the taxes all coming out of one check.

**Q Will State Fund help me pay any additional taxes I owe due to this change in reporting for the period of time before I was notified?**

A: We are looking into whether we can help defray up to six months of the 2010 additional tax burden by paying those costs for those drivers who are impacted by moving to the Safe Harbor FMV rule. However, that in and of itself would be imputed income and we are not optimistic that DPA will allow us to provide this additional income.

**Q What if I made mistakes in how I reported my mileage to ARI? Will you give me an opportunity to correct them?**

A: Yes. Additionally we will work with employees whose mileage reporting is out of pattern. For example, employees who may have reported only personal use or zero personal miles.

**Q How does State Fund define a personal commute? I am in the field most of the time and my "commute" is almost never the same two days in row?**

A: Commute miles are miles driven from your residence to your primary office.

Here's an example: You live in Oakland and drive 15 miles to San Francisco Home Office, which is your primary office. The 15 miles you drive to and from your Oakland home to the Home Office are considered personal miles.

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When you are driving for business within your regular metropolitan area, but you are not going into the office, the first 15 miles are still considered commute. If you drive outside your metropolitan area – let's say to Sacramento, then all of those miles would be considered business miles.

**Q What if I have additional Questions?**

A: Please send additional questions to Elise King, in Business Services, and they will be forwarded to the implementation committee who will be working through these issues.

**Illustrative Examples of Safe Harbor Rule with a Variety of Vehicles and Personal Commutes Percentages**

Vehicle	Ford Focus	Chevy Malibu	Ford Escape
Monthly Lease Value	\$292.00	\$350.00	\$512.00
Monthly Insurance Cost *	\$50.00	\$50.00	\$50.00
Monthly Maint cost *	\$112.50	\$112.50	\$112.50
Gas for Personal Miles estimated at \$.15 per mile. For a 25 mile commute this would be 50 miles per day or \$7.50 per day	\$157.50	\$157.50	\$157.50
Total Monthly Value	\$612.00	\$670.00	\$832.00
Adjustment factor = 50% 50% personal 50% business			
Reportable Income @50%	\$306.00	\$335.00	\$416.00
Reportable Annual Income	\$3,672.00	\$4,020.00	\$4,992.00
Adjustment factor 75% 75% personal 25% business			
Reportable Income @ 75%	\$459.00	\$502.50	\$624.00
Reportable Annual Income	\$5,508.00	\$6,030.00	\$7,488.00
Adjustment factor 90% 90% personal 10% business			
Reportable Income @ 90%	\$550.80	\$603.00	\$748.80
Reportable Annual Income	\$6,609.60	\$7,236.00	\$8,985.60