

IRS Regulations for Employer-Provided Personal Use Vehicles

Brian T. Dansa

bdansa@dopkins.com

August 2019

Are you an employer that provides a vehicle to an employee for personal use? If so, it is important to understand the recent changes made to the IRS regulations for the personal use of company autos. For income and employment tax purposes, the IRS provides special valuation rules for an employee's personal use of an employer-provided vehicle provided the vehicle's value is below a certain threshold. The special valuation rules include two methods, the fleet average and vehicle cents-per-mile.

As a response to the Tax Cuts and Jobs Act of 2017 (TCJA), the IRS recently issued proposed regulations increasing the value threshold placed on the applicability of the special valuation rules. The proposed regulations would increase the maximum base fair market value of a car from \$15,900 in 2017 to \$50,000 for 2018, as well as 2019. This increase makes the special valuation rules more widely available to employers who provide vehicles to employees for their personal use.

Prior to these proposed regulations, the IRS issued Notice 2019-08 and Notice 2019-34 to provide interim guidance for calculating the price inflation adjustments to the maximum vehicle values for use with the special valuation rules. These notices were issued with the expectation that regulations would be proposed to provide further guidance and would be consistent with the rules set forth in the notices. IRS expectations held true, as the proposed

regulations provide a maximum base fair market value of a vehicle for the special valuation rules, to be adjusted annually, under section 280F(d)(7) of the Internal Revenue Code (IRC).

There is also a transition rule for taxpayers who did not previously qualify for the special valuation rules because their vehicle exceeded the maximum value. The transition rule allows for employers who did not previously qualify to adopt the fleet average or the vehicle cents-per-mile valuation rules for 2018 or 2019. The employer can use either of the special valuation rules provided that the fair market value of the vehicle does not exceed \$50,000 on January 1, 2018 or \$50,400 on January 1, 2019. If the employer adopts the vehicle cents-per-mile rule, the employer must continue to use this rule in all years subsequent in which the vehicle applies.

Knowing this information ahead of time allows taxpayers the option to choose one of the two special valuation rules so they can properly value an employee's personal use of an employer-provided vehicle.

For more information, please contact Brian Dansa at bdansa@dopkins.com.



Brian T. Dansa CPA

Senior Associate

bdansa@dopkins.com • (716) 634-8800

Brian is a Senior Associate in the Tax Advisory Group. He provides tax compliance services for both businesses and individuals.