



Personal Use of a Company-Owned Automobile Reporting Requirements

All employers must calculate the fringe benefit value of the personal use by an employee of any company-owned automobile.

The value of this fringe benefit must be treated as additional compensation and reported as employee earnings on a W-2 form subject to normal social security and income tax withholding.

If you would like us to assist you in complying with these requirements, please complete the attached Worksheet #1. If you intend to do your own calculations, you may use the attached Worksheet #2 to assist you. Please also refer to the *Instructions* below.

Instructions for Complying with Reporting Requirements Yourself

In order to calculate the value of this fringe benefit, you should complete the attached Worksheet #2 for each company automobile that had personal use during the year, based on information provided by your employees. The annual lease value of the automobile (item F) is determined from the attached table based upon the fair market value of the automobile as of the date placed in service or when first subject to personal use. This same lease value must be used for the first four years of the auto's life, after which the fair market value of the auto may be redetermined on January 1 of each succeeding year. The mileage charges (Item H) are only applicable if the employer pays for the auto's gas and oil.

An alternative valuation method is the cents-per-mile method, in which personal use is calculated by applying the IRS's standard mileage rate for the year to personal miles driven. If the employer does not pay for gas and oil, each mileage rate should be reduced by .055/mile. This method is available for vehicles that are either (1) regularly used in the employer's business or (2) actually driven primarily by employees at least 10,000 miles during a calendar year. This method is not available for automobiles driven by owners or shareholders.



Once either of these methods is elected during the first period in which the vehicle is used by the employee for personal purposes, it must be continued for the life of the vehicle (except that a switch may be made from the cents-per-mile method to the lease value method if the car ceases to qualify for the cents-per-mile method).

The calculated personal use amount (Item I or alternate calculation) is the total value of the fringe benefit that should be reported as additional compensation on the employee's W-2 form. Again, please note that this amount is subject to normal social security and income tax withholding.

Information

We remind you that, while contemporaneous record keeping is not required, you must maintain adequate records to support any claimed business use of automobiles. Adequate records should be maintained to prove the amount and date of each business use, and the business purpose for the expenditure or use of the car.

Adequate records include an account book, diary, log, documentary evidence such as receipts and paid bills, trip sheets, and expense reports. The information should be recorded at the time when the taxpayer has full present knowledge of the expenditure. Written records made at or near the time of the expenditure or business use have greater evidentiary value.

Records should be kept for six years, since a decline in business use may cause a depreciation recapture based on the prior years' deductions.

It is extremely important to advise any employees who receive business expense reimbursements or advances, including car allowances, to provide the employer with a complete accounting of their expenditures. Any advances not fully accounted for to the employer must be included in full in the employees' taxable wages.

Please contact our office if you have any questions about these IRS requirements or need more information.

IRS CIRCULAR 230 NOTICE

In compliance with IRS requirements, we are required to inform you that any tax advice contained in this transmission (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties or recommending to another party any transaction or matter addressed herein.

Johnson O'Connor Feron and Carucci LLP
 Certified Public Accountants

**PERSONAL USE OF CORPORATE AUTO
 WORKSHEET #1**

Company Name _____
 Employer ID No. _____

For Each Applicable Automobile

<u>Employee Name</u>	<u>Auto Description*</u>	<u>TOTAL 2009 Miles</u>	<u>Commuting Miles</u>	<u>Other Personal Miles</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

* If this auto is new in 2009 or not previously reported to us, please provide date of purchase and purchase price.

Also, if an auto other than listed above was disposed of during 2009, please indicate below the date of disposition and whether the auto was traded in on a new auto.

*Please return this form to Johnson O'Connor Feron and Carucci LLP
 107 Audubon Road, Suite 104
 Wakefield, MA 01880
 phone: 781-914-3400
 fax: 781-914-3405
 www.joclpl.com
 email: info@joclpl.com*

2009 PERSONAL USE OF COMPANY-OWNED AUTOMOBILE CALCULATION

WORKSHEET #2

Automobile: _____ Employee: _____

- (A) Personal use miles _____
- (B) Business miles _____
- (C) Total miles for 2009 _____
- (D) Percentage personal use (A divided by C) _____
- (E) Fair market value of auto when placed in service * _____
- (F) Annual lease value (from attached table) _____
- (G) Value of personal use (D x F) _____
- (H) Mileage charges (A x \$.055) ** _____
- (I) Income to employee (G + H) _____

ALTERNATE METHOD

Only for autos valued at less than \$15,100 (2009 value)

(A) Above _____ x \$. /mile = _____ income to employee ***

*The fair market value of an automobile is the amount a person would pay to buy it from a third party, in an arm's length transaction, including all purchase expenses such as sales tax and title fees. You may use a safe-harbor value equal to your cost, including tax, title and other purchase expenses, if you bought the automobile at arm's length.

You must keep the same lease value for the first 4 years of an auto's life. After that, you may revalue the auto at its fair value at the beginning of each subsequent year for the lease value calculation.

** Only applicable if employer pays for gas and oil.

*** Deduct \$.055/mi. if employer does not pay for gas and oil.

Annual Lease Value Table

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

For automobiles with a FMV of more than \$59,999, the annual lease value equals (.25 x the FMV of the automobile) +\$500.

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