

MEMORANDUM

PERSONNEL MANAGEMENT LIAISONS

Date: September 7, 1992

Reference Code: 92-72

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

Accounting Officers and Personnel Officers

From: **Department of Personnel Administration**

Subject: **Taxation of State-Owned Carpools and Vanpools**

The State Controller's Office (SCO) recently conducted a review of the potential employee tax liability arising from commuting in State vehicles made available for carpool and vanpool programs. The SCO has determined that the State employer may be out of compliance with the reporting portion of the Internal Revenue Service (IRS) regulations that would otherwise allow the exclusion of these carpools and vanpools from taxation.

Sections 1.61-21 of the IRS Regulations generally require that the value of employer-provided vehicles must be included in the gross income of each employee who commutes in the vehicle. However, Section 1.61(c)(2)(B) allows the employer to exclude from gross income any amount reimbursed by the employee. DPA Rule 599.801 (attached) requires carpool/vanpool participants to fully reimburse the State for the operation of any vehicle used in a commute program. Since the State employer requires full reimbursement for the operation and use of such vehicles, there is no value associated with their use and they are therefore excluded from taxation under the IRS Regulations.

However, in order to fully comply with the IRS Regulations, the State employer is required to keep detailed records of the costs associated with the use of commute vehicles. These records must show that the program is fully reimbursable. These requirements are also set forth in DPA Rule 599.801. DPA Rule 599.801(g)(1) also requires that an annual accounting will be made to the Department of Personnel Administration (DPA) by each State agency participating in this program on a fiscal year basis. Such reports shall include the number of vehicles, number of participating employees, cost of operation, total fees received, accidents, savings in parking charges, and any other data requested by DPA. The reports are to be forwarded to DPA by September 1 of each year.

In order to satisfy the requirements of the IRS regulations and DPA Rules, State departments are being asked to immediately submit reports for Fiscal Year 1990/91 and 1991/92 and by September 1 for each year thereafter. If your agency does not provide commute vehicles, please indicate that on the form and return it. These reports will be made available for the State Controller's Office for their audit. Attached is a copy of a report form for use by State agencies to report the required information. If this data is not reported, affected employees could be assessed a valuation for the use of such vehicles. Reports should be forwarded to Sydney Perry, Policy Development Office, Department of Personnel Administration, 1515 S Street, North Building, Suite 400, Sacramento, 95814-7243. Questions regarding the taxation and reporting requirements may be directed to Sydney Perry at (916) 445-9244, ATSS 485-9244.

Wendell M. Coon

Wendell M. Coon, Chief
Policy Development Office

Attachments

S00687

§ 599.801. State-Owned Vehicles Operated in a Commute Program.

(a) State-owned or leased automobiles and passenger vans may be used to provide commute transportation to state employees if such use does not interfere with the prescribed use of the vehicles.

(b) Commute operation of the vehicles used in the program shall be fully reimbursed.

(1) Each agency shall determine the cost of operation of its commute vehicles.

(2) Participating employees shall be charged a monthly fee which will reimburse the agency for the cost of operating the vehicle in the commute program.

(A) Fees may be collected in advance by payroll deduction in accordance with Section 1156(e) of the Payroll Procedures Manual.

(B) Agencies may adopt fee collection methods that best meet their needs.

(3) Each agency shall maintain records to demonstrate that the commute program is self-supporting.

(c) Employees may be authorized to participate in the commute program when the following criteria are met:

(1) Participants shall be selected from volunteers who will most effectively contribute to the goals of the program: conservation of fuel, improvement of air quality and more effective use of existing streets, highways and parking facilities.

(2) Drivers shall be assigned by the agency.

(A) All drivers must possess a valid non-probationary California license appropriate for the size of the vehicle which they will operate.

(B) All drivers shall have a history of safe driving verified by an analysis of their driving records by the Department of Motor Vehicles.

1. Employees with a negligent operator point count or 2 point conviction in the past 12 months as defined in the C.V.C. Section 12810 shall not be allowed to drive in this program.

(C) All drivers will have participated in the Department of General Services, Insurance Office, defensive driver training program within a period of three years previous to operating vehicles in this program.

(D) No one other than the assigned or back-up drivers shall operate the commute vehicles except in an emergency.

(3) Agencies may institute whatever additional controls they deem necessary that do not conflict with these rules.

(d) The agency shall be responsible for all maintenance, including gasoline.

(1) Emergency repairs and purchases paid for by the driver or passengers may be allowed if substantiated by voucher or receipt.

(e) The vehicle shall be parked overnight and on weekends at the home of the driver.

(1) Accurate mileage shall be determined for the most direct route that reasonably accommodates all passengers.

(2) The mileage of each commute trip shall be recorded in the vehicle's log.

(3) All definitions and provisions of Article 15 shall apply.

(f) Insurance coverage of the state-owned or leased vehicles used in the commute program will be provided by the state in accordance with Government Code Section 11007.4.

(1) Individual coverage to drivers and passengers will be provided by an extension of workers' compensation which includes payment of medical treatment for employees; no special automobile medical payments insurance will be provided by the state.

(2) Accidents and claims involving pool vehicles will be reported and administered in accordance with established procedures.

(g) An annual accounting will be made to the Department of Personnel Administration by each state agency participating in this program on a fiscal year basis.

(1) Complete information including the number of vehicles, number of participating employees, cost of operation, total fees received, accidents, savings in parking charges and any other data requested by the Department or deemed pertinent by the agency shall be submitted.

(2) All reports shall be submitted by September 1 of each year to the Department of Personnel Administration.

NOTE: Authority cited: Sections 19815.4(d), 19816 and 19993.2, Government Code. Reference: Sections 19993.1-19993.6, Government Code.

**EMPLOYER-SPONSORED RIDESHARE
PROGRAM REPORT**

Report Period

Department

Type of Pool	Number of Vehicles Participating	Number of Riders	Cost of Operation	Total Fees Received	Number of Accidents	Parking Need Reduced	Savings In Parking
Carpool Vanpool							