Attachment 1
Vehicle Fringe Benefit
Calculation Rules and Procedures

There are three calculation rules that are available to compute the value of an employer provided vehicle: the commute rule, the cents-per-mile rule, and the lease value rule. Those employees required to report vehicle fringe value to the IRS are required to choose the appropriate method. The majority of State employees will use either the commute or the cents-per-mile rule. In some cases, the employee may have to use the lease value rule.

Once you select a valuation method, you must continue to use that valuation method in all subsequent years unless the vehicle no longer meets the method's qualification requirements.

Some vehicles that are not likely to be used more than a minimal amount for personal purposes are exempt from reporting. These vehicles are identified in Attachment 5 and must be certified by the Agency as IRS Qualified Non-Personal-Use Vehicles using Attachment 6.

A. The Commute Rule

1. Eligibility

All of the following requirements must be met to use the Commute Rule.

a. The State of Maryland owns or leases the vehicle and the vehicle is provided to you for business use.

b. For bona fide non-compensatory business reasons, you are required to commute in the vehicle.

c. You follow the State Fleet Policy and Procedures Manual regarding personal use of State vehicles.

d. You do not use the State vehicle for personal purposes, other than for commuting or de minimis personal use.

e. You are **not** a control employee. IRS regulations define control employees as:

- Elected officials, and

- Employees whose pay equals or exceeds the pay to a Federal Government employee holding a position at Executive Level V. Presently, this compensation amount is 183,100 per year.[1]

2. Procedure - Commute Rule

[1] See httpwww.opm.gov/policy-data://-oversight/pay-leave/salaries-wages/salary-tables/pdf/2024/EX.pdf

Employees who use the Commute Rule are to calculate their fringe benefit value by multiplying the number of one-way commute trips made in a State vehicle by $1.50. If more than one employee commutes in the vehicle, this value applies to each employee. The number of one-way commute trips and the resulting valuation are to be recorded in Section I of the Calculation & Reporting Form. (Attachment 2 or 8a) Results are recorded on line 4 of Section I and line 19 of Section IV.

Employees may subtract the amount they reimbursed to the State for commuting in a State vehicle from the fringe value to be reported to the IRS, in Section IV of the Calculation & Reporting Form on line 22. The difference should be recorded on line 23. This amount is not to be less than zero (0).

Employees who commute as a passenger also must report their commute. Employees commuting as a passenger should write **"PASSENGER"** at the bottom of the Calculation & Reporting Form.

B. The Cents-Per-Mile Rule

1. Eligibility

You can use the Cents-Per-Mile Rule if **either** "a" or "b" of the following requirements is met, **and** you are not excluded by restrictions noted in "c".

a. Your vehicle is reasonably expected to be regularly used for State business throughout the calendar year (or a shorter period if that is the only period you had use of the vehicle). A vehicle is regularly used when at least 50% of the vehicle's total mileage is for State business **or** the vehicle is generally used each workday to drive at least 3 employees to and from work in an employer-sponsored commuting vehicle pool.

b. The vehicle meets the mileage rule requirement. The vehicle meets the mileage rule for a calendar year if the vehicle is actually driven at least 10,000 miles (business or commute) during the year and the vehicle is used during the year primarily by employees. If the vehicle is owned or leased by the State for only part of the year, the 10,000-mile requirement should be reduced proportionally.

c. You **cannot** use the Cents-Per-Mile Rule if the value of the vehicle (passenger automobile)[2] in the year it was first made available to any employee for commute, exceeded the amount established by the IRS as the maximum automobile value for the year. To determine if your vehicle is eligible, you must compare the vehicle's acquisition cost to the maximum automobile value (listed below) for the year in which the vehicle was purchased.

[2] If you have a van, there is a different valuation table. If you use a State-owned or leased truck or van, go to www.irs.gov reference fair market value for trucks and vans in IRS Publication 15-B http://www.irs.gov/pub/irs-pdf/p15b.pdf.

If you do not know the purchase price and year of your vehicle, this information should be available from your agency's fleet manager. If your vehicle's cost exceeded the value for its year of purchase, you cannot use the Cents-Per- Mile Rule:

Year	Maximum Value		Year	Maximum Value
2026	$25,294		2022	$18,200
2025	$24,089		2021	$18,200
2024	$24,089		2020	$17,590
2023	$22,260		2019	$15,858

If you cannot meet the requirements of the Cents-Per-Mile Rule and fall under the definition of a control employee, you must use the Lease Value Rule. If you cannot meet the requirements of the Cents-Per-Mile Rule and are not a control employee, you must use the Commute Rule.

2. Procedure - Cents-Per-Mile Rule

Employees who use the Cents-Per-Mile Rule must determine the number of commute/personal miles driven in the vehicle. The fringe benefit is calculated by multiplying these commute/personal miles by the IRS standard mileage rates. To that sum must be added the salaries, fringe benefits and all other costs associated with an employer-provided chauffeur, if applicable. The result total is recorded in Section II of the Calculation & Reporting Form. (Attachment 2 or 8b) Results are recorded on line 10 of Section II and line 20 of Section IV.

Employees may subtract the amount they reimbursed the State for commuting in a State vehicle, from the fringe value to be reported to the IRS in Section IV of the Calculation & Reporting Form on line 22. The difference should be recorded on line 23. This amount can never be less than zero (0).

C. The Lease Value Rule

1. **Eligibility**

The Lease Value Rule is for control employees who are assigned a State vehicle having a fair market value (FMV) more than the established IRS amounts stated in section B.1.c above, or who otherwise cannot meet the eligibility requirements under the Cents-Per-Mile Rule. Other employees must use the commute value method.

2. Procedure – The Lease Value Rule

Determine the Fair Market Value of the vehicle on the first date it is available to any employee for commute/personal use. The FMV of your assigned vehicle can only be changed after four years or when the vehicle is transferred, provided the transfer is not for the purpose of reducing taxes. The re-evaluation can be performed using published vehicle pricing guides.

Find the FMV and the corresponding Annual Lease Value (ALV) amount from the IRS table (see IRS Tax Publication 15-B, pages 22-26; the publication can be found on http://www.irs.gov/pub/irs-pdf/p15b.pdf). If the vehicle was not available for the entire year, you may prorate the ALV by dividing the number of days the vehicle was available by 365, then multiply the result by the ALV. The Annual Lease Value should be entered on line 11 in Section III of the Calculation & Reporting Form. (Attachment 2 or 8c)

On lines 12 and 13, record the total number of miles driven in the vehicle and the number of commute/personal miles. On line 14, record the percentage of personal to total miles. Multiply the ALV (reported on line 11) by the percentage of personal miles to total miles (reported on line 14), giving a personal use fringe benefit value for the vehicle. Record the result on line 15.

The personal use value of employer-paid fuel is to be recorded on line 16. Additionally, if applicable, the value of a State provided chauffer must be recorded on line 17. The total fringe value is recorded on line 18 of Section III and line 21 of Section IV.

Employees may subtract the amount they reimbursed the State for commuting in a State vehicle from the fringe value to be reported to the IRS in Section IV of the Calculation & Reporting Form on line 22. The difference should be recorded on line 23. This amount can never be less than zero (0).