Attachment 3

The Home Office and Its Commute Reporting Exception

The trip from your home to your work location of the day (i.e. the commute)[1] in a State-provided vehicle is reportable as part of your gross income *unless* your home is your principal place of business. A trip from your principal place of business that is also in your home to your first non-home office work location of the day is considered a business trip that could be deducted as business expense if you used your personal car to make the trip. Therefore, your use of the State-provided vehicle to make that business trip is a working condition fringe benefit that does not need to be reported.

Being exempt from having to report a commute in the State vehicle because you have a home office is dependent on whether your home office is *your principal place of business*. In order for your home office to be considered your principal place of business, you must meet **all** four of the following requirements:

1. **Exclusive use:** you have a specific area of your home only for your trade or business and you have that area for the convenience of the State as your employer;

2. **Regular use:** you must use the area on a regular and continuing basis;

3. **Use for trade or business:** you must use the home office in connection with your trade or business (i.e. your work for the State); and

4. The home office is **at least one of the following:**
    a) Your principal place of business (meaning the place where you do the administrative or management activities of the State's business because there is no other fixed location where you conduct substantial administrative or management of the State's business); or
    b) The place where you meet and deal with clients or customers in the normal course of your trade; or
    c) A separate structure used in connection with your trade.

If the State provides you with an office or office space from which to work regularly, but elect to work from home instead, you cannot meet requirement No. 1 because your home office is not for the convenience of the State. If the State requires you to have a home office and work regularly from that home office, even if on occasion you may work in an office or office space provided by the State, you may meet the requirement No. 1 due to your home office being for the convenience of the State. If you use your home office for other purposes than for business purposes, such as for your personal accounting or your family members all use the computer in the home office, you cannot meet requirement No. 1 because the use is not exclusive. If you use your home office only occasionally, such as only once a month, you cannot meet requirement No. 2.

Administrative and management activities can include the following when done in connection with the State's business: keeping files and records, making and receiving telephone calls and sending

[1] If you visit multiple work locations during the work day, then your commute includes the trip (or the mileage) from your home to your first work location of the day **and** the trip (or the mileage) from your last work location of the day to your home.

facsimiles, setting up or conducting appointments and meetings, and writing reports. If you occasionally and sporadically use another location for such activities but it is not a fixed location, for example a hotel room while traveling on business, you can still consider your home office your principal place of business. However, **if you have an office that the State provides for such administrative and managerial services, your home office cannot be your principal place of business, even if you only go to the State office once a week**.

You can get more information about whether your home office qualifies as your principal place of business from IRS Publication 587, available at www.irs.gov. In addition, this flow chart on page 4 from the IRS illustrates how to determine if your home office qualifies: http://www.irs.gov/pub/irs-pdf/p587.pdf.

If you have a qualifying home office and use a State vehicle only to travel from your qualifying home office to other work locations, i.e. to locations where you attend meetings or conduct investigations as part of your State employment, you must complete Attachment 4, the Home Office Certification and submit it in place of the Vehicle Fringe Value Calculation & Reporting Form.