



TAX CONSIDERATIONS FOR THE PERSONAL USE OF A COMPANY VEHICLE

The Heritage Group's policies allow for the personal use of company vehicles. It's important to note that such use is considered a "taxable fringe benefit" by the IRS.¹ As a result, you'll need to keep records of the business and personal use of a company vehicle in order to report the personal usage as imputed income on your W-2.

What is "imputed income?"

Imputed income is the taxable value of non-cash, fringe benefits, you receive from your employer. The personal use of a company vehicle falls into this category, and is why it's your responsibility to keep an accurate record of the miles you drive for both business and personal reasons. Any use of a company-provided vehicle that isn't substantiated as a business use is considered to be personal and will be included in income. Personal use also includes commuting to your work location. By keeping accurate records, you'll help ensure you're taxed correctly.²

When is vehicle imputed income calculated?

Vehicle imputed income is processed in two cycles, as follows:

Period	# of Months	Taxes Withheld
June – October	5 months	1 st Payroll in November
November – May	7 Months	1 st Payroll in June

We will send you a reminder about your imputed income at the end of each cycle.

How is the imputed income of the personal use of a company vehicle calculated?

Here are the factors used to calculate vehicle imputed income:

$$\begin{array}{ccccccc} \text{Annual Lease Value} & & \% \text{ of total miles} & & \text{Fuel surcharge} & & \text{Taxable} \\ \text{(prorated for the 5 or 7} & \times & \text{driven that were} & + & \text{on personal} & = & \text{Earnings} \\ \text{month period)} & & \text{personal miles} & & \text{miles} & & \end{array}$$

How is imputed income tax withheld?

Since imputed income earnings are fully taxable, Federal, FICA, state and local taxes will be withheld from the payroll when imputed income is included. These tax withholdings are equivalent to what would have been withheld had you received cash wages equal to the value of the fringe benefits received.

Questions?

Employee Hub is here to help! Call 1-800-303-0408 or email EmployeeHub@thgrp.com for further assistance.

¹ For more information, please consult IRS [Publication 15-B](#), Section 3

² Read more about [IRS mileage log requirements](#)