The fair market value of a used vehicle can be determined by using the Private Party Value found in the Kelley Blue Book (www.kbb.com) with the addition of sales tax (https://www.umsystem.edu/ums/policies/finance/sales_tax) and title fees thatwould be required for purchase.

These calculated values should be used for subsequent tax years that the employee retains the vehicle. After four full calendar years of use of the vehicle, the Fair Market Value, and subsequent Annual Lease Value, should be adjusted to reflect the change in the vehicles value for calculating the value of personal use.

If the vehicle is provided to the employee for less than an entire calendar year the calculated Annual Lease Value should be prorated by multiplying it by the fraction represented by using the number of days of availability to the employee (vacation and sick leave do not count as unavailability) as the numerator and 365 as the denominator.

> *For Example:* John Doe, a staff member with the Payroll department on campus, is provided a 2003 Ford Excursion with 36,000 miles as part of their employment. The percent of personal miles driven by John is 17% and he used the vehicle for the entire year. According to Kelley Blue Book (www.kbb.com) it has a private party value of $20,375.00. With the addition of taxes and fees, the effective Fair Market Value becomes approximately $21,900.00. Referencing the IRS Annual Lease Value Table (Appendix A) this equates to an Annual Lease Value of $5,850. The taxable portion to be reported to

Miscellaneous Reimbursements:
Certain expenses incurred by the employee (e.g. fuel) if not reimbursed by the University may be deductible for the employee as un-reimbursed business expense when determining their itemized miscellaneous deductions. If the department chooses to reimburse actual expenses such as fuel they are not taxable to the employee as long as the vehicle is used entirely for business purpose. However, if a portion of the annual miles are for personal use, the same proportional allocation based on those miles should be used to determine the amount of these reimbursements that becomes taxable to the employee. The result should be added to the taxable amount calculated using the Annual Lease Value Method covered previously to determine the total taxable amount to be added to the employees taxable earnings.

NOTE: The value represented by the Annual Lease Value table includes the fair market value of maintenance and insurance. So, these expenses, if reimbursed by the University for a provided vehicle, should not be included when calculating the taxable personal percentage. It is also important to note, however, that if the employee personally pays for maintenance or insurance this value cannot be deducted from the Annual Lease Value for calculating inclusion income on the employees W-2.