1. Overview

The value of the personal use by an employee of a University vehicle is considered additional taxable wages (i.e., compensation for services). The value of the business use by an employee of a University vehicle is not considered additional taxable wages.

2. Business vs. Personal Use

Business Use

Business use of a University vehicle is any use for official University business. It includes, (but is not limited to):

- Traveling between the employee’s main or regular place of work and another regular place of work
  - *Example:* An employee works regularly at both a Medical School building and a central campus building and travels between them using a University vehicle.
- Traveling between the employee’s main or regular place of work and a temporary work location
  - *Example:* An employee travels between his/her regular work location on campus and a company in Indianapolis where he attends a meeting related to official University business.
- Traveling between the employee’s home and a temporary work location
  - *Example:* An employee travels between his/her home and an institution in Chicago for several days to attend a job-related seminar.

Personal Use

Personal use of a University vehicle is any use that is not for official University business. It includes, (but is not limited to):

- Using the vehicle to run a personal errand from his/her work location
- Using the vehicle on weekends or days off for other than official University business
- Commuting, i.e., traveling between the employee’s home and his/her main or regular place(s) of work (see detailed information below)

Commuting

One of the most common personal uses of a University vehicle is commuting, defined as an employee’s traveling between home and his/her main or regular place of work.

Travel that meets the above definition of commuting does not change from personal to business use of the vehicle if the employee works during the commute, for example, making business phone calls or holding business discussions with co-workers who are traveling with the employee, transporting University equipment or University records or documents in the vehicle.

- *Example:* Employee has a meeting the next day on a regional campus. Employee gets the vehicle from Motor Pool the day before and drives it home since the employee’s home is closer to the meeting.
  - This could be considered commuting and is taxable per IRS guidelines. Employee should ensure the vehicle leaves and returns only to campus Motor Pool in order to not be considered taxable.

Second Work Location

If an employee regularly works at two or more locations in one day, traveling between the two locations is a business use of the vehicle. However, traveling between the employee’s home and any of his/her regular work location is commuting, a personal use of the vehicle.
3. Substantiating Business and Personal Use

**Reporting Period**

The reporting period for personal use of University vehicles begins on November 1 and ends on October 31, a full 12-month period. The University defers reporting of vehicle use income for November and December of a given year until it files its reports for the subsequent year.

*Example:* Income from the personal use of a University vehicle during the period November 1, 2010 through October 31, 2011 is reported as additional taxable wages on an employee’s 2011 Form W-2. The value of vehicle use during November and December 2011 is reported on an employee’s 2012 Form W-2.

**General Documentation Requirements**

The Internal Revenue Service (IRS) requires the University to maintain documentation that substantiates an employee’s business and personal use of a University vehicle.

When such records are maintained, the University is required to report to the IRS only the value of the personal use of the vehicle (determined from the substantiating documentation) as additional taxable wages.

If such records are not maintained by the University, the entire value of the employee’s use of the vehicle (including both business and personal use) is considered personal use and must be reported as additional taxable wages to the IRS.

The employee who uses the vehicle for personal use is responsible for keeping records of personal mileage. Please see the sample mileage form to assist in this reporting. However, employee may use any form of mileage tracking that can be substantiated.

**Sample Mileage Log**

Please note that this log is for the employee’s personal use and will not be submitted to University Tax Services. University Tax Services will request a month-to-month summary in November for mileage from current vehicle reporting period.

4. Income Tax Reporting and Withholding

The University reports as taxable wages the value of the personal use of a University vehicle to the IRS, the state and the employee on Form W-2, Wage and Tax Statement (which reports wages paid to an employee during the calendar year). The University files Form W-2 with the IRS and the state and provides it to the employee by January 31 following the reporting period.

The University must withhold FICA tax (i.e., 1.45% Medicare tax plus 6.2% OASDI tax, if applicable) on this additional compensation from the employee’s regular pay during the year in which the relevant reporting period ends. This tax is withheld from the employee’s November paycheck.

5. Questions

If you have any questions on the reporting of personal use of University vehicles please contact University Tax Services at taxpayer@indiana.edu or (812) 856-5424.