COURTESY AUTOMOBILE POLICY

Policy Statement

The personal usage of courtesy automobiles by The University of Southern Mississippi (Southern Miss) employees is considered to be taxable compensation by the Internal Revenue Service (IRS). This manual is designed to insure compliance with IRS guidelines regarding personal use of courtesy automobiles.

This policy applies to all employees of Southern Miss who are provided the use of a courtesy automobile in connection with the performance of their jobs.

Reason for Policy/Purpose

This policy is required for the effective communication of university policies regarding courtesy automobiles.

Who Needs to Know This Policy

All employees who use courtesy automobiles.

Website Address for this Policy

www.usm.edu/institutional-policies/policy-adma-bud-002

Definitions

annual lease value The fair market value of the automobile is cross-referenced to an “annual lease value” table set by the IRS.
commuting the drive between the employee’s residence and the employee’s place of business. The IRS has ruled commuting to be personal use.

fair market value based on the “blue book value” of a car as determined by Kelley Blue Book. The FMV will be determined based on the first day the automobile is made available to the employee.

personal use Any usage of the courtesy automobile for a purpose other than business is considered to be “personal use.” Personal use can be made up largely of commuting to and from work and the use of the automobile to take long trips not related to work (i.e., vacation, etc.). A stop by the dry cleaners or driving the automobile to lunch does not constitute personal use.

Policy/Procedures

BACKGROUND INFORMATION

The Tax Reform Act of 1984 clarified that personal use of employer-provided vehicles (in this case, courtesy automobiles) constitutes taxable compensation equal to the fair market value (FMV) of the personal use of the vehicle. The value of the additional compensation is to be added to the employee’s income based on the ratio of personal use to total vehicle use and the value of the assigned vehicle. Southern Miss is required to withhold FICA taxes (also known as Social Security Tax) on the additional compensation, and will withhold Mississippi State Income Tax, but is not required to withhold Federal Income Taxes. The taxes to be withheld will be deducted on the employee’s November paycheck. The value of the personal usage will be reported on the IRS Form W-2 in box 12, “Benefits Included in Box 1.”

The additional compensation attributed to employees will be calculated on the basis of the FMV of the benefit. The FMV is composed of the ratio of personal miles to total miles driven, an IRS-derived lease value, and a per-mile gasoline charge if the employer provides or reimburses for gas. The additional income generated by the FMV of the personal use will be calculated on an annual basis.

Mileage Logs

Every employee assigned a courtesy automobile will maintain a mileage log, which clearly distinguishes dates of occurrence, business miles driven, and purpose of business, as well as the monthly beginning and ending odometer readings. Any miles driven, but not reported as used for business, will be considered personal usage. This log should be turned in once a month, and will be considered Southern Miss property, and can be requested by University administration at any time for inspection or to archive. If an employee does not turn in a mileage log, all the miles driven that month will be considered personal usage.
Southern Miss will use the “special accounting period” provided in the Internal Revenue Code. This rule allows an employer to report the additional income for November and December in the next calendar year. Therefore, the reporting period will run from November 1 to the following October 31.

Should an employee leave Southern Miss before the end of the special accounting period for the year, he/she will be required to turn in his/her monthly mileage log the day the courtesy automobile is turned in. The additional income for the year to that point will be calculated and reported on his/her last paycheck. (Remember, no federal taxes will be withheld, only FICA and state tax.) If the employee does not turn in the mileage log for the month he/she leaves, all miles driven that month will be considered personal, and the additional income will be calculated accordingly.

**Personal Usage**

All Southern Miss employees who enjoy the benefit of driving a courtesy car must report some personal usage as they are allowed to commute in the courtesy car. Southern Miss expects this usage to equal approximately 20%, and an employee must be able to show substantiated proof if he/she believes his/her personal use is less than this.

The personal usage percentage will be calculated based on the information turned in by the employee. If no information is available, personal usage will be 100%. If the usage calculated (again, based on information turned in by the employee) is less than 20%, the employee will be required to turn in supporting documentation.

**GASOLINE REIMBURSEMENT**

**Coaches and Other Athletic Personnel Courtesy Automobile Drivers**

An additional gasoline charge will not be included in Southern Miss calculations for employees of the athletic department. Those employees are reimbursed at a different rate per mile. The specific rate can be obtained from the Accounts Payable Department.

In addition, athletic personnel will not have any additional charges (i.e., gasoline charge) added to the additional income calculated at the end of the special period due to the fact that these personnel are required to pay for their own automobile insurance.

**RESPONSIBILITIES**

**Courtesy Automobile Drivers**

It will be the responsibility of the courtesy automobile driver (driver) to document on the Courtesy Automobile Mileage Log (Appendix 1) on a monthly basis the business miles driven. It is also the driver’s responsibility to report the odometer reading at the beginning and end of each month. This log is important, as it will help determine the personal usage percentage used in
computing additional income to be reported on the employee’s IRS Form W-2 for the year in question.

In addition, the driver must also complete a Courtesy Automobile Usage Questionnaire (Appendix 2) on November 1 of every year, and each time a new courtesy automobile is issued. These questionnaires are important, as they will help determine the “blue book value” of the car(s) driven.

Coaches and other athletic personnel should turn in their logs and questionnaires to the Southern Miss Athletic Department.

All other individuals with courtesy vehicles should turn these forms in to the Controller’s Office as required.

**Southern Miss Athletic Department**

It will be the Southern Miss Athletic Department’s responsibility to track the assignments of courtesy automobiles to coaches and other athletic personnel, including the date of assignment and the date the cars are turned in. The Associate Athletic Director for Internal Affairs will also be responsible for collecting the Courtesy Automobile Mileage Logs (on a monthly basis) and the Courtesy Automobile Usage Questionnaires (at the year’s end or when a driver terminates employment). Copies of these forms should be forwarded to the Controller’s Office each month or when a driver leaves the university, and no later than November 5 at year-end.

**The University of Southern Mississippi’s Foundation and Alumni Association**

It will be the USM Foundation and Alumni Association’s responsibility to track the assignment of courtesy cars to Southern Miss individuals not in the athletic department.

The Controller’s Office should be notified when a change in cars is made so that a Courtesy Automobile Usage Questionnaire can be filled out accordingly.

**The Controller’s Office**

It will be the responsibility of the Controller’s Office to collect the Courtesy Automobile Mileage Logs (on a monthly basis) and the Courtesy Automobile Usage Questionnaires (at the year’s end or when a driver changes cars or terminates employment) from those individuals not in the athletic department.

Copies of these forms should be forwarded to the Controller’s Office no later than November 5 of each year or when a driver leaves the University.

It will also be the Controller’s Office’s responsibility to calculate the additional income incurred by the employee from the personal use of a courtesy automobile from the information supplied by the drivers on the Courtesy Automobile Mileage Logs and the Courtesy Automobile Usage Questionnaire. A sample calculation is included in Appendix 3.
Upon completion of all calculations, the Controller’s Office will send memorandums to all drivers making them aware of the additional income and will communicate the additional income to Payroll in order for FICA and state taxes to be withheld on the employee’s November paycheck.

**Review**

The Director of the Office of Budget and Tax Compliance is responsible for the review of this policy every four years (or whenever circumstances require immediate review).

**Forms/Instructions**

**Appendices**

Appendix 1: Courtesy Automobile Mileage Logs
Appendix 2: Courtesy Automobile Usage Questionnaire
Appendix 3: Sample Calculation
Appendix 4: Sample Memo
Appendix 5: W2 Form Explanation

**Related Information**

N/A

**History**

11/21/06: Updated.
11/01/11: Formatted for Institutional Policies website.
02/20/13: Formatted for template. Minor editing of punctuation and word usage throughout.
**Amendments:** Month, Day, Year – summary of changes
Authorization

COURTESY AUTOMOBILE POLICY
ADMA-BUD-002

As the Responsible Officer, I have reviewed this policy and believe it represents the current policy.

[Signature]

Responsible Officer

[Date]

04/30/13
COURTESY AUTOMOBILE MILEAGE LOG
(This form should be completed every month.)

For the Month of ______________________________

Name: _______________________________ Social Security#: _______________________
(please print)
Automobile Make: ________________________ Model: ________________________________

Year: ______________

Date Vehicle Assigned: _________________________

Dealer Info: _____________________________
(name, city, state)

Beginning of Month Odometer Reading: _________________________

End of Month Odometer Reading: _________________________

Total Miles between Employee’s Home and Work Location: _________________________

<table>
<thead>
<tr>
<th>Date</th>
<th>Business Miles Driven</th>
<th>Purpose/Location</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Employee Signature: _______________________________ Date: _________________________
APPENDIX 2

COURTESY AUTOMOBILE USAGE QUESTIONNAIRE
THE UNIVERSITY OF SOUTHERN MISSISSIPPI
(A separate form should be done for each car driven.)

Ending Odometer Reading: _____________________________

Total Personal Use Percentage: (e.g., 20%. This should include to/from work.)

<table>
<thead>
<tr>
<th>Name: (please print)</th>
<th>Social Security #:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile Make/Model:</td>
<td>Year:</td>
</tr>
</tbody>
</table>

Date Started Driving Car: ___________ Date Car Turned In: ___________

Ending Odometer Reading: _____________________________

Total Personal Use Percentage: (e.g., 20%. This should include to/from work.)

Please mark the applicable option(s) for your vehicle:

<table>
<thead>
<tr>
<th>Feature</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Door</td>
<td>□ Engine:</td>
</tr>
<tr>
<td>Four Door</td>
<td>□ 4-Cylinder</td>
</tr>
<tr>
<td></td>
<td>□ 6-Cylinder</td>
</tr>
<tr>
<td></td>
<td>□ 8-Cylinder</td>
</tr>
<tr>
<td>Air-Conditioning</td>
<td>□ Dual Air Bags</td>
</tr>
<tr>
<td>Power Steering</td>
<td>□ ABS (4-Wheel)</td>
</tr>
<tr>
<td>Power Windows</td>
<td>□ Leather</td>
</tr>
<tr>
<td>Power Door Locks</td>
<td>□ Power Seats</td>
</tr>
<tr>
<td>Tilt Wheel</td>
<td>□ Dual Power Seats</td>
</tr>
<tr>
<td>Cruise Control</td>
<td>□ Flip-Up Sun Roof</td>
</tr>
<tr>
<td>AM/FM Stereo</td>
<td>□ Sliding Sun Roof</td>
</tr>
<tr>
<td>Cassette</td>
<td>□ Moon Roof</td>
</tr>
<tr>
<td>Compact Disc</td>
<td>□ Rear Spoiler</td>
</tr>
<tr>
<td>CD Changer/Stacker</td>
<td>□ Alloy Wheels</td>
</tr>
<tr>
<td>Premium Sound</td>
<td>□ Premium Wheels</td>
</tr>
<tr>
<td>Integrated Phone</td>
<td>□</td>
</tr>
</tbody>
</table>

Employee Signature: _____________________________ Date: _____________________________
APPENDIX 3
SAMPLE CALCULATION

Information Needed to Complete Calculation

<table>
<thead>
<tr>
<th>Per Blue Book (at <a href="http://www.kbb.com">www.kbb.com</a>)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1996 Mazda 626 DX Sedan 4D</td>
<td>$13,325</td>
</tr>
<tr>
<td>1997 Mazda 626 DX Sedan 4D</td>
<td>$15,150</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Per Annual Lease Table</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$13,000 to $13,999</td>
<td>$3,850</td>
</tr>
<tr>
<td>$15,000 to $15,999</td>
<td>$4,350</td>
</tr>
</tbody>
</table>

For illustrative purposes, we will assume the 1996 Mazda was driven for 40% of the year, and the 1997 Mazda was driven the remainder of the year, or 60%. (This percentage of usage is based on the period of time that each car was in an individual’s possession.)

Calculations

$3,850 \times 40\% \text{ usage during year} \times 20\% \text{ personal usage} = $308 \text{ additional income}$

$4,340 \times 60\% \text{ usage during year} \times 20\% \text{ personal usage} = $522 \text{ additional income}$
To:Courtesy Car Driver
From:Controller’s Office
Re:2006 Personal Automobile Usage
Date:November 15, 2006

The following amount will be added to your 2006 W-2 income for your personal vehicle usage from November 1, 2005, to October 31, 2006. The fair market value of your vehicle(s) was (were) determined using the used car guide along with the Annual Lease Value table provided by the IRS.

<table>
<thead>
<tr>
<th>Vehicle Description</th>
<th>Retail Value</th>
<th>Annual Lease Value</th>
<th>Time of Possession</th>
<th>Personal Usage</th>
<th>W-2 Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996 Mazda 626 DX Sedan 4D</td>
<td>$13,325</td>
<td>$3,850</td>
<td>40%</td>
<td>20%</td>
<td>$308</td>
</tr>
<tr>
<td>1997 Mazda 626 DX Sedan 4D</td>
<td>$15,150</td>
<td>$4,350</td>
<td>60%</td>
<td>20%</td>
<td>$522</td>
</tr>
<tr>
<td>Total Additional Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$830</td>
</tr>
</tbody>
</table>

In your November 30, 2006, paycheck you should notice a slight increase in your FICA and Mississippi State Income Tax amounts due to withholding requirements, resulting in a slight decrease in your net check amount.
Box 1 – Wages, tips, other compensation

This is where your total earnings for the year can be found. (What your salary/wages were while working at The University of Southern Mississippi, plus the additional income calculated from the personal use of a courtesy car.)

Box 12 – Benefits included in box 1

The additional income calculated from the personal use of the courtesy car will be shown here.