

UPDATED
DECEMBER 2025

Personal Use – Company Vehicles

The tax law requires employers to include as taxable wages on employees' W-2s the value of the personal use of company cars and trucks. Thus, you and your employees driving company cars and trucks will have to account to the IRS for such usage. In order to be able to exclude business usage from personal taxation, it is essential that good records of company car or truck use be kept by each employee. Employees who cannot substantiate the business use of a company car or truck will be taxed on the total annual value.

Adequate Records

Maintenance of a contemporaneous log is not required but it would constitute the best evidence to satisfy the substantiation requirements. However, a two-month sampling of expenditures and business use made at or near the time of the expenditure or use could constitute adequate evidence to satisfy the substantiation requirements, if it is representative of the entire year. Adequate records may consist of account books, diaries, logs, expense statements, trip sheets, or similar records prepared at or near the time of an expenditure or use, and documentary evidence which, in combination, establish each element of expenditure. The level of detail required in an adequate record to establish the element of the business use of property may vary depending on the facts and circumstances. Taxpayers who fail to maintain records must establish the elements of an expenditure or use by written or oral statements and other sufficient corroborative evidence. In certain cases, concurrent or repetitious expenditures or uses may be substantiated as a single item.

Every employee provided a company vehicle must make a representation regarding personal use. Acceptable representations are:

- Employee Representation Regarding Use of Company Vehicle
- Vehicles Not Used for Personal Purposes Other Than Commuting (*Not Available for Owner Employees*)
- Vehicles Not Used for Personal Purposes

To determine the value of personal use to be taxed as compensation, the following methods are available:

- Annual Lease Payment Method
- Annual Lease Value Method
- Standard Mileage Rate Method (*Not Available for Owner Employees*)

If you have any questions regarding this information, please feel free to contact us.

COHEN & CO ADVISORY, LLC
800.229.1099 | 866.818.4538 FAX | cohenco.com

"Cohen & Co" is the brand name under which Cohen & Company, Ltd. and Cohen & Co Advisory, LLC, and its subsidiary entities, provide professional services. Cohen & Company, Ltd. and Cohen & Co Advisory, LLC practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. Cohen & Company, Ltd. is a licensed independent CPA firm that provides attest services to its clients. Cohen & Co Advisory, LLC and its subsidiary entities provide tax, advisory and business consulting services to their clients and are not licensed CPA firms. The entities operating under the Cohen & Co brand are independently owned and are not responsible for the services provided by any other entity operating under the Cohen & Co brand. Our use of terms such as "our firm," "we," "us" and other terms of similar import denote the alternative practice structure of Cohen & Company, Ltd. and Cohen & Co Advisory, LLC.

**EMPLOYEE REPRESENTATION REGARDING
USE OF COMPANY VEHICLE
2025**

The IRS requires employers to provide certain information on their tax return with respect to the vehicles provided to employees. This information is also used to calculate the amount of the fringe benefit to be included in the employee's W-2 income.

The IRS generally requires that written records be maintained to document the business use of vehicles. Since the company policy requires employees to maintain the detailed records, please provide answers to the following questions. If you were provided more than one vehicle that was used during the year, you need to prepare a separate statement for each vehicle.

The completed form must be returned no later than _____ or 100% of the value will be included in the employee's W-2 income. (date)

Description of vehicle _____

EMPLOYEE REPRESENTATION:

- | | | |
|---|----------------|-----------|
| 1. Was the vehicle available for your personal use during off-duty hours? | YES | NO |
| 2. Did you have another vehicle available for your personal use (this includes a car you own personally)? | YES | NO |
| 3. Are you an officer or 1% owner of the business? | YES | NO |
| 4. How many commuting round trips did you make in this vehicle? | -
_____ | |
| 5. For the reporting period specified above, please provide the number of miles for each of the following categories: | | |
| Total commuting miles | -
_____ | |
| Total other personal (non-commuting) miles | _____
_____ | |
| Total personal miles | _____
_____ | |
| Total business miles | _____
_____ | |
| TOTAL MILES | _____
_____ | |
| 6. Did the employer pay the cost of fuel consumed by this vehicle? | YES | NO |

(Employee Signature)

(Date)

**Reporting period can be the calendar year, or it can be a fiscal year (12-month period) ending either October 31 or November 30 to expedite your payroll tax return filings.*

VEHICLES NOT USED FOR PERSONAL PURPOSES OTHER THAN COMMUTING

Management has adopted the following policy regarding personal use of Company owned vehicles:

For business reasons, certain employees have been designated to drive a Company owned vehicle to and from their residence. This shall be the only authorized personal use of the vehicle. Individuals driving Company vehicles may have occasions where an incidental stop is necessary between business stops. Such use shall not be considered to be in violation of this policy.

The Company requires that no personal items other than incidentals be stored in the vehicle. The vehicle is to be locked each night with work articles stored either in the lock box or trunk during times when the vehicle is not in use.

The Company will compute a daily value for the commuting which will be included in the employee's W-2 at the end of the calendar year. Such amount will be the minimum allowed by federal income laws.

CALCULATION

Employee: _____

Description of Vehicle: _____

Date Vehicle First Made Available to Any Employee: _____

Date Vehicle First Made Available to This Employee: _____

Number of commuting round trips made

Value per round trip

x \$3.00

Personal use taxable income

\$

If the following criteria are met, employees may be taxed on this method:

- (1) The vehicle must be owned or leased by the employer and provided to one or more employees for use in connection with the employer's trade or business.
- (2) For bona fide no compensatory reasons, the employer requires the employee to commute to and/or from work in the vehicle.
- (3) The employer has established a written policy under which neither the employee nor any individual whose use would be taxable to the employee may use the vehicle for personal purposes other than de minimis personal use.
- (4) Except for de minimis use, neither the employee nor any individual whose use would be taxable to the employee may use the vehicle for any personal purpose other than commuting.
- (5) The employee required to use the vehicle for commuting must not be a control employee of the employer. A control employee is a director, officer, or one percent owner of the employer. The value of commuting will be \$1.50 per trip and included as compensation on the employee's W-2.

VEHICLES NOT USED FOR PERSONAL PURPOSES

Management has adopted the following policy regarding personal use of Company owned vehicles:

Vehicles owned or leased by this Company are to be used solely for Company business. There shall be no personal use of the vehicles (including commuting to and from work). Individuals driving Company vehicles may have occasions where an incidental stop is necessary between business stops. Such use shall not be considered to be in violation of this policy.

The Company requires that vehicles not in use shall be parked in designated areas on the Company premises. No personal items are to be stored in the vehicles. Company materials and supplies are to be secured in the trunk, lock boxes or within the Company offices.

Keys are to be returned to _____ upon the close of business each day.

Description of Vehicles:

A policy statement that prohibits personal use by an employee satisfies an employer's substantiation requirements under the law if all the following conditions are met and evidence exists that would enable the IRS to determine whether the use of the vehicle meets the conditions.

- (1) The vehicle owned or leased by the employer is provided to one or more employees for use in connection with the employer's trade or business.
- (2) When the vehicle is not being used for such business purposes, it is kept on the employer's business premises (or temporarily located elsewhere, e.g., for repair).
- (3) No employee using the vehicle lives at the employer's business premises.
- (4) Under the employer's written policy, no employee (or any individual whose use of the vehicle would result in gross income to the employee) may use the vehicle for personal purposes, other than de minimis personal use (such as a stop for lunch between two business deliveries); and
- (5) The employer reasonably believes that, except for de minimis use, no employee uses the vehicle for any personal purpose.

**ANNUAL LEASE PAYMENT METHOD
EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE 2025**

Employee: _____

Description of Vehicle: _____

Date Vehicle First Made Available to Any Employee: _____

Date Vehicle First Made Available to This Employee: _____

Actual lease value: _____ (monthly payment multiplied including sales tax) by _____ (number of months car leased)	{A}	
_____ (total miles) multiplied by \$.055	{B}	
Add {A} and {B}	{C}	
Personal percentage (per statement from employee)	{D}	
Taxable benefit to be reported on W2 (Multiply {C} by {D})	{E}	

ANNUAL LEASE VALUE METHOD
EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE 2025

Employee: _____

Description of Vehicle: _____

Date Vehicle First Made Available to Any Employee: _____

Date Vehicle First Made Available to This Employee: _____

Fair market value of vehicle (to be redetermined at the beginning of the fifth year and every four years thereafter)	{A}	\$	(1)
Annual lease value, per attached chart	{B}	\$	(2)
Prorated Annual Lease Value [Skip {C} through {E} if car is held all year or is held less than 30 days]:			
Enter number of days during the year that the vehicle was available	{C}		
Divide by number of days in tax year	{D}	%	
Prorated annual lease value [{D} times {B}]	{E}		
Personal use % (personal/total miles, per statement from employee)	{F}	%	
Personal annual lease value [{B} or {E} times {F}]	{G}		
If fuel is provided by employer, enter personal miles _____ x _____ (3)	{H}		
Personal use taxable income [{G} + {H} = {I}]	{I}	\$	

- (1) Fair value is the purchase price of the automobile or the sticker price less 8% plus tax and license of a leased auto.
- (2) For autos available for one or more but less than 30 days, the value of availability of the employer-provided automobile is the Daily Lease Value. The Daily Lease Value is calculated by multiplying the applicable Annual Lease Value by a fraction, the numerator of which is four times the number of days of availability and the denominator of which is 365.
- (3) If fuel is provided "in kind", the fair market value may be determined based on all facts and circumstances or, alternatively, at 5-1/2 cents per mile. Generally, where fuel is purchased and charged to the employer, the actual cost or reimbursement should be used. If employers with a fleet of 20 or more vehicles reimburse or allow employees to charge fuel cost, the fleet-average cents per mile may be used. If the fleet employer determines that actual cost or fleet average methods are unreasonable administrative burdens, the 5-1/2 cents per mile may be used.

Annual Lease Value Table for Automobiles

(1) Automobile Fair Market Value	(2) Annual Lease Value	(1) Automobile Fair Market Value	(2) Annual Lease Value
\$ 0 - 999.....	\$ 600	\$22,000 - 22,999.....	\$6,100
1,000 - 1,999.....	850	23,000 - 23,999.....	6,350
2,000 - 2,999.....	1,100	24,000 - 24,999.....	6,600
3,000 - 3,999.....	1,350	25,000 - 25,999.....	6,850
4,000 - 4,999.....	1,600	26,000 - 27,999.....	7,250
5,000 - 5,999.....	1,850	28,000 - 29,999.....	7,750
6,000 - 6,999.....	2,100	30,000 - 31,999.....	8,250
7,000 - 7,999.....	2,350	32,000 - 33,999.....	8,750
8,000 - 8,999.....	2,600	34,000 - 35,999.....	9,250
9,000 - 9,999.....	2,850	36,000 - 37,999.....	9,750
10,000 - 10,999.....	3,100	38,000 - 39,999.....	10,250
11,000 - 11,999.....	3,350	40,000 - 41,999.....	10,750
12,000 - 12,999.....	3,600	42,000 - 43,999.....	11,250
13,000 - 13,999.....	3,850	44,000 - 45,999.....	11,750
14,000 - 14,999.....	4,100	46,000 - 47,999.....	12,250
15,000 - 15,999.....	4,350	48,000 - 49,999.....	12,750
16,000 - 16,999.....	4,600	50,000 - 51,999.....	13,250
17,000 - 17,999.....	4,850	52,000 - 53,999.....	13,750
18,000 - 18,999.....	5,100	54,000 - 55,999.....	14,250
19,000 - 19,999.....	5,350	56,000 - 57,999.....	14,750
20,000 - 20,999.....	5,600	58,000 - 59,999.....	15,250
21,000 - 21,999.....	5,850	For automobiles with a fair market value greater than \$59,999, the annual lease value is: (.25 x fair market value) + \$500.	

To compute the annual lease value, first determine fair market value (FMV) as of the first date an auto is made available to any employee for personal use. Under safe harbor rules, where the auto is bought in an arm's length purchase by the employer, the FMV is the cost, including sales tax, title fees and other purchase expenses. Where leased, it is the suggested retail price less 8%, the retail value as reported in a nationally recognized publication that regularly reports such values, (Reg. Section 1.61-21(d)(5)) or the manufacturer's invoice price plus 4%. Then, find the dollar range in column (1) of the above table which corresponds to the FMV of the automobile. The corresponding amount in column (2) is the auto's annual lease value. (Reg. Section 1.61-21(d)(2)(iii)).

**STANDARD MILEAGE RATE METHOD
EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S
TAXABLE INCOME RESULTING FROM EMPLOYER-PROVIDED
VEHICLE 2025**

Employee: _____

Description of Vehicle: _____

Date Vehicle First Made Available to Any Employee: _____

Date Vehicle First Made Available to This Employee: _____

Generally, to qualify to use the cents-per-mile method, the vehicle must:

1. be expected to be regularly used in the employer's business throughout the calendar year, or
2. be driven at least 10,000 miles per year, and
3. have a fair market value of less than the 280 F limits (call Cohen & Co if you meet the other criteria), and
4. not available for owner/employee.

Once this method is adopted for a particular vehicle, it must be continued until the vehicle no longer qualifies.

- | | | | |
|--|-------|------------|--------------------------|
| • Enter personal miles for 1/1 – 12/31 | _____ | x \$.70 = | \$ _____ |
| • If fuel is NOT provided by the employer,
enter personal miles | _____ | x \$.055 = | () |
| • Personal use taxable income (Subtract
Line 2 from Line 1) | | | \$ _____ |