INFORMATIONAL CIRCULAR NO: 20-P-028 *Supersedes 19-P-014*

DATE: January 30, 2020

SUBJECT: Employee Taxability of State-Owned or Leased Vehicles

EFFECTIVE DATE: January 1, 2020

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APPROVAL:

SUMMARY: IRS Cents-Per-Mile Valuation Rule Changes for Calendar Year 2020

The Internal Revenue Service (IRS) announced the standard mileage rate decreased to 57.5 cents beginning January 1, 2020 under the Cents-Per-Mile method of valuing an employee's personal (commuting) use of a state-owned or leased vehicle. The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. *The Cents-Per-Mile valuation is one of several methodologies that can be used to calculate fringe benefit income*. *See Informational Circular No. 05-P-023*.* Using this methodology, fringe benefit income is calculated by multiplying the 57.5 cents rate by the number of personal (commuting) miles driven by the employee in the state-owned or leased vehicle.

To be eligible to use the Cents-Per-Mile method, at least 50% of the vehicle's total mileage is used for the employer's trade or business, or the vehicle is primarily used by employees and the total mileage for the vehicle exceeds 10,000 miles per year. The Cents-Per-Mile method may not be used for 'luxury' vehicles. If a vehicle is first made available to an employee for personal (commuting) use in calendar year 2020 and the agency wishes to use the Cents-Per-Mile method, the fair market value of the vehicle cannot exceed $50,400 for automobiles (including trucks and vans).

Agencies and employees are also reminded that the only personal use of a state-owned or leased vehicle allowed under state law is to commute between the employee's work station and home, and then in only limited situations.

Please note that this Informational Circular does not impact the State's privately-owned vehicle mileage reimbursement rate.

Also, as noted in Informational Circular 20-A-006, any agency that processed a mileage reimbursement on or after January 1st for travel that occurred on or after January 1, 2020 and used the previously published (higher) rates will need to calculate the difference and either:

- process that amount through payroll as fringe benefit income; or
- reduce that amount from future mileage reimbursements that occur in 2020

*Informational Circular No. 05-P-023 contains an incorrect K.A.R. reference number in the next to the last paragraph of the POLICY section. The reference should be: Kansas Administrative Regulation 1-17-2a(b)(1).

JG:NTR:abe