Baylor University

130.6 Vehicles and Transportation

University Provided Automobiles

Certain employees are provided with University-owned or leased automobiles that can be used for both business and personal purposes. The value of an automobile can be excluded from an employee's income only to the extent that it is used in the performance of their employment-related duties. The value of any personal use of the vehicle must be included in the employee's gross income. An exception for personal use to be excluded as a de minimis fringe benefit is provided if the personal use is incidental to the employee's job-related duties. To qualify as a de minimis fringe benefit the value must be small and the occurrence infrequent. Commuting mileage *would not qualify* as infrequent.

When the value of the employee's personal use is included in gross income, the amount is generally determined under either annual lease value tables or standard IRS cents-per-mile rates. Once the annual lease value or cents-per-mile method is adopted by an employer for any particular car made available to an employee, no switching to an alternative valuation method is allowed in subsequent years for the same vehicle.

- The standard cents-per-mile method cannot be used for higher-priced autos. The FMV of the auto when first made available to the employee cannot exceed an inflation-adjusted figure established annually by the IRS. For autos first made available to employees for personal use in the calendar year 2020, the amount is $50,400 (IRS Notice 2020-05).

Qualified Transportation Fringes

A qualified transportation fringe is not taxable to the employee and includes three items:

- The use of a commuter highway vehicle, which is a vehicle that seats at least 6 and is used at least 80% for transportation between the employee's residence and the university, limited to $265 per month in total with the transit pass.
- Any transit passes allowing the holder to use mass transit facilities or ride in a for-hire commuter vehicle, limited to $265 per month in combination with the use of the commuter highway vehicle.
- Qualified parking, which is parking at or near the university premises or at a location for the use of mass transit facilities, limited to $265 per month.

The employee is allowed to choose between receiving cash or receiving the qualified transportation benefit without being taxed on the fringe benefit, as long as the alternative chosen stays within the dollar limitations.

Refer to IRS Publication 15-B for updated limits.

Airplanes and Charter Flights

The initial question concerning employee flights is whether the purpose of the flight was for business reasons or for personal reasons. The second question is what type of flight was used – University provided/charter flight or a commercial flight. If a University-provided or charter flight was used, the third question to resolve is whether control employees were present. Control employees generally include directors, officers and the top 1% of most highly paid employees. Family members of these employees are also considered control employees.

When a flight is taken for business reasons, if the cost of the flight would be deductible by the employee if paid for personally, it is excluded as a working condition fringe benefit. Examples of such flights include travel between different University locations, attendance at official events, recruitment activities, etc. In addition, if the plane is a University-provided plane, and 50% or more of the regular passenger seating capacity of the plane is filled with employees flying for substantiated business reasons, the value of the flight will not be included in the income of those employees who are flying for personal reasons. This also applies to spouses and dependent children, surviving spouses, and retired/disabled employees.

Any flights taken for personal purposes by an employee must be included in his/her income, except as noted above. In addition, the employee's income will include the value of any flight for which relatives or friends accompanied the employee for personal purposes. If the flight was on a University-provided or charter aircraft, the value of the flight is either the cost of an arm's length charter of the same or a comparable plane for that period for the same or a comparable flight, or determined by a formula detailed in Treasury Regulation 1.61-21(g). This formula must be elected by the employer.

- Regulation 1.61-21(g) states the fair market value of flight on employer-provided aircraft can be determined by multiplying the Standard Industry Fare Level by the appropriate aircraft multiple and then adding the applicable terminal charge.
- The Standard Industry Fare Level is revised semiannually by the Department of Transportation and has three rates; the first applies to the first 500 miles of flight, the second to the next 501 to 1500 miles of flight, and the third to any miles over 1500.
- The terminal charge is also revised semiannually by the Department of Transportation.
- The aircraft multiple increases with the maximum certified takeoff weight of the aircraft and depends on if the employees present are control or non-control employees.