

<b>System-wide Policy: FI0725 - Use of University Vehicles</b>	
<b>Version: 5</b>	<b>Effective Date: 01/05/2018</b>

## FI0725 – Use of University Vehicles

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### Objective:

To provide policies and guidelines on the use of university vehicles maintained by the campus motor pools. While utilizing campus motor pool vehicles, users must observe any policies and procedures developed by a campus motor pool.

### Policy:

#### [Use of University Vehicles](#)

1. To serve the transportation needs of faculty and staff, the university owns and maintains a fleet of various types of motor vehicles for conducting official business. Motor pools and service facilities are maintained at the Chattanooga, Knoxville, Martin, and Memphis campuses and the UT Space Institute. Additionally, third parties may loan vehicles to University Athletics for use by departmental staff to assist in fulfilling their employment responsibilities with the University (i.e., courtesy cars). Reference [FI0705 - Travel](#) for details on non-permissible vehicle types.

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Special procedures are required to ensure compliance with Internal Revenue Service (IRS) guidelines regarding personal use of University-provided vehicles. Per (IRS) Code Section 61, personal use of an employer-provided vehicle is a taxable fringe benefit. The taxable value of the personal use will be treated as taxable income and included in the wages of the employee subject to the applicable withholdings.

The policies in Sections 3 (Assignment of Vehicles) and 6 (Personal Use of University Vehicles) should be followed to ensure that the Payroll Office is appropriately and timely informed of the personal usage of taxable special vehicle assignments for proper inclusion on the employee's Form W-2 and reporting to the IRS.

### Vehicle Use Policy

2. The following policies apply to the use of university vehicles.
  - a. University vehicles may be used only for transportation activities associated with conducting official university business.
  - b. University vehicles may not be used for private business, personal, or recreational purposes. Personal use, however, is allowed for certain employees (see **3** below for special assignments).
  - c. University vehicles may not be driven to or from an employee's home except as authorized in this policy.
  - d. Only authorized drivers may operate university motor vehicles. Authorized drivers are limited to university employees (including student employees), members of the Board of Trustees, and registered volunteers who perform services for the university. (Student employees are authorized provided they are in work status at the time of operation, have departmental approval, and their duties include vehicle operation.) Each campus may have other restrictions, please check with your local campus fleet office.
  - e. Drivers of university vehicles must have a valid driver's license from a U.S. state or territory or an international driver's license. Drivers of university commercial vehicles must have the appropriate license for the class of vehicle as required by the Tennessee Department of Safety.

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- f. Drivers must sign an **ACKNOWLEDGMENT OF POLICIES GOVERNING THE OPERATION OF UNIVERSITY VEHICLES FORM** (see [FI0725-Appendix-A.pdf](#)) before operating a university vehicle. (Departments must retain this form in their files as part of the rental agreement.)
- g. Drivers are responsible for practicing safe driving, protecting university vehicles, following all traffic laws, and for all penalties and fines for traffic and parking violations.
- h. Authorized passengers in university vehicles are limited to university employees, students and guests participating in university activities, and family members who are accompanying the employee on official travel. Non-employees are not permitted to drive university vehicles, except mechanics in the normal course of providing repair services. When family members accompany an employee on official travel, the driver must ensure that the vehicle is used only for transportation in connection with the trip and that no additional expense is incurred for personal use. The Office of Risk Management is able to provide additional insurance coverage information for family members.
- i. Claims for workers' compensation, personal injury, or property damage arising out of an employee's operation of a university vehicle in the course and scope of employment are covered under the Tennessee Claims Commission Act. Report every accident, damage, or theft immediately after the occurrence by completing the [Drivers Report of Vehicle Accident form](#) and forward the report to your campus Transportation Services and the Office of Risk Management. See [FI0135 - Commercial Insurance](#) for additional instructions on reporting accidents and claims. Incidents involving injury to a university employee should be reported immediately in accordance with the university's human resources policy and procedures on workers' compensation ([HR0397 - Worker's Compensation](#)).

### [Assignment of Vehicles](#)

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3. Vehicle assignments are made to departments for an indefinite period or on a trip-by-trip basis, depending upon the transportation needs in accordance with the policy discussed below.
- a. **Assignments for Indefinite Periods.** Assignments for indefinite periods to departments are of two types: custodial and special. Requests for such assignments are made by memorandum and a completed [VEHICLE-ASSIGNMENT-FORM](#) sent to Campus Motor Pool. (Each campus may require a different authorization request form; therefore, departments should check with their respective Campus Motor Pool)
- **Custodial Assignments.** Custodial assignments must be approved by the department head and the campus or unit chief business officers or designee. Employees with such assignments may not drive the vehicles to their home during non-working hours unless they are leaving or returning from an official trip away from their working headquarters or are conducting official business before or after regular working hours. Custodial assignments have the following requirements:
    - A *passenger vehicle* is required for full-time use during regular working hours and remains parked on University property or at the working headquarters overnight or when not in use.
    - A *non-passenger vehicle* such as a maintenance truck or other special use vehicle is required for use during regular working hours and remains parked in a designated area overnight or when not in use.
- b. **Special Assignments.** Special assignments must be approved by the department head or principal investigator, the campus/unit chancellor or designee, and the chief financial officer (or designee.) Employees on special assignment may drive vehicles to and from their home if specified on the [VEHICLE-ASSIGNMENT-FORM](#). (Each campus may require a different

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authorization request form; therefore, departments should check with their respective Campus Motor Pool)

- Special assignments may be made to departments under the following conditions:

1. When certain employees require transportation after normal working hours to perform the duties of their position. This situation is normally limited to the president, vice presidents, chancellors, and general counsel. Other assignments will be considered on a case-by-case basis by the chief financial officer (or designee) upon approval of the campus or unit chief business officer.

**Note:** The university provides vehicles to such administrators to perform their official duties.

**However, personal use is allowed and is considered a taxable fringe benefit.** Individuals who are assigned a vehicle on a 24-hour, 7-day-a-week basis should notify their automobile insurance carrier to properly insure any personal use exposure.

2. When an employee's home is his or her official base of operation or duty station and whose duties require the regular use of a vehicle. **Only de minimis or occasional, infrequent personal use is allowed.**
3. When a department provides public safety, maintenance, or law enforcement services and employees require the regular use of specialized vehicles equipped for these

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functions. **These vehicles are considered qualified non-personal use vehicles and as such the value of commuting is excludable for tax purposes to the employee and recordkeeping is not required.**

4. When an employee's job requires continuous travel in which he or she is in the office a maximum of one day per week. These vehicles must be parked at the duty station on weekends and holidays unless required for official business or the employee is leaving or returning from an official trip away from his or her work headquarters. **Only commuting and de minimis or occasional, infrequent personal use is allowed.**
- c. Certain special assignments may result in additional taxable income to the employee. It is the responsibility of Campus Motor Pools and Athletic Departments to notify the Payroll Office when a department/employee is assigned a Class B-1 or B-4 university vehicle (as defined on UT Vehicle Assignment Request/Authorization Form) or a courtesy vehicle. Campus Motor Pools should forward an executed copy of the [VEHICLE-ASSIGNMENT-FORM](#) to the Payroll Office as assignments are made. (Each campus may require a different authorization request form; therefore, departments should check with their respective Campus Motor Pool.)
- Similarly, Athletics should notify the Payroll Office as courtesy vehicles are assigned to departmental staff (see Personal Use of University Vehicles below for additional information).

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- d. **Trip-by-trip Assignments.** Vehicles needed for all other university work are assigned to departments on a trip-by-trip basis and must be obtained from the motor pools operated by Campus Motor Pool. Employees requesting a motor pool vehicle must complete a UT Department of Transportation Services [FI0725-Appendix-C-Vehicle-Order-Form](#), which must be approved by the department head or principal investigator. (Each campus may require a different authorization request form; therefore, departments should check with their respective Campus Motor Pool)

Normally, motor pool vehicles are picked up on the day the official travel begins and returned on the day the travel ends. Employees may keep vehicles overnight at their home before or after a trip under the following conditions:

- The employee's home is located some distance from the university and such retention would result in substantial savings in time and distance traveled.
- The departure time for the trip is before the normal operating hours of the campus motor pool.
- The return time from a trip is after the normal operating hours of the campus motor pool.

#### Vehicle Use Charges

4. University motor vehicles are rented on a rate per mile or minimum charge basis, whichever is greater. Vehicle rates include fuel and maintenance. UT Knoxville Fleet Management's rates now include unlimited miles and the "per mile" charge has been replaced by a fixed daily/weekly/monthly rate. All fuel purchased with the Fleet Management-provided fuel card will be pass through to the renting department. Fuel is not included in short term rental rates. If vehicles are damaged beyond normal wear and tear due to abuse or negligence by drivers or passengers, departments will be charged for repairs. All payments are made by internal transfer and originated by

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Campus Motor Pool with notifications attached to the IRIS document number.  
Departments receive written notification of the charges following the use of vehicles.

### Vehicle Misuse and Disciplinary Actions

- Misuse of university vehicles by employees may result in disciplinary actions ranging from denial of further vehicle use to disciplinary actions in accordance with [HR0525 - Disciplinary Action](#) on the misuse of university property.

Examples of vehicle misuse are:

- Operating a vehicle in a manner that could lead to personal injury or damage to the vehicle
- Using a university vehicle for personal, private business, or recreational purposes
- Excessive traffic violations

### Personal Use of University Vehicles

- In general, the provision of a University vehicle to an employee is a taxable fringe benefit to the extent that the vehicle is driven by the employee for personal purposes, including commuting. Such personal usage must be documented, valued, and reported as taxable wages on the employee's Form W-2. University vehicles include any vehicles leased, owned or insured by the University. Courtesy cars provided to athletic department coaches and staff are generally treated as University vehicles for tax purposes.

Examples of taxable personal use of university-provided vehicles are:

- Commuting between residence and work station, and vacation, weekend use or use by spouse or dependents.
- The employee goes into his office on the weekend. This is personal commuting, regardless of whether it is required by the University.



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Examples of de minimis nontaxable personal use are:

- Small personal detour while on business, such as driving to lunch while out of the office on business.
  - A stop for a personal errand on the way between a business delivery and the employee's home.
  - Infrequent (not more than one day per month) commuting in University vehicle.
7. The IRS Guidelines for Reporting and Withholding on Taxable Noncash Fringe Benefits (Announcement 85-113) permit employers to elect not to withhold income taxes on the value of an employee's personal use of an employer-provided vehicle. The University has elected not to withhold income tax. However, the value of an employee's personal use of such vehicles is subject to withholding for both components of Social Security (i.e. FICA and Medicare). This election continues until revoked by the University.
8. IRS Regulations contain the following special valuation rules for determining the value of an employee's personal use of an employer-provided vehicle:
- Lease Valuation Rule

Per IRS Regulation 1.61-21(d), an employer may use the IRS's Annual Lease Value (ALV) Table to determine the value of an employee's personal use. The amount reportable to the IRS is the sum of the ALV of the vehicle (determined based on the fair market value (fmv) of the vehicle) and the applicable fuel costs associated with the amount of personal use reported by the employee. The ALV represents the value of an employer-provided vehicle for an entire calendar year, including the fair market value of maintenance and insurance; however, the ALV does not include fuel, which is computed as a separate cost component. If fuel paid for by the University is consumed in connection with personal use, the value of the fuel is considered additional compensation. Gasoline can generally be valued at the actual cost or at 5.5 cents per mile. Courtesy or dealer provided cars are valued using the lease value rule. The ALV is recalculated every four (4) years.

- Commuting Valuation Rule

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Under this rule found in IRS Regulation 1.61-21(f), personal use for commuting can be valued at \$1.50 each way (\$3.00 round trip) if:

- The vehicle is owned or leased by the University;
- The vehicle is provided to the employee for University business use only;
- The University requires the employee to commute in the vehicle for valid non-compensatory business reasons;
- The University has a written policy prohibiting personal use other than commuting;
- Employee does not use the vehicle for other than de minimis personal use; and
- Employee using the vehicle is not a control employee. A “control employee” is (1) an elected official or (2) an employee whose compensation exceeds the compensation for a federal government employee holding a position at Executive Level V. The current annual pay at this level is \$143,500. Instead of using the above definition, a control employee can be defined as any highly compensated employee receiving more than \$105,000 in the preceding year.
- If more than one (1) employee commutes between home and work in a University-owned vehicle, each passenger is charged \$1.50 each way.
- Selection of Valuation Rule

The University may use different rules for different vehicles. The commuting use rule is only available where all the criteria set forth in 8.b. above are met.

Otherwise, the lease valuation rule must be used to value the taxable benefit of an employee’s personal use. Additionally, under the consistency rules contained in the regulations, once a particular valuation rule has been adopted by the University for a vehicle, the rule must be used in all subsequent years in which the vehicle is made available to the employee and/or qualifies for use of the rule. However, if a vehicle fails to qualify under the commuting rule, change to the lease value rule is permitted on the first day the commuting rule is not used.

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9. The fair market value of the vehicle must be established as of the first day on which it is made available to an employee for personal use. Generally, FMV is the amount that would be paid to lease a comparable vehicle. The FMV of a leased vehicle can be obtained from a nationally recognized pricing source that regularly reports new or used automobile retail values, whichever is applicable (e.g. N.A.D.A. Official Used Car Guide (BlueBook)). Alternatively, if the University owns the vehicle, FMV can be the purchase price of the vehicle including title fees. If the University leases the vehicle, the FMV can be the manufacturer's suggested retail price (including sales tax and license fees) less 8%.
10. Adequate records substantiating an employee's business use of an employer-provided automobile must be maintained per IRC Section 274(d). In order to satisfy this requirement, it is recommended that the employee maintains in the vehicle, trip sheets or a [FI0725-Mileage-Log](#) based on odometer readings. In addition to recording the total miles driven, the IRS requires that the number of miles devoted to business use and the date and business purpose of such use be documented at or near the time of use (i.e., on a daily/weekly basis). When such records are maintained, the University is required to report to the IRS only the value of the personal use of the vehicle as taxable wages. If such records are not maintained, the entire value of the employee's use of the vehicle (including both business and personal use) may be considered personal use and must be reported as additional taxable wages to the IRS. Employees must keep mileage logs in accordance with IRS records retention policy (retention period is at least 7 years).
11. Use of a qualified nonpersonal-use vehicle, including commuting, is excludable to the employee; and detailed recordkeeping and substantiation by the employee are not required by the IRS. A qualified nonpersonal-use vehicle is any vehicle that the employee is likely not to use more than minimally for personal purposes because of its design. They include:
  - Clearly marked police and fire vehicles
  - Unmarked vehicles used by law enforcement officers if the use is officially authorized
  - Qualified specialized utility repair trucks
  - An ambulance

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- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds
- Delivery trucks with seating for the driver only, or the driver plus a folding jump seat
- Passenger bus with a seating capacity of at least 20
- Construction or specially designed work vehicles (i.e., bucket trucks, dump trucks, cement mixers, forklifts, garbage trucks)
- School buses
- Tractors, combines and other special-purpose farm vehicles

Additionally, the following vehicles are exempt from the detailed recordkeeping requirements:

- Vehicles not used for personal purposes – Exemption that is applicable only where all personal use is strictly prohibited.
  - Vehicles not used for personal purposes other than commuting (\$1.50 each way/\$3.00 round trip) – Exemption that is applicable only where all personal use other than commuting is strictly prohibited. An employee commuting statement is required to adequately determine the taxable benefit.
12. The Payroll Office is required by IRS regulations to notify an employee, within 30 days of the date the University provides a vehicle to the employee, of the valuation method to be used in determining the taxable benefit to the employee, the applicable recordkeeping requirements and the tax consequences of the failure to comply with those requirements, and the election not to withhold income taxes.
13. Quarterly, the Payroll Office solicits mileage statements from employees who have been issued special assignment vehicles or courtesy cars. The employee should send a copy of his/her signed personal usage statement to the Payroll Office, while retaining the original statement and the mileage log. Payroll will calculate and include the amount of personal usage of the vehicle in gross wages on the employee's annual W-2. All applicable FICA and Medicare taxes will be withheld from the employee's yearly earnings. **Failure to provide a personal usage statement to substantiate the business**

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use of the vehicle will result in 100% of the annual value of the vehicle reported as additional taxable income subject to Social Security tax withholding.

Consult campus procedures statements for instructions on obtaining vehicles and additional information on Campus Motor Pool operations.

### References

- Internal Revenue Service Publication [Taxable Fringe Benefit Guide](#)

Announcement 85-113, Guidelines for Reporting and Withholding on Taxable Non-cash Fringe Benefits

### **PROCEDURES:**

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

### **FORMS:**

- [FI0725-Appendix-A.pdf](#)
- [FI0725-Appendix-C-Vehicle-Order-Form](#)
- [FI0725-Mileage-Log](#)
- [UT Vehicle Assignment Request/Authorization Form](#)
- [FI0725-VEHICLE-USE-PROCESS-STREAM](#)

### **FOR MORE INFORMATION:**

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