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PayDay

The IRS requires that an employer calculate and report an employee's personal use of a company vehicle as taxable income to the employee. The "personal use income" is subject to FICA and Medicare taxes, with income tax withholdings being optional. The employee's annual W-2 form should include the "personal use income" on his/her annual W-2 form.

AccuPay Payroll has always assisted employers in calculating the "personal use income" for employees who drive company vehicles. We have updated and revised our calculation worksheets, which we will be mailing to all our clients within the next week. The "calculation period" runs November 1, 2007 - October 31, 2008 to enable an employer to calculate the income amount and process the income and related tax withholdings into payroll by the end of the year.

NOTE - Correctly calculating and reporting the "personal use income" is required by law and also benefits the employer in the event of an income tax audit. Our experience with IRS audits is that deductions for vehicle expenses

are not as vigorously reviewed and audited if the employer has reported "personal use income" to employees, including the owners.

AccuPay's CPP/CPA teams would be pleased to assist you with the vehicle personal use income calculations and processing payroll for them - call us at 885-7600!

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.

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