

WORKSHEET FOR COMPUTING ADDITIONAL COMPENSATION RESULTING  
FROM PERSONAL USE OF A COMPANY AUTOMOBILE

**The following must be answered by the employer:**

COMPUTATION OF ADDITIONAL COMPENSATION (check applicable method)

I. COMMUTING VALUATION METHOD<sup>1</sup> – The vehicle must be owned or leased by the employer. 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 vehicle for personal purposes, other than for commuting or de minimis personal use. This method is not available for any director; 1% or more shareholders; a board- or shareholder-appointed, confirmed, or elected officer of the employer whose compensation equals or exceeds \$135,000; or an employee whose compensation exceeds \$275,000. For a government employer, for this purpose, the term *employee* does not include an elected official or a government employee whose compensation equals or exceeds the compensation paid to a federal government employee holding an Executive Level V position (\$180,000 for 2024)<sup>2</sup>.

$$\frac{\text{Days commuting}}{\text{Days commuting}} \times \$3.00 (\$1.50 \text{ per one-way commute}) = \$ \frac{\text{Additional Compensation}}{\text{Additional Compensation}}$$

II. ANNUAL LEASE VALUE METHOD<sup>3</sup> – method available to any employee. It utilizes the annual lease value table and holds that the FMV is that at the time made available to any employee or at January 1 following the end of a 4 calendar year period. Once adopted, you must continue to use this method for the vehicle. This method can only be adopted in the first period during which the vehicle is available for use to any employee, except that the employer may change to the commuting value method if the use of the automobile no longer qualifies. *The FMV is redetermined at January 1 (or the beginning of special accounting period) of the fifth full calendar tax year based on the FMV at that time. Also, the FMV may be redetermined on January 1 of the year of transfer (or the beginning of special accounting period) if the vehicle is transferred to another employee.*

\$ \_\_\_\_\_  
Fair Market Value at the original acquisition date or January 1 subsequent to the deemed 4 year lease term

$$\frac{\$ \text{ IRS Annual Lease Value}}{\text{Business Months In Use}} \times \left( \frac{\text{Business Months}}{12} \right) \times \frac{\text{Annual Personal Use Percentage (\%)}}{\text{Annual Personal Use Percentage (\%)}} = \$ \text{ (A)}$$

**If Employer Pays for Gas:**

$$\frac{\text{Personal Miles on Company-paid Gas}}{\text{Personal Miles on Company-paid Gas}} \times 5.50\text{¢} = \$ \text{ (B)}$$

**Additional Compensation (A+B) \$ \_\_\_\_\_**

<sup>1</sup> Federal Regulation § 1.61-21(f)  
<sup>2</sup> Federal Regulation § 1.61-21(f)(6)  
<sup>3</sup> Federal Regulation § 1.61-21(d)(2)(iii)

Annual Lease Value Table

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

For automobiles having a fair market value in excess of \$59,999, the Annual Lease Value is equal to (.25 x fair market value of the automobile) + \$500.<sup>5</sup>

III. GENERAL VALUATION METHOD<sup>6</sup> – as determined on the basis of all facts and circumstances. This method is available to any employee. Burden of proof rests with taxpayer.

|                                      |                 |     |
|--------------------------------------|-----------------|-----|
| Cost to buy or lease comparable auto | _____           | (A) |
| Insurance                            | _____           | (B) |
| Maintenance                          | _____           | (C) |
| Fuel                                 | _____           | (D) |
| Total cost (A+B+C+D)                 | _____           | (E) |
| Personal use percentage              | _____           | (F) |
| <b>Additional Compensation (ExF)</b> | <b>\$ _____</b> |     |

<sup>4</sup> Federal Regulation 1.61-21(d)(2)(iii)

<sup>5</sup> Federal Regulation § 1.61-21(f).

<sup>6</sup> Federal Regulation § 1.61-21(b)

IV. CENTS PER MILE METHOD<sup>7</sup> – only available if all of the following statements are correct.

- \_\_\_ Vehicle is regularly used in trade or business throughout the calendar year
- \_\_\_ Total business and personal miles driven are at least 10,000 per year (Safe Harbor is 50% Business Use if less than 10,000 miles)
- \_\_\_ Vehicle is primarily used by employee (not family members)
- \_\_\_ Fair market value of auto does not exceed \$60,800 for automobiles when first made available to any employee

Personal miles \_\_\_\_\_ X 67¢ = \$ \_\_\_\_\_ **Additional Compensation**  
 (If employer does not pay for gas, use 61.50¢)

This method can only be adopted in the first period during which the vehicle is available for use with the exception of the commuting value method, which may be used prior to the change. Once adopted, you must continue to use this method for the vehicle, unless it no longer qualifies.

**SUMMARY**

Additional compensation to include on employee's W-2 Statement is \$ \_\_\_\_\_

Additional Social Security tax to withhold from employee's salary is:

\_\_\_\_\_ X 6.20% = \$ \_\_\_\_\_  
 Additional Compensation Social Security Rate  
 (Only withhold social security on wages up to \$127,200.  
 No withholding if year-end wages exceed this amount.)

Additional Medicare tax to withhold from employee's salary is:

\_\_\_\_\_ X 1.45% = \$ \_\_\_\_\_  
 Additional Compensation Medicare Rate

Additional Medicare tax to withhold from employee's salary in excess of \$200,000 is:

\_\_\_\_\_ X 0.9% = \$ \_\_\_\_\_  
 Additional Compensation Medicare Rate  
 (Amount In Excess of \$200,000)

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**Example #1**

Employee A has a base salary of \$205,000.

Employee A has \$10,000 of additional compensation due to personal use of auto

Calculation:

Social Security withholding: \$10,000 x 6.20% = \$0.00 (Wages exceed \$160,200 limit)

Medicare withholding: \$10,000 x 1.45% = \$145.00

Additional Medicare withholding: \$5,000 x 0.90% = \$45.00

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<sup>7</sup> Federal Regulation § 1.61-21(e)

**Example #2**

Employee A has a base salary of \$100,000

Employee A has \$10,000 of additional compensation due to personal use of auto

Calculation:

Social Security withholding:  $\$10,000 \times 6.20\% = \$620.00$

Medicare withholding:  $\$10,000 \times 1.45\% = \$145.00$

Additional Medicare withholding:  $\$0 \times 0.90\% = \$0.00$