

Automobile Allowances

Your employee's W-2 Form must include any excess reimbursements for automobile expenses. **New for 2018**, employees cannot deduct any expenses in excess of the reimbursement on their individual income tax return, so having an accountable reimbursement plan is even more beneficial for the employee and employer.

Current IRS rules require documentation by employees when receiving automobile allowances. They must document the business usage of their automobile. This does not mean they have to submit receipts; but, it does require completed documentation such as the attached form. The Company is not required to audit expenses. The employee may document the business miles only (Method 1) or report actual expenses (Method 2).

The period of expenses and allowances may cover November 1, 2017 to October 31, 2018. This period, allowed by IRS regulations, gives the company time to review the information and include any excess allowances on W-2's.

If employees do not have enough expenses to meet or exceed the allowances received, or if they choose not to complete this form, the excess of allowances over substantiated expenses should be returned to the employer or it will be included on their W-2 Form and is subject to Federal, State, FICA, and Medicare taxes.

If you have any questions regarding this procedure, please let us know.

Information provided is for educational purposes only, and is not construed as legal, accounting or other professional advice.

Employee Automobile Expense Recap Sheet

Method 1

(A) Total Business Miles			
(B) IRS Mileage Rate (.545¢)		x	.545
(C) Business Expense (A x B)	Total Method 1		_____

Method 2

Actual Expenses			
Depreciation (if employee is depreciating the car)			_____
Lease Payment	_____		_____
Less IRS Excess Lease Amount	_____		_____
Gasoline and Oil			_____
Routine Maintenance			_____
Repairs			_____
License			_____
Insurance			_____
(A) TOTAL			_____
(B) Business Miles	_____		
(C) Total Miles	_____		
(D) Percentage (B ÷ C)		x	_____
(E) Business Expense (D x A)	Total Method 2		_____
Employer Automobile Allowance			(_____)
Excess to be returned to employer or included in compensation (Greater of method 1 or 2 less employer automobile allowance)			_____

I have supporting documentation for the amount, time, use and business purpose of the above expenses and will supply them if requested.

Employee Signature _____

Date _____