

Hot Topics

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- **IRS Update: Driving State Vehicles Home**

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HR Update

FY04 • Issue 3
June 16, 2004

Director's message:

Thank you for the feedback on Issue 2 of the HR Update. If you have any suggestions about how to improve HR Update, or topics you think should be addressed, please contact me (Dianne_Corso@admin.state.ak.us) or Amanda Holland, the Statewide Planning and Research Group Leader (Amanda_Holland@admin.state.ak.us).

State ID Cards (Director's Office)

As stated in the last HR Update, the Division of Motor Vehicles (DMV) has begun converting to a digital licensing system. Here is the latest news DOP has received:

ANCHORAGE. Employees in the Anchorage area can obtain state ID cards at the Midtown location. The available hours are Tuesday – Friday from 10 AM to 4 PM. The Midtown office is located at 3300 Fairbanks Street across the parking lot from the Department of Labor and one block west of the Moose's Tooth restaurant.

DMV is in the process of providing a digital solution for issuing State ID cards in offices with the digital system. In the meantime, until offices are converted to the digital system, they may still be able to provide the old State ID cards. The tentative implementation schedule statewide is provided on page 2 of the HR Update.

Non Perm Extensions (Management Services)

The Management Services Consulting teams have been working with department division directors to identify which non permanent positions need to be extended beyond the end of FY04; June 30, 2004. Approved extensions will be processed in the Technical Service Centers next week. Please contact your Management Services Consultant if you have questions or need assistance.

LOA Extensions (Management Services)

The Division of Labor Relations will be issuing a blanket extension on all current letters of agreement. The blanket extension includes alternate workweek agreements as well as agreements covering other topics. If you are aware of Letters of Agreement that should not be extended, please contact your management services representative as soon as possible.

Ordering Leave Slips (Administrative Support)

The Division of General Services will be transferring the responsibility for leave slip purchasing, storage and distribution to the Division of Personnel in July 2004. DOP is

working with DGS to establish the new leave slip ordering process.

Please continue to order leave slips using the current process until the transfer takes place in July. Look for more detailed information including a description of the ordering process and the effective date of the transfer in the next issue of HR Update.

Driving State Vehicles Home has Tax Consequences for Employees (Division of Finance)

The State is changing its practices to comply with IRS regulations that regard commuting between the employee's home and work as personal use of a state vehicle and a taxable benefit to the employee. This is true regardless of whether the employer directs the employee to take the vehicle home.

The policy and procedures that govern the use of state vehicles are DOTPF Policy and Procedure Number 11.04.010. The Division of Finance and DOTPF State Equipment Fleet staff have been working together to revise the vehicle policy to ensure compliance with the IRS regulations and documentation regarding this fringe benefit. The policy is currently under review and expected to be released on July 1st. DOTPF policies are available on their web page at www.dot.state.ak.us. This procedure includes the rules for state vehicle use,

outlines required approvals, defines exempted vehicles, and also includes a log for reporting purposes.

The IRS regulations require that "adequate records or sufficient evidence" to support claimed business use of employer provided vehicles must be maintained. The state utilizes the commuter value rule for calculating the taxable income. This method requires maintenance of a log or record of the number of commuting trips made during the year. The log in the vehicle policy was developed to substantiate business use by summarizing personal use commuting trips.

Written records made at or near the time of use are less refutable by the IRS than oral substantiation. Failure to maintain adequate records may result in the full value of the vehicle being reported as taxable income on the employee's W-2. This is a higher valuation method and will result in greater tax consequences. Thus, it is beneficial to the commuting employee to maintain adequate records to allow utilization of the commuter value rule.

The commuting valuation rule values the personal use at a flat rate for each commute, \$1.50 one way or \$3.00 round trip. This rule can be used if logs are maintained and all the following conditions are met:

- (1) the vehicle is used in the employer's business;
- (2) the employer requires the employee to commute to and from work in the vehicle;
- (3) the employer has a written policy prohibiting personal use other than commuting and de-minimis personal use;
- (4) the employee, except for de-minimis personal use, does not use the vehicle for any personal purpose other than commuting; and
- (5) the employee's compensation is less than \$128,200.

Monthly, the employee must complete employee personal use commuter log in

DOTPF Policy and Procedure 11.04.010 and submit it to the department vehicle manager, who sends it to the technical services group for entry into the payroll system. If the form is not submitted, the state has no other alternative than to utilize the lease value rule for employees who drive state vehicles between work and home. If the employee cannot substantiate the amount of personal versus business use incurred, the total lease value of the vehicle will be considered the fringe benefit received and reported as compensation on the employee's W-2.

If you have any questions or require clarification of this information, please contact Lisa Pusich, State Accountant.

Computer Training Rooms (Administrative Support)

The Division of Personnel computer training rooms in Anchorage and Juneau will continue to be available to other divisions and departments in FY 2005. Effective July 1, 2004, users will be charged a rental rate for use of the rooms. An administrative staff employee in DOP will handle the reservation and billing process. HR Update will provide more information as it becomes available.

Classification Studies (Classification)

Classification studies that have been completed since October 2003 include:

- Airport Screening Officer
- AMYA Manager
- Business Registration Examiner
- Chief of Worker's Comp Adjudication
- Disability Hearing Officer
- Process Coordinator, Regulatory Commission of Alaska
- Public Safety Technician
- Recorder Technician & Supervisor
- Records & Licensing Supervisor

State ID Cards, cont.

LOCATION	DATE
Eagle River	Converted
Matsu	06/04/04
Fairbanks	06/04/04
Anderson	06/09/04
Delta	06/10/04
Tok	06/11/04
Valdez	06/14/04
Glennallen	06/16/04
Juneau	06/21/04
Haines	06/22/04
Ketchikan	06/23/04
Sitka	06/24/04
Skagway	06/25/04
Soldotna	06/28/04
Homer	06/29/04
Seward	06/30/04
Kodiak	07/01/04
Barrow	07/20/04
King Salmon	07/27/04
Unalaska	07/28/04
Kotzebue	08/03/04
Nome	08/04/04
Bethel	08/05/04
Cordova	08/09/04
Craig	08/10/04
Petersburg DL	08/11/04
Wrangell	08/12/04
Dillingham	08/16/04
Benson	Converted
Midtown	Converted

This is a proposed schedule. HR Update will keep you informed as we become aware of changes.

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HR Update Newsletters

<http://dop.state.ak.us/index.php?id=118>