

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Category:	Administration	Policy # 85-2
Title:	Use of District Owned Vehicles	

PURPOSE

It is the policy of the Board of Directors of Rancho Murieta Community Services District that:

- 1) District owned vehicles provided to Rancho Murieta Community Services District employees in connection with employment by CSD shall be used for CSD business and not for personal purposes, other than commuting or de minimis personal use (such as a stop for a personal errand between a business delivery and the employee's residence);
- 2) In those instances where vehicle use is authorized for commuting to and from work, such authorized use is for bona fide non-compensatory business reasons;
- 3) Use of a CSD owned vehicle for commuting shall be reflected by including an appropriate amount (per Treasury regulations) in the employee's gross income. Such use of the vehicle shall be verified by the employee;

Quotation from Congressional Record - House (H-2888) Dated May 7, 1985.

"The second type of written policy statement that will satisfy the employer's substantiation requirements under section 274(d) is a policy that prohibits personal use by the employee, except for commuting. In order to be eligible for this rule, all of the following conditions must be met-

- 1) The vehicle is owned or leased by the employer and is provided to one or more employees for use in connection with the employer's trade or business and is used in the employer's trade or business;
- 2) For bona fide noncompensatory business reasons, the employer requires the employee to commute to and/or from work in the vehicle;
- 3) The employer established a written policy under which the employee may not use the vehicle for personal purposes, other than commuting or de minimis personal use (such as a stop for a personal errand between a business delivery and the employee's home);
- 4) The employer reasonably believes that, except for a de minimis use, the employee does not use the vehicle for any personal purpose other than commuting;
- 5) The employer accounts for the commuting use by including an appropriate amount (specified in Treasury regulations) in the employee's gross income; (7) and
- 6) There must be evidence that would enable the Internal Revenue Service to determine whether the use of the vehicle met the five preceding conditions.

This second type of written policy statement is not available if the employee using the vehicle for commuting is an officer or one-percent owner of the employer.(8)

Tax return questions

The conference agreement generally follows the House Bill as to information to be requested on tax returns about business use of vehicles and other listed property.

The conferees want to ensure that taxpayers claim only the deductions and credits to which they are entitled, but without being unduly burdened by unnecessarily complex recordkeeping requirements. At the same time, the conferees believe that taxpayers should provide sufficient information on their returns so that the Internal Revenue Service can make a preliminary evaluation of the appropriateness of the taxpayer's claimed deductions. Previously, the Internal Revenue Service found it difficult to make such a preliminary evaluation without auditing the taxpayer, which can also be a significant burden on the taxpayer.

Therefore, the conferees intend that individual taxpayers (whether employees or self-employed) claiming deductions or credits for business use of an automobile or other listed property subject to the substantiation standards of section 274(d) are to provide on their returns the substance of the information (generally on appropriate existing tax forms) called for by all the questions as set forth in the House report on the bill.(9) Corporate taxpayers, as well as all other taxpayers and entities, claiming such deductions or credits also are to be asked to supply such information on the forms or schedules they are required to file.

The conferees have carefully considered the fact that furnishing additional tax return information, although involving only a limited number of questions, required some additional effort by taxpayers. However, the conferees note that computations involved with respect to vehicles (such as mileage and percentage of business use) normally would be made by taxpayers in the process of determining the proper amount of deductions and credits to claim, and that other information can be obtained through "yes" or "no" questions. Accordingly, to achieve better compliance and more accurate computations, the conference agreement directs the Internal Revenue Service to obtain this information on appropriate tax forms or schedules, notwithstanding any otherwise applicable paperwork reduction considerations.

The conferees intend that employees give this return information to their employers with respect to employer-provided vehicles. Generally, the employer would report this information on its tax return, since the employer is claiming the tax deductions or credits for use of the vehicle. An employer which provides more than five cars to its employees, however, would not have to include all this information on the employer's return; instead, such an employer must obtain this information from its employees, must so indicate on its return, and must retain the information received. The Internal Revenue Service could then, examine or audit the information that the employees had provided to the employer. An employer may rely on such a statement from its employee (unless the employer knows or has reason to know it is false) to determine the credits and deductions to which the employer is entitled and to determine the amount if any, which must be included in employee's income and wages by the employer because of the employee's commuting or other personal use of the employer-provided car.

Effective Dates

The modification to the substantiating standards of section 274(d) that provides that taxpayers must substantiate deductions or credits subject to that provision by adequate records or sufficient evidence corroborating their own statement is effective January 1, 1985.

Use of listed property that was not subject to section 274(d) substantiation rules prior to the 1984 Act (such as local travel in an automobile or use of computers) is subject to the section 274(d) substantiation requirement effective January 1, 1986. (10) For 1985 use of such listed property is not subject to the special substantiation standards under section 274(d).

The tax return information (described above) must be requested on returns for taxable years beginning in 1985 (i.e., in the case of most individuals, returns which must be filed by April 15, 1986.)

3. Repeal of regulations

Present Law

The Internal Revenue Service has issued temporary regulations implementing the recordkeeping provisions of section 179(b) of the 1984 Act.

House Bill

The House Bill repeals all Treasury regulations (temporary or proposed) issued prior to the enactment of this House bill that carry out the amendments made by section 179((b)) of the Tax Reform Act of 1984. Thus, such regulations issued to implement the changes to section 274(d) made by that act particularly the inclusion in that section of the word "contemporaneous," are revoked. (11) In addition, any regulations relating to the return preparer provision and the special negligence penalty (described above) are revoked. (12) These revoked regulations are to have no force and effect whatsoever.

(7) Of course, if in fact the employee uses the vehicle for personal purposes in violation of the particular type of written policy statement, the employee has additional gross income.

(8) This restriction, which makes this rule inapplicable to officers or one-percent owners, applies for substantiation purposes under the conference agreement. The treatment of commuting use of vehicles by such persons for valuation purposes is to be determined separately under Treasury regulations. No inference is intended, on the basis of the exclusion of officers and one-percent owners from eligibility under this substantiation rule, as to the treatment of commuting use of vehicles by such persons under valuation rules prescribed by Treasury regulations.

(9) In the case of a vehicle, the information required to be requested on the tax return relates to mileage (total business, commuting, and other personal), percentage of business use, date placed in service, use of other vehicles and after-work use, whether the taxpayer has evidence to support the business use claimed on the return, and whether or not the evidence is written. In the case of other listed property subject to the section 274(d) rules, information should be requested in connection with appropriate tax forms or schedules as to type of property (e.g., yacht, computer, airplane, etc.), percentage of business use, whether the taxpayer has written evidence to support the business use claimed on the return, and whether or not the evidence is written. Under the conference agreement, the Internal Revenue Service is not required to request on returns the specific question relating to computers set forth as question 2 on page 10 of the committee report on the House Bill.

(10) This January 1, 1986 effective date applies only to the extent that use of listed property was first made subject to the substantiation standards of section 274(d) by the 1984 Act. Deduction for expenses or items that were

subject to the section 274(d) substantiation standards prior to the 1984 Act (such as use of an automobile for travel away from home or use of a yacht that is an entertainment, recreation, or amusement facility) remain subject to the section 274(d) substantiation standards for all taxable years ending after December 31, 1962.

(11) Also, the provisions of the temporary regulations that prohibit an employer from including the entire value of the use of an automobile in the income of certain employees are revoked. Thus, an employer is permitted to charge the entire value of an employer-provided car to an employee as income and wages (for income tax, FICA, FUTA, and RRTA withholding purposes). The employer may then reimburse the employee for the business use of the car, or the employee may claim a deduction on the employee's income tax return for the business use of the car.

(12) The bill only revokes such regulations (issued prior to enactment) carrying out such amendment made by sections 179(b) (1) (C), (2), and (3) of the 1984 Act. Thus, the bill does not revoke any other regulations, such as regulations issued under sections 61 and 132 (relating to valuation).

Approved by CSD Board of Directors	August 14, 1985
---	-----------------