

## Agency Guidance to Employees on Determining Value of the Personal Use of Employer-Provided Chauffeur Services

- The fair market value (FMV) of chauffeur services is determined separately from the value of the employer-provided vehicle. It may be determined under the general valuation rules (arms-length transaction) or by reference to the compensation received by the chauffeur from the employer. In determining the applicable FMV, the amount of time, if any, the chauffeur remains on-call to perform chauffeur services must be included. For example, assume that employee A needs a chauffeur to be on-call to provide services to A during a twenty-four hour period. If during that twenty-four hour period, the chauffeur actually drives A for only six hours, the FMV of the chauffeur services would be determined by multiplying the FMV by a fraction whose numerator is the sum of the hours spent by the chauffeur actually providing personal driving services and the hours spent by the chauffeur in personal on-call time, and whose denominator is all hours the chauffeur spends in driving services of any kind, including hours that are spent on-call.

- The fair market value of the chauffeur services may be determined by reference to the compensation as defined in IRS section 415(c)(3) (roughly taxable compensation plus elective deferrals) and the fair market value of nontaxable lodging (if any) provided by the State to the chauffeur in the current year.

- If a vehicle is chauffeur-driven, the commuting valuation rule cannot be used to value the commuting use of any person (other than the chauffeur) who rides in the vehicle. An individual will not be considered a chauffeur if he or she performs non-driving services for the employer, is not available to perform driving services while performing such other services and whose only driving services consist of driving a vehicle used for commuting by other employees of the employer. This simply means that the other methods of calculating the personal value of employer-provided vehicles should be used by the chauffeur.

This information is taken from IRS Regulations section 1.61-21(b)(5).