

Attachment 2

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 (as defined below) 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 have to be the value of having a chauffeur on-call for a twenty-four hour period.
- Compensation received by the chauffeur from the employer means compensation as defined in IRC section 414(q)(7) (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.
- To determine the fair market value for personal use of chauffeur services, multiply the fair market value of chauffeur services, as determined in the first bullet above, by a fraction, the numerator of which is equal to the sum of the hours spent by the chauffeur actually providing personal driving services to the employee and the hours spent by the chauffeur in “personal on-call time”, and the denominator of which is equal to all hours the chauffeur spends in driving services of any kind paid for by the employer, including all hours that are “on-call”.

This information is taken from Treasury Regulations section 1.61-21(b)(5), which provides additional information and examples.