



December 2016

YEAR END PAYROLL NEWSLETTER

As we approach the end of 2016, it is time to prepare for the upcoming tax season. This document is not intended to be a complete guide to payroll, but we hope it will serve as a guideline and will help you understand how to reflect those changes which may apply to your company.

TAX LAW UPDATES

Accelerated W-2 Filing Deadline

The IRS would like to remind employers and small businesses of the new January 31 filing deadline for Forms W-2 and certain Forms 1099-MISC, whether filing on paper or electronically. In the past, employers typically had until the end of February if filing by paper, or the end of March if filing electronically, to submit their governmental copies.

This new filing deadline is part of the Protecting Americans from Tax Hikes (PATH) Act that was enacted last December. The accelerated filing deadline is aimed at making it easier for the IRS to detect and prevent fraudulent returns. In addition to the accelerated filing deadline, the PATH Act also requires the IRS to hold the refund for any tax return claiming either the Earned Income Tax (EITC) or Additional Child Tax Credit (ACTC) until February 15th. The IRS will hold the entire refund, not just the portion related to the EITC or ACTC.

Due to the accelerated filing deadline imposed by the PATH Act, we must receive your completed information for Forms W-2 and Forms 1099-MISC by January 16, 2017 to ensure adequate time for processing. Any information received after January 16, 2017 cannot be guaranteed for completion by January 31, 2017.

Corrected Forms W-2 Not Required for De Minimis Errors

The PATH Act provides a “safe-harbor” from penalties for failure to file a correct information return or payee statement if it includes a de minimis error. For withholding, the safe harbor for any single amount is \$25. For other errors, the threshold for any single amount is \$100. However, the recipient of the W-2 or 1099 may elect to have a corrected form furnished.

Affordable Care Act (ACA) – Employer Shared Responsibility (ESR) Provisions

Mandatory effective for tax year 2016, employers employing at least a certain number of employees, referred to as “applicable large employer” or ALE, will be subject to the Employer Shared Responsibility (ESR) provisions. If you employ over 100 full-time or full-time equivalent (average of 30 hours per week) employees, you were subject to these provisions beginning January 1, 2015. **Employers that sponsor a self-insured health plan are also subject to reporting requirements.**

Under the ESR provisions, if these ALE's do not offer affordable health coverage that provides a minimum level of coverage to their full-time employees and their dependents, the employer may be subject to an ESR payment if at least one of its full-time employees receives a premium assistance tax credit for purchasing individual coverage on one of the new Affordable Insurance Exchanges.

All ALE's must issue Form 1095-C to each full-time employee reflecting all health care information for that employee by January 31. A copy of all Form 1095-C's are transmitted to the IRS with Form 1094-C and that due date is February 28, 2017. These reports will certify that the employer meets all the requirements. Penalties for failure to file and/or furnish correct ACA information returns have now increased to \$250 per return.

There are hundreds of pages of regulations related to the ESR provision and thirteen pages of instructions for completing the 1094-C and 1095-C, so the above is a synopsis of just the basics. We urge you to contact us for additional information if the ESR provisions apply to you as an employer.

Update: On November 18, 2016, the IRS issued Notice 2016-70, which extends the due date for certain 2016 information reporting requirements under the Affordable Care Act (ACA). The Notice provides an automatic extension of the deadline for furnishing applicable ACA forms to individuals. Specifically, the Notice extends the deadline for furnishing to individuals the 2016 Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*, from January 31, 2017 to March 2, 2017. The IRS likewise extended the due date for the 2016 Form 1095-B, *Health Coverage* from January 31, 2017 to March 2, 2017. Notice 2016-70 indicates that the Department of Treasury and the IRS determined that a substantial number of employers, insurers, and other providers of Minimum Essential Coverage need additional time to gather and analyze the information necessary to prepare the 2016 Forms 1095-C and 1095-B to be furnished to individuals.

Cafeteria Plans and Flexible Benefit Plans for Business Owners

The terms "cafeteria plans" and "flexible benefit plans" are used interchangeably to refer to a "menu" from which employees may select various benefit options. In 2007, the IRS issued comprehensive proposed regulations on cafeteria plans, replacing all previous regulations issued since 1984.

The proposed regulations provide that a cafeteria plan is a separate written plan that complies with the requirements of Section 125. Participants must be permitted to choose among at least one permitted taxable benefit (e.g., salary reduction) and at least one qualified (nontaxable) benefit. Participants must be employees, but a spouse or dependents may receive benefits as well.

Self-employed individuals are not treated as employees for purposes of Section 125. Accordingly, sole proprietors, partners and 2% shareholders of an S Corporation are not eligible employee participants of cafeteria plans.

Cafeteria Plan Changes under ACA

Generally, health insurance purchased through a state insurance marketplace is not a qualified benefit that may be offered through a cafeteria plan. However certain qualified employers can use cafeteria plans to pay premiums for company coverage purchased through Small Business Health Options Program (SHOP) Marketplaces.

The IRS has issued guidance expanding the permitted election rules for health coverage under a Section 125 cafeteria plan. Effective September 18, 2014, Notice 2014-55 now permits a cafeteria plan to allow an employee to revoke their election of coverage during a period of coverage (plan year) in order to purchase a qualified health plan (QHP) through a competitive marketplace established under the ACA, commonly referred to as an Exchange or Marketplace. There are two situations which may apply.

- The first situation involves a participating employee whose hours of service are reduced so that the employee is expected to average less than 30 hours of service per week, but for whom the reduction does not affect the eligibility for coverage under the employer’s group health plan.
- The second situation involves an employee participating in an employer’s group health plan who would like to cease coverage under the group plan and purchase coverage through a Marketplace without that resulting either in a period of duplicate coverage or no coverage.

W-2 Reporting of Cost of Employer-Provided Health Coverage

Presently, an employer is not subject to the reporting requirement for any calendar year if the employer was required to file fewer than 250 Forms W-2 in the preceding calendar year. However, any employer may choose to report this information voluntarily.

The total cost of employer-sponsored health insurance should be reported on the 2015 Form W-2 in Box 12, using Code DD. The amount reported should include both the portion paid by the employer and the portion paid by the employee. If you have questions as to what should be included, please contact us for further details.

2017 Wage Bases

Social security (OASDI) wage base	\$ 127,200
Federal unemployment wage base	\$ 7,000
Indiana unemployment wage base	\$ 9,500
Michigan unemployment wage base	\$ 9,500 or \$9,000 for non-delinquent contributing employers

Indiana Income Tax Rate

Effective January 1, 2017, the Indiana income tax rate will be reduced to 3.23% from 3.3%. These reductions will also affect the supplemental wage tax rates.

All Indiana counties now have their own county tax rates. Indiana residents must pay county taxes based on where they live on January 1 of each year. A new WH-4 must be completed if their residency changes during the year so that their withholding can be changed on January 1 of the following year.

IMPORTANT REMINDERS

- If the amount of the **health insurance premiums paid on behalf of a 2% or greater shareholder** is not reported as wages on the W-2, an “above the line” adjustment will not be allowed on the shareholder’s personal tax return. Please refer to the fringe benefit section of this letter for further details on how this should be reported.
- Any **adjustments that need to be made to an employee’s wages for taxable fringe benefits** should be entered prior to processing the last regular payroll of the year so that the applicable taxes can be withheld or adjusted accordingly. Failure to do so will result in the employer paying the taxes and the need to include this additional income to the employee. Please refer to the “gross-up calculation” later in this letter for details.

- The **retirement plan checkbox in Box 13 of Form W-2** should be checked if the employee was an active participant for any part of the year in a qualified retirement plan. Do not mark this box if the employee is eligible to contribute but elects not to contribute any money in the current tax year. Different rules are applied depending upon whether the retirement plan is a defined benefit or a defined contribution plan. If you have questions, please consult us for clarification. This is a common error on a W-2 and can affect the deductibility of an employee's traditional IRA contributions.
- Early in December, request that **employees review their W-4 status**. W-4's remain in effect from year to year until a new form is submitted by the employee. The end of the calendar year is a good time to remind them to review their W-4 to make sure the information is accurate and the amount they want withheld for federal income taxes is accurate. Remind employees claiming exempt status that they must file a new Form W-4 by February 15, 2017, in order to maintain their exempt status. Any employees receiving advance earned income credit should be reminded that their Form W-5 expires on December 31. A new Form W-5 must be filed each year if they wish to continue to receive the advanced portion of this credit.
- Early in December, **request that employees review their name, address and social security numbers for accuracy**. A suggestion would be to prepare a short memo with this request and provide the current information you have for them in your payroll records. Request that they make any necessary changes, sign the memo and return it to you. Remind employees to report any name changes due to marriage, divorce, etc. to the Social Security Administration (SSA) first. After they receive a new social security card and present it to you, then you can change your records to reflect their new name. If Form W-2 does not contain the employee's correct name or social security number, the IRS may penalize the employer \$1,000 for each incorrect W-2.

FRINGE BENEFITS

What checks have you written to your employees? This is a good place to start when determining if there will need to be year-end adjustments made to their W-2's. IRS regulations define gross income as "all income from whatever source derived, including (but not limited to) compensation for services, including fees, commissions, fringe benefits and similar items". Regulations further explain that "gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property or services. There is no dollar limit on de minimis fringe benefits.

IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, provides a more detailed discussion on the taxation of many fringe benefits. We will discuss the most common non-cash fringe benefits to be reported as income; i.e., personal use of company car, group-term life insurance, etc. Non-cash fringe benefits are generally subject to income tax, social security, Medicare and unemployment tax rules.

Attachment 1, is a condensed checklist of the most common taxable fringe benefits. We hope you will find this a useful tool and a reminder of those items which you may need to consider. If any items apply to your company, please refer to the more detailed explanations which follow.

Taxable Amount of Fringe Benefits

The employer is required to withhold income taxes and pay social security, Medicare and unemployment taxes on taxable fringe benefits. The employer has two options in determining how to withhold federal income taxes from fringe benefits. The value of the fringe benefits can be added to the employee's regular wages for a payroll period and calculate the taxes on the total, or the employer may withhold federal income tax on the value of the benefit

at the supplemental rate of 25%. This rate applies to supplemental wages up to and including \$1 million. The mandatory flat tax rate is 39.6% for supplemental wages over \$1 million. To determine the amount to be withheld and when to deposit the taxes, you may elect to handle fringe benefits as paid by the pay period, monthly, quarterly or annually.

Gross up Calculation

An employer may choose to pay the applicable income and employment taxes on behalf of the employee on the taxable value of a fringe benefit. When an employer pays the taxes, this is referred to as the “gross-up” method and the taxes paid on behalf of the employee become wages as well. They are reported as federal, state, and local wages, as well as federal and state unemployment wages. To determine the employee’s “gross-up”, use the following formula:

Amount of Payment (divided by) / 100% - (employee tax due %*) = Taxable income included in W-2 for payment

**Example of employee tax due %*

<i>Federal income tax rate</i>	<i>25.00%</i>
<i>Indiana & Elkhart county income tax rate</i>	<i>5.30%</i>
<i>Employee portion of SS & Medicare</i>	<i><u>7.65%</u></i>
<i>Total employee tax due</i>	<i>37.95%</i>

Officer or Owner Life Insurance

Premiums for life insurance that does not name the company as the beneficiary should be taxed as wages to the officer or owner who is the beneficiary of the policy. This rule applies regardless of who owns the policy. It is the beneficiary designation that affects the taxability as a fringe benefit.

Example 1: An S Corporation purchases an insurance policy on a shareholder but names the shareholder’s spouse as the beneficiary of the policy. Because the corporation is not the beneficiary, the premiums it pays on the shareholder’s behalf should be included in the taxable wages of either the spouse, or if the spouse is not an employee, the shareholder’s wages.

Example 2: Shareholder A in an S Corporation purchases life insurance on Shareholder B. The corporation pays the premiums on the policy, but Shareholder A is the sole beneficiary. The corporation should include the full amount of the premiums paid on Shareholder A’s Form W-2.

Group-term Life Insurance

Employer provided group-term life insurance coverage with a value of \$50,000 or less is a tax-free benefit to the employee if it is provided in a non-discriminatory fashion. The value of the coverage in excess of \$50,000, less any employee after-tax payroll deductions, is taxable income.

The employer is not required to withhold income taxes on the taxable portion of group-term life insurance, but the value is subject to federal and state income, social security and Medicare tax and must be reported on the employee’s W-2 Boxes 1, 3, 5, 16 and 18. It is also reported in Box 12 with a Code of “C”. Although the value is not taxable for federal (FUTA) and state (SUTA) unemployment purposes, it is reported as total wages and then included in the excludable wages.

Table 1 below may be used to determine the amount of the taxable benefit to be reported on the employee's W-2. The employee's age as of December 31st must first be determined.

TABLE 1	
Employee Age	Cost per \$1,000 Coverage/Month
Under 25	0.05
25 to 29	0.06
30 to 34	0.08
35 to 39	0.09
40 to 44	0.10
45 to 49	0.15
50 to 54	0.23
55 to 59	0.43
60 to 64	0.66
65 to 69	1.27
70 or over	2.06

Using the cost figures in the above table, the taxable amount is determined by the following formula:

$$\frac{C - \$50,000}{\$1,000} \times Y \times M = \text{Taxable amount (less any employee after-tax deductions)}$$

C = the dollar amount of the coverage provided

Y = the cost per \$1,000 of coverage from the above table

M = the number of months of coverage during the taxable year

NOTE: All group-term life insurance premiums paid by the employer for a **greater than 2% S Corp shareholder** are taxable as a fringe benefit, not just those in excess of \$50,000. Partners in a partnership must also include all group-term insurance premiums, paid by the partnership, in guaranteed payments.

Shareholder Health Insurance for S Corporations

Health, dental, vision, hospital and accident (AD & D) and qualified long-term care (LTC) insurance premiums paid by an S Corporation on behalf of a 2% or greater shareholder, his or her spouse and dependents, must be reported as wages paid to the shareholder and subject to federal and state withholding taxes. The premium amount is deductible by the company as shareholder wages. If the shareholder meets the requirements for the self-employed health insurance deduction, and the amount has been properly reported as wages, these amounts are deductible on the shareholder's personal federal return as an "above the line" deduction.

The total premiums should be reported on the shareholder employee's Form W-2 in Boxes 1, 16 and 18. It should also be reported in Box 14 with a description and the amount paid. These amounts are not subject to Social Security, Medicare, FUTA or SUTA taxes.

Note: 2% or greater shareholders in an S Corporation are also **ineligible to participate in their corporation's cafeteria plan**. A cafeteria plan can be terminated upon IRS audit if a greater than 2% owner of an S Corporation participates.

Partner Health Insurance for Partnerships or Limited Liability Companies

Health, dental, vision, hospital and accident (AD & D) and qualified long-term care (LTC) insurance premiums paid by a partnership (or LLC) on behalf of any partner are to be treated as a guaranteed payment includible in the partner's gross income. Guaranteed payments are reported on Schedule K-1 of the entity's tax return.

If the partner meets the requirements for the self-employed health insurance deduction, these amounts are deductible on their personal federal return as an "above the line" deduction.

Note: Similar to 2% or greater shareholders, partners may not participate in their partnership's cafeteria plan.

Health Savings Accounts (HSAs)

An employer's contribution to an employee's Health Savings Account (HSA) is not subject to income tax withholding or payroll taxes if it is reasonable to believe at the time of the payment that the contribution will be excludable from the employee's income. The amount of the employer contributions must be reported on the W-2 in Box 12 with a code of "W".

Unless the contributions are made under a Section 125 cafeteria plan, employee contributions to an HSA are included as wages and are subject to income tax withholdings and all payroll taxes.

Similar to health insurance premiums, employer HSA contributions for a greater than 2% shareholder of an S corporation should be added to wages, excludable from social security and Medicare taxes. Partners in a partnership should include employer HSA contributions in guaranteed payments. The shareholder or partner can then deduct the HSA contribution on their federal income tax return as an "above the line" deduction.

Personal Use of Company Cars

Any personal use of a company owned vehicle is taxable compensation and must be included in gross wages. Personal use includes commuting to and from work. The employer may elect not to withhold federal or state income tax on the personal use of the vehicle, but this amount must be included in federal and state wages and social security and Medicare taxes must be withheld.

The value of the personal auto use should be reported on the employee's W-2 in Boxes 1, 3, 5, 16 and 18. It should also be reported in Box 14 with a description and the amount. The personal auto use is also subject to federal (FUTA) and state (SUTA) unemployment.

It is very important that both employers and employees, keep records to determine the business and personal use of a company provided vehicle throughout the year. Without proper documentation, the IRS can deny the employer's expense entirely. **Attachment 2** is an example of an employee representation form you can use to document employee use. Most importantly, the employee must substantiate business use. A log of each trip including the date, business purpose and mileage should be maintained. **Attachment 3** is a worksheet to assist you with the calculation of the auto fringe benefit and **Attachment 4** is a copy of the lease table to use for the calculation. The business standard mileage rate for 2016 is \$.54 per mile. The mileage rate for 2017 has not yet been released, but we will keep you informed.

Car Allowances

The taxability of a car allowance depends on whether you have an accountable or a non-accountable plan. If an employee is required to provide proof of their business auto expenses, it is an accountable plan. The business use portion of the allowance should not be included in the employee's W-2 wages as they are simply being reimbursed for their business auto expenses. If the employee does not substantiate the full amount of the allowance received, the difference is taxable as personal use.

If employees are not required to substantiate their auto expenses, then it is a non-accountable plan and the full amount of the allowance is taxable income to the employee. The amount of the car allowance can be reported in Box 14 of the Form W-2 for informational purposes only. The employee can then deduct their business related auto expenses as a miscellaneous itemized deduction on their individual tax return.

Loans to Employees

Loans made to employees by their employer at interest rates below the applicable federal interest rate are below-market, compensation-related loans. The amount representing the difference between the interest charged to the employee and the applicable federal interest rate must be included in the income of the employee on any day in which the combined amount of all outstanding loans between the employer and the employee is more than \$10,000. The taxable amount is not subject to federal income tax withholding, but must be reported in Box 1 on the employee's Form W-2. The taxable amount is subject to social security, Medicare and FUTA/SUTA taxes.

Club Memberships and Dues

In general, social, athletic, sporting, golf, country club, airline and hotel club memberships are taxable fringe benefits unless they have a specific business purpose. A business connection exists only if the employee can prove the club was used primarily to further the employer's business. Records should be maintained by the employer showing business use. (Note: business use may prevent the dues from being added to the employee's compensation, but does not change the treatment of the dues as a non-deductible business expenses to the employer.)

Certain dues are deductible by the employer as a business expense, and are not treated as taxable fringe to the employee. This includes business leagues, trade associations, chambers of commerce, boards of trade, real estate

boards, professional organizations (such as bar and medical associations), and civic or public service organizations (Rotary, Kiwanis).

Athletic Facility Dues

If the employer provides free or low-cost use of an employer-operated gym or other athletic club on the employer's premises, the value is not included in compensation. The gym must be used primarily by employees, their spouses, and the dependent children.

If the employer pays for a fitness program provided at an off-site resort, hotel or athletic club, the value of the program is included in compensation.

Moving Expenses

Qualified moving expense reimbursements are treated as a fringe benefit excludable from the employee's gross income, but are reported on the W-2 in Box 12 with Code "P". They are not subject to FUTA or SUTA, but must be reported in the total wages and then included in the excludable wages. Nonqualified moving expenses, whether paid to the employee or to a third party, are treated as taxable income.

Awards and Prizes

Prizes and awards given by an employer to an employee are generally taxable and included in the employee's wages and subject to withholding tax. Exceptions to this rule are de minimis items provided to employees and certain awards for safety and length-of-service.

For safety and length-of-service awards, up to \$1,600 in awards may be excluded from income if part of a qualified plan. Only \$400 may be excluded if part of a nonqualified plan. A plan is considered qualified if it does not discriminate in favor of highly compensated employees and is a written plan that has been put in place by the employer on a regular basis.

Holiday Gifts and Cash Bonuses

The value of a turkey, ham or other item of similar nominal value distributed by an employer at Christmas is not taxable. However, any payment of cash or cash equivalent to an employee as a Christmas bonus is subject to tax. Payments of cash include anything with a readily ascertainable value, i.e., gift cards or certificates.

U.S. INFORMATION RETURNS - FORM 1099

All payments of \$600 or more for services rendered during the year by an individual or unincorporated business must be reported on a Form 1099-MISC. In addition, any payments of \$600 or more to a legal firm must be reported whether the entity is incorporated or not.

Rent payments to an individual are also reported on Form 1099-MISC. Interest payments of \$10 or more are reported on Form 1099-INT.

You should have a completed Form W-9 on file for all independent contractors. The IRS is also issuing notices and may assess fines when the names on the Form 1099s do not match the taxpayer identification numbers. A common error would be a sole proprietor using their social security number as their tax identification number and using their company name. If using a social security number, the correct way to report would be to list their individual name first and then dba/their Company name. The penalty for missing or incorrect information is generally \$50 per form, provided that the corrected information is submitted within 30 days after the due date. If any failure to provide a correct payee statement is due to intentional disregard of the requirements to furnish a correct payee statement, the penalty is at least \$530 per payee with no maximum penalty.

The *Filing Information Returns Electronically* (FIRE) production system will allow corporations, partnerships, employers, estates and trusts to electronically file Form 1042-S, 1097, 1098, 1099, 3921, 3922, 5498, 8027, 8955-SSA and W2-G. Any filer that files 250 or more information returns must file electronically, however the IRS encourages filers with less than 250 information returns to file electronically as well.

In order to utilize the FIRE system, Form 4419, *Application for Filing Information Returns Electronically (FIRE)* must be submitted to the IRS at least 45 days prior to the due dates of your information returns. Filers will receive a Transmitter Control Code (TCC) that will be used to submit the returns. Form 4419, *Application for Filing Information Returns Electronically (FIRE)* can be accessed via <https://www.irs.gov/pub/irs-pdf/f4419.pdf>. The FIRE system can be accessed via <https://fire.irs.gov/>.

Please complete the enclosed U.S. Information Returns worksheet (**Attachment 5**) if you would like us to prepare your 1099 forms. You may also send this information to us electronically at wwatson@insightaccountinggroup.com or by fax at (574) 287-4286.

We trust you have found this document helpful. If you have any questions or need any additional assistance with specifics, do not hesitate to call for further clarification.

INSIGHT ACCOUNTING GROUP, PC

FRINGE BENEFIT CHECKLIST

2% Shareholders, Partners and Self-employed specific:

- _____ Health, dental, vision, hospital and accident premiums paid or reimbursed by company
- _____ Qualified Long-term care insurance premiums paid or reimbursed by company
- _____ Life insurance premiums paid by the company if the beneficiary is not the company
- _____ Disability insurance premiums paid by the company
- _____ Employer HSA contributions

All Employees:

- _____ Employer provided group-term life insurance premiums with value over \$50,000
- _____ Personal use of company vehicles
- _____ Car allowances - non-accountable plan
- _____ Employee loans with below applicable federal interest rate
- _____ Club memberships and dues
- _____ Athletic facility dues
- _____ Moving expenses
- _____ Awards or prizes
- _____ Holiday gifts
- _____ Cash bonuses

**EMPLOYEE REPRESENTATION REGARDING
USE OF COMPANY VEHICLE**

The IRS requires employers to provide certain information on their tax return with respect to the vehicles provided to employees. This information is also used to calculate the amount of the fringe benefit to be included in the employee's W-2 income.

The IRS generally requires that written records be maintained to document the business use of vehicles. Since the company policy requires employees to maintain the detailed records, please provide answers to the questions below. If you were provided more than one vehicle that was used during the year, you need to prepare a separate statement for each vehicle.

The completed form must be returned no later than _____ or 100% of the value will be included in the employee's W-2 income.

Description of the vehicle _____

Reporting period from _____ to _____

Employee Representation

- | | | | |
|----|--|-------|----|
| 1. | Was the vehicle available for your personal use during off-duty hours? | YES | NO |
| 2. | Did you have another vehicle available for your personal use (this includes a car you own personally)? | YES | NO |
| 3. | Are you an officer or greater than 1% owner of the business? | YES | NO |
| 4. | How many commuting trips did you make in this vehicle? | _____ | |
| 5. | For the reporting period specified above, please provide the number of miles for each of the following categories: | | |
| | Total commuting miles | _____ | |
| | Total other personal miles | _____ | |
| | Total personal miles | _____ | |
| | Total business miles | _____ | |
| | TOTAL MILES | _____ | |
| 6. | Did your employer pay the cost of fuel consumed by this vehicle? | YES | NO |

Employee Signature

Date

**EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S
TAXABLE INCOME RESULTING FROM
EMPLOYER-PROVIDED VEHICLE
FOR CALENDAR YEAR 2016**

EMPLOYEE'S NAME _____

VEHICLE DESCRIPTION _____

DATE MADE AVAILABLE TO THIS EMPLOYEE _____

METHOD I - GENERAL METHOD

Fair market value of vehicle at date first available for personal use. (Note: FMV must be determined at the beginning of every fifth year.)

\$ _____

Annual lease value – (see Attachment 3)

-
(A) \$ _____

Personal use %

Total miles _____ Business miles _____

Personal miles _____

Personal miles/total miles

(B) _____ %

*Personal value of annual lease

(A) x (B) = (C) \$ _____

If employer pays for fuel, multiply the number of personal miles driven by \$.055 per mile.

(D) \$ _____

-

Total employee taxable income

(C) + (D) \$ _____

* If used less than entire year, multiply this amount by a fraction which is number of days available divided by 365. A minimum of 30 days personal use must be assumed or a daily rate (4 times the regular rate) applied.

Attachment 3

METHOD II - SPECIAL COMMUTING METHOD

This part can only be used for vehicles covered by a written policy which allows commuting but no other personal use. DO NOT USE if employee is an officer or greater than 1% owner.

Number of commuting round trips made _____
Value per trip: \$1.50 one-way or \$3.00 round-trip x 1.50 or 3.00 .
Total employee taxable income \$ _____

METHOD III - STANDARD MILEAGE RATE METHOD

An alternative is to value the personal use in accordance with the standard mileage rate formula. Generally, in order to qualify to use the cents-per-mile method, the vehicle must (1) be regularly used in the employer's business, (2) be driven at least 10,000 miles per year, and (3) have a fair market value of less than \$16,000 for cars and \$17,500 for trucks and vans.

Once this special alternative is used for a specific vehicle, it must be continued for long as the vehicle is owned by the employer. If this method is desirable, it must be selected in the year the vehicle is first used for personal purposes.

Enter personal miles _____ x \$.54 = (A) \$ _____
Enter miles for which employee
paid for fuel _____ x \$.055 = (B) \$ (_____)
Total employee taxable income (A) – (B) = \$ _____ .

ANNUAL LEASE VALUE TABLE

AUTOMOBILE FAIR MARKET VALUE	ANNUAL LEASE VALUE	AUTOMOBILE FAIR MARKET VALUE	ANNUAL LEASE VALUE
\$ 0- 999	600	22,000-22,999	6,100
1,000- 1,999	850	23,000-23,999	6,350
2,000- 2,999	1,100	24,000-24,999	6,600
3,000- 3,999	1,350	25,000-25,999	6,850
4,000- 4,999	1,600	26,000-27,999	7,250
5,000- 5,999	1,850	28,000-29,999	7,750
6,000- 6,999	2,100	30,000-31,999	8,250
7,000- 7,999	2,350	32,000-33,999	8,750
8,000- 8,999	2,600	34,000-35,999	9,250
9,000- 9,999	2,850	36,000-37,999	9,750
10,000-10,999	3,100	38,000-39,999	10,250
11,000-11,999	3,350	40,000-41,999	10,750
12,000-12,999	3,600	42,000-43,999	11,250
13,000-13,999	3,850	44,000-45,999	11,750
14,000-14,999	4,100	46,000-47,999	12,250
15,000-15,999	4,350	48,000-49,999	12,750
16,000-16,999	4,600	50,000-51,999	13,250
17,000-17,999	4,850	52,000-53,999	13,750
18,000-18,999	5,100	54,000-55,999	14,250
19,000-19,999	5,350	56,000-57,999	14,750
20,000-20,999	5,600	58,000-59,999	15,250
21,000-21,999	5,850	Above 59,999	25% of FMV + \$500

1099 INFORMATION RETURNS

NAME _____

FEDERAL ID# _____

	<u>RECIPIENT'S NAME</u>	<u>ID/SS NUMBER</u>	<u>RECIPIENT'S ADDRESS</u>	<u>TYPE OF INCOME</u>	<u>DOLLAR AMOUNT</u>
1.	_____	_____	_____ _____	_____	_____
2.	_____	_____	_____ _____	_____	_____
3.	_____	_____	_____ _____	_____	_____
4.	_____	_____	_____ _____	_____	_____
5.	_____	_____	_____ _____	_____	_____
6.	_____	_____	_____ _____	_____	_____

Due to the accelerated filing deadline imposed by the PATH Act, we must receive your completed information for Forms 1099-MISC by January 16, 2017 to ensure adequate time from processing. Any information received after January 16th, cannot be guaranteed for completion by January 31, 2017.

Attachment 5