



TaxNewsFlash

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Notice 2019-34: Maximum FMV of vehicle for 2019 to use special valuation of employee use of employer-provided vehicles; future proposed regulations intended

The IRS today released an advance version of Notice 2019-34 concerning the maximum fair market value of a vehicle for 2019 that can use the fleet-average and vehicle cents-per-mile special valuation rules used to determine the value of an employee's personal use of an employer-provided vehicle for income and employment tax purposes.

Read [Notice 2019-34](#) [PDF 37 KB]

Background

The IRS in early January 2019 issued Notice 2019-08 providing the maximum fair market value of a vehicle eligible to use the fleet-average and cents-per-mile special valuation rules. Notice 2019-08 provided:

- The maximum value of an employer-provided vehicle first made available to employees for personal use in calendar year 2018 for which the vehicle cents-per-mile valuation rule may be applicable is \$50,000.
- The maximum value of an employer-provided automobile first made available to employees for personal use in calendar year 2018 for which the fleet-average valuation rule may be applicable is \$50,000.

That notice also provided interim guidance on new procedures for calculating the inflation adjustments to the maximum values for use with the special valuation rules under measures enacted by Pub. L. No. 115-97 (the tax law known as the "Tax Cuts and Jobs Act"). Read [TaxNewsFlash](#)

Notice 2019-34

Today's release—Notice 2019-34—provides the maximum vehicle value for 2019 for purposes of the special valuation rules in Reg. section 1.61-21(d) and (e) that may be used to determine the value of the personal use of an employer-provided vehicle, as follows:

- \$50,400 – the maximum value of an employer-provided vehicle (including cars, vans, and trucks) first made available to employees for personal use in calendar year 2019 and for which the vehicle cents-per-mile valuation rule applies
- \$50,400—the maximum value of an employer-provided automobile (including vans and trucks) first made available to employees for personal use in calendar year 2019 and for which the fleet-average valuation rule applies

Future proposed regulations

Notice 2019-34 further states that the Treasury Department and IRS intend to revise Reg. section 1.61-21(e) to provide that if an employer did not qualify under Reg. section 1.61-21(e)(5) to adopt the vehicle cents-per-mile valuation rule on the first day on which a vehicle was used by an employee of the employer for personal use because, under the rules in effect before 2018, the vehicle had a fair market value in excess of the maximum permitted in accordance with Reg. section 1.61-21(e)(1)(iii), the employer may first adopt the vehicle cents-per-mile valuation rule for the 2018 or 2019 tax year based on the maximum fair market value of a vehicle for purposes of the vehicle cents-per-mile valuation rule set forth in Notice 2019-08 or Notice 2019-34.

The notice also states that the future proposed regulations will further provide that if the commuting valuation rule of Reg. section 1.61-21(f) was used when the vehicle was first used by an employee of the employer for personal use, and the employer did not qualify to switch to the vehicle cents-per-mile rule on the first day on which the commuting valuation rule was not used because, under the rules in effect before 2018, the vehicle had a fair market value in excess of the maximum permitted in accordance with Reg. section 1.61-21(e)(1)(iii), the employer may adopt the vehicle cents-per-mile valuation rule for the 2018 or 2019 tax year based on the maximum fair market value of a vehicle for purposes of the vehicle cents-per-mile valuation rule set forth in Notice 2019-08 or Notice 2019-34. However, consistent with Reg. section 1.61-21(e)(5), an employer that adopts the vehicle cents-per-mile valuation rule must continue to use the rule for all subsequent years in which the vehicle qualifies for use of the rule, except that the employer may, for any year during which use of the vehicle qualifies for the commuting valuation rule of Reg. section 1.61-21(f), use the commuting valuation rule with respect to the vehicle.

Notice 2019-34 continues to explain that in addition, with respect to an employer that did not qualify to use the fleet-average valuation rule prior to January 1, 2019, because the maximum value limitation of Reg. section 1.61-21(d)(5)(v)(D) prior to 2018 could not be met, the Treasury Department and the IRS intend to revise Reg. section 1.61-21(d) to provide that an employer may adopt the fleet-average valuation rule for 2018 or 2019, provided the requirements of Reg. section 1.61-21(d)(5)(v) are met for that year using the maximum vehicle values set forth in Notice 2019-08 or Notice 2019-34.

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