



TaxNewsFlash

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Final regulations: Employer-provided vehicles, fleet average and cents-per-mile valuation rules

The U.S. Treasury Department and IRS today released for publication in the Federal Register final regulations (T.D. 9893) regarding special valuation rules for employers and employees to use in determining the amount to include in an employee's gross income for personal use of an employer-provided vehicle.

The [final regulations](#) [PDF 299 KB] (5 pages as published in the Federal Register) reflect changes made by the U.S. tax law enacted in December 2017 as Pub. L. No. 115-97—the law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA).

The preamble to today's final regulations states that regulations proposed in August 2019 are finalized “without substantive change.” No public hearing on the proposed regulations was requested, and no comments responding to the proposed regulations were received by Treasury and the IRS.

Summary

The TCJA increased the depreciation limitations for passenger automobiles placed in service after 2017. If bonus depreciation is not claimed, allowable depreciation is limited to \$10,000 in year one; \$16,000 in year two; \$9,600 in year three; and \$5,760 in all subsequent years. These limitations are indexed for inflation for automobiles placed in service after 2018.

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. The IRS then in May 2019 released Notice 2019-34 to provide the maximum vehicle value for 2019, for purposes of the special valuation rules in Reg. section 1.61-21(d) and (e) (that is, the automobile lease valuation and vehicle cents-per-mile valuation rules) that may be used to determine the value of the personal use of an employer-provided vehicle. Notice 2019-34 further stated that the Treasury Department and IRS intended 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 when 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 could 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. Read [TaxNewsFlash](#)

Then in August 2019, regulations were proposed to update the fleet-average and vehicle cents-per-mile valuation rules to align the limitations on the maximum vehicle fair market values for use of these special valuation rules with the changes made by the TCJA to the depreciation limitations in section 280F. The Treasury Department and IRS further stated that the inflation-adjusted maximum fair market value for a vehicle for purposes of the fleet average and vehicle cents-per-mile valuation rules would be included in an annual notice published by the IRS that will provide the standard mileage rates for the use of an automobile for business, charitable, medical, and moving expense purposes and the maximum standard automobile cost for purposes of an allowance under a fixed and variable rate ("FAVR") plan. The proposed regulations provided transition rules for 2018 and 2019. Read [TaxNewsFlash](#)

Today's release finalizes the August 2019 proposed regulations without substantive changes (as noted in the preamble).

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