## Valuing Personal Use With the Table-Value Method

Instead of using the general FMV method, employers have the choice of using one of three optional methods: the table value method (also know as the annual lease value method), the cents-per-mile method, or the commuting value method. ( Reg. § 1.61-21(b)(1) ) However, as a practical matter, because of the many restrictions placed on the cents-per-mile and commuting value methods, the table-value method is the only optional method that is effectively available for owners or key employees.

To apply the table value method, the first step is to determine the FMV of the auto as of the first date on which the auto is made available for the personal use of any employee of the employer. ( Reg. § 1.61-21(d)(2)(i)(A) )

As a general rule, an auto's FMV for purposes of determining annual lease value is the amount an individual would pay locally to purchase a comparably equipped auto. ( Reg. § 1.61-21(d)(5)(i) ) However, the employer can avail itself of the following safe-harbor valuation methods:
... For an auto owned by the employer, the safe harbor value (for non-auto manufacturers) is the employer's cost of buying it (including sales tax, title and other expenses attributable to the purchase), provided the purchase is made at arm's length. ( Reg. § 1.61-21(d)(5)(ii)(A) )
... The safe harbor value of an auto leased by the employer is either: (1) the manufacturer's suggested retail price less 8% (including sales tax, title and other purchase expenses) ( Reg. § 1.61-21(d)(5)(ii)(C) ), or (2) the retail value of the auto as reported in a nationally recognized publication that regularly reports new or used auto retail values, whichever is applicable (reported retail price). For the auto in question, the reported retail price must be reasonable. Pricing sources consist of publications and electronic data bases. ( Reg. § 1.61-21(d)(5)(ii)(C) ) Alternatively, where the employer leases the vehicle, it may use the manufacturer's invoice price (including options) plus 4% as a safe harbor estimate of FMV for all purposes under Reg. § 1.61-21(d)(5)(ii) . ( Notice 89-110, 1989-2 CB 447 )
Once FMV is found, locate the dollar range in column (1) of the table below which corresponds to that FMV. The corresponding amount in column (2) is the auto's annual lease value. ( Reg. § 1.61-21(d)(2)(i)(B) ) Finally, multiply the annual lease value by the ratio of the employee's annual personal mileage of the auto to total annual mileage (employment-connected business driving plus personal driving). ( Reg. § 1.132-5(b)(1)(i) ; Reg. § 31.3501(a)-1T , Q&A-7)

| (1) Automobile Fair Market Value | (2) Annual Lease Value |
|---|---|
| $0-999 | $ 600 |
| 1,000-1,999 | $ 850 |
| 2,000-2,999 | $ 1,100 |
| 3,000-3,999 | $ 1,350 |
| 4,000-4,999 | $ 1,600 |
| 5,000-5,999 | $ 1,850 |
| 6,000-6,999 | $ 2,100 |
| 7,000-7,999 | $ 2,350 |
| 8,000-8,999 | $ 2,600 |
| 9,000-9,999 | $ 2,850 |
| 10,000-10,999 | $ 3,100 |

| | |
|---|---|
| 11,000-11,999 | $ 3,350 |
| 12,000-12,999 | $ 3,600 |
| 13,000-13,999 | $ 3,850 |
| 14,000-14,999 | $ 4,100 |
| 15,000-15,999 | $ 4,350 |
| 16,000-16,999 | $ 4,600 |
| 17,000-17,999 | $ 4,850 |
| 18,000-18,999 | $ 5,100 |
| 19,000-19,999 | $ 5,350 |
| 20,000-20,999 | $ 5,600 |
| 21,000-21,999 | $ 5,850 |
| 22,000-22,999 | $ 6,100 |
| 23,000-23,999 | $ 6,350 |
| 24,000-24,999 | $ 6,600 |
| 25,000-25,999 | $ 6,850 |
| 26,000-26,999 | $ 7,250 |
| 28,000-29,999 | $ 7,750 |
| 30,000-31,999 | $ 8,250 |
| 32,000-33,999 | $ 8,750 |
| 34,000-35,999 | $ 9,250 |
| 36,000-37,999 | $ 9,750 |
| 38,000-39,999 | $10,250 |
| 40,000-41,999 | $10,750 |
| 42,000-43,999 | $11,250 |
| 44,000-45,999 | $11,750 |
| 46,000-47,999 | $12,250 |
| 48,000-49,999 | $12,750 |
| 50,000-51,999 | $13,250 |
| 52,000-53,999 | $13,750 |
| 54,000-55,999 | $14,250 |
| 56,000-57,999 | $14,750 |
| 58,000-59,999 | $15,250 |

For automobiles with a FMV greater than $59,999, the annual lease value is: (.25 × FMV) + $500. ( Reg. § 1.61-21(d)(2)(iii) )

The annual lease value method takes into account the FMV of insuring and maintaining the auto. The amount shown in the table can't be reduced by the FMV of any service included in the lease value, but not supplied by the employer. ( Reg. § 1.61-21(d)(3) ) For example, there is no reduction if the employee must pay his or her own insurance costs. The FMV of any other service supplied with the auto—such as a driver or chauffeur—must be added to the table lease value. ( Reg. § 1.61-21(b)(5) , Reg. § 1.61-21(d)(3)(i) )

Illustration : Continuing with our example of Widget, Inc., suppose it supplied Mr. Smith, its owner-employee, with a new $50,000 auto on Jan. 1 of this year, and he uses it 55% for business driving and 45% for personal driving.
Under the table lease value method, Smith would have $5,962.50 of noncash compensation for the year due to his personal use of the auto ($13,250 annual lease value per table times 45%).