

# David L. Buterbaugh, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

8040 East Morgan Trail • Suite 15 • Scottsdale, AZ 85258-1211 • 480 905-3640 • FAX 480 905-3642

November 20, 2009

## Year-End Reporting of Taxable Fringe Benefits

### Company provided vehicles

**1** When a company makes one of its vehicles available to an owner or employee without charge, the company must calculate the value of any non-business use of the vehicle and report it on that individual's Form W-2 as a taxable fringe benefit. Commuting between home and office is considered personal use.

Both the company and the owner or employees are required to maintain certain information about the vehicle and its use during the year. The employee must report to the company (1) the total number of miles driven on the vehicle each year; (2) the number of business-related miles included in total miles; and (3) the number of personal-use miles. The information the company is required to maintain is summarized on the enclosed form.

For the sake of convenience in reporting taxable benefits and preparing Forms W-2 within normal year-end filing deadlines, the IRS allows an employer to select any twelve-month period ending between October 31 and December 31 for reporting these benefits, as long as the same beginning and ending dates are used consistently from year to year. **Please prepare one copy of the enclosed form for each owner or employee who is using a company vehicle (even if two employees share one vehicle), and fax or mail them to our office.** We will calculate the value associated with the personal use of the vehicle and provide you with the numbers and instructions for including this fringe benefit as taxable wages and the corresponding reporting of this benefit on Form W-2.

### Medical and Long-term care insurance premiums

**2** If your company is a Subchapter S corporation, or a Limited Liability Company that has elected to be taxed as a Subchapter S corporation, then the amount of any accident, health or long-term care insurance premiums paid by the company for the benefit of an individual who owns more than two percent (2%) of the company is also considered by the IRS to be a taxable fringe benefit. The company may deduct the full cost of the premiums as additional compensation, as long as it reports the amount as a separate item on the owner's Form W-2, and the owner may take a deduction on his or her individual income tax return (Form 1040) for the full amount—without considering the percentage of adjusted gross income limitation. The IRS has further clarified these rules to state that either the Subchapter S corporation must pay the premiums directly to the insurance company during the tax year or the Subchapter S corporation must reimburse the shareholder-employee for the premium payment after receiving proof of the premium payment by the shareholder. In addition, any premiums paid for any family member, whether or not they are a shareholder, is defined for these purposes as being includible in the shareholder's W-2 income.

**We have enclosed a form for you to complete and return to us** so we can provide you with the specific numbers and instructions for including this fringe benefit as taxable wages and the corresponding reporting of this benefit on Form W-2.

If you or your outside payroll service provider have any questions about the IRS procedures for either or both of these classes of taxable fringe benefits, we invite your questions by telephone, fax or e-mail. **Please complete the forms and mail or fax them to us by November 25.** This will ensure that we can respond back to you with the corresponding numbers and instructions in time for your year-end payroll processing. Thank you.

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## Worksheet for Company Provided Vehicles:

Company		Name of Employee driving vehicle	
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Make of vehicle		model of vehicle		Year of vehicle	
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Date placed in service		Fair market value on that date	
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If date placed in service was more than four years ago, current fair market value	
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Reporting period: <b>November 01, 2008</b> through <b>October 31, 2009</b> (*Please change if you prefer another 12 month period.)
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Beginning Odometer Reading		Ending Odometer Reading	
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<b>Employee representations:</b>	
1. Was the vehicle available for personal use after hours?	Yes or No
2. Did you have another vehicle available for personal use?	Yes or No
3. Are you an officer of 1% or more owner?	Yes or No
4. Total miles driven in reporting period:	
Total business miles driven in reporting period: **	a)
	b)
6. Total commuting miles driven in reporting period:	
7. Did the employer pay the cost of fuel?	Yes or No

\*\*If used for more than One Business Entity or Rental Property, please report the total business miles for each business and/or rental activity. Use a separate sheet if needed.

<b>Please circle the appropriate answer to each statement:</b>	
1. The vehicle is owned by the business.	Yes or No
2. The vehicle is owned by the business owner and leased to the business.	Yes or No
3. The vehicle is leased by the business from a third party.	Yes or No

<b>SPECIAL INSTRUCTION:</b> If the driver of the vehicle is not an owner of the business, please have the employee driving this vehicle sign the completed form.	
I, _____, agree that the information presented above is true and correct and am aware that the fringe benefit derived from the use of this vehicle is considered to be wages to me.	
(signed) _____	Date _____

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**Report of Premiums Paid by the Company  
for the Benefit of its Shareholders  
in the 2009 Calendar Year**

Company Name \_\_\_\_\_

Is the accident or health (medical/dental/vision) insurance policy titled in the company's name or is it titled to the individual? (If insurance premiums were paid during the year, please check the appropriate box)

Accident, Health (Medical/Dental/Vision), or Long-Term Care insurance policy is titled in the company's name and the Company pays the insurance company directly for these premiums

Accident, Health (Medical/Dental/Vision) or Long-Term Care insurance policy is titled in the individual's name and the Company reimburses me for these premiums

Name of Shareholder:	Accident or Health Insurance premiums paid in 2009	Long-Term Care premiums paid in 2009
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_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

\*If the company did **NOT** pay any Accident, Health or Long Term Care premiums during 2009, please write "NONE" above.

**PLEASE FAX COMPLETED FORMS TO:  
David L. Buterbaugh, PC  
Attn: Jamie Buterbaugh  
FAX: (480) 905-3642**

