

Fiscal Affairs Committee, WKU Faculty Senate, January 1996

The issue of expense reimbursement for the business use of a personal automobile has been raised by a number of faculty. The issue is compounded by the problem of the myriad individual costs involved in running an automobile: cost of the vehicle, gasoline efficiency, insurance rates, miles driven annually, etc. In order to create a general profile of the average annual vehicle operation cost, the following data are used--

- ** Vehicle Cost \$20,000
- ** Useful Life 8 years
- ** Average Annual Mileage 15,000 (5,000 business mileage)
- ** 25 MPG average over the life of the vehicle
- ** Gas price at \$1.25 per gallon
- ** Insurance for a single driver over 25 years old, with a clean driving record, with a surcharge for 1/3 business mileage
- ** Kentucky property tax at 1.417% per annum on the depreciated value of the vehicle
- ** Quarterly oil change, annual tire change, annual service.

Year	Depn.	Gas	Ins.	Other	Total	CASH	Bus. Exp.
1	3060	750	400	835	= 5045	1985	1682
2	4900	750	400	790	= 6840	1940	2280
3	2950	750	350	721	= 4771	1821	1590
4	1775	750	350	679	= 3554	1779	1185
5	1775	800	350	654	= 3579	1804	1193
6	1775	800	350	729	= 3654	1879	1218
7	1775	800	350	705	= 3630	1855	1210
8	1990	800	350	678	= 3818	1828	1273
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	\$ 20000				= 34891	14891	11630

Reimbursement from WKU @ 0.25c per mile (5000 miles) = \$ 1,250
 Over 8 years the reimbursement = \$ 10,000

Therefore: The faculty member has "lost" \$1,630 over the 8-year period, or approximately \$204 per year.

** However, the IRS allows a flat-rate deduction of 0.30c per mile for the business use of an automobile, or the actual expense incurred, whichever method the taxpayer chooses.

Thus, the faculty member can claim a \$1,500 annual deduction (5000 x 0.30c) for the business use of the automobile. Over the 8-year period, the faculty member has "gained" \$370 ((1500 x 8) - 11630), or approximately \$46 per year.

The faculty member can claim a net expense of \$250 per annum (\$1,500 - 1250 reimbursed by WKU) for the business use of the automobile. The "value" of this deduction will depend on individual tax circumstances such as itemization, tax bracket, etc.

David J. Keeling, Chair, Fiscal Affairs Committee