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OFFICE *of the* STATE COMPTROLLER
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MEMORANDUM NO. 2026-23

June 30, 2026

TO THE HEADS OF ALL STATE AGENCIES

Attention: Agency Heads, Chief Administrative and Fiscal Officers, Business Managers, Payroll and Human Resource Officers, Personnel and Payroll Officers,

Subject: Calculation of the Taxable Benefit of the Non-Business Use of State-Provided Vehicles, Calendar Year 2026

I. PURPOSE

When a state employee commutes in or uses a state vehicle for personal business, certain tax consequences may result. The Internal Revenue Service views the personal use as a taxable benefit to the employee and has established guidelines to determine how much the dollar value of that benefit would be.

This memorandum supersedes Memorandum 2025-08 and advises agencies of the rate used in the annual lease value method and cents-per-mile method and advises agencies and employees of a change in the definition of control employee (yearly compensation).

II. AUTHORITY

Effective January 1, 1986, Federal Public Law 99-44 mandates that an employee's personal use of an employer-owned or leased vehicle must be reported to the Internal Revenue Service (IRS) as taxable income. "Personal use" is defined as any non-business use, including commuting from an employee's home to his or her worksite. The term "vehicle" means "any motorized wheeled vehicle manufactured primarily for use on public streets, roads and highways" and generally includes automobiles. Except for certain exceptions as set forth later in this memorandum, all State of Connecticut employees will be subject to taxation on any state vehicle use that is not documented as business use. State agencies will be responsible for enforcing this policy at the agency, taking disciplinary action in the case of a violation of this policy, and for implementing the applicable reporting requirements.

[eCFR :: 26 CFR Part 1 - Definition of Gross Income, Adjusted Gross Income, and Taxable Income](#) - This portion of the Treasury regulations explains how the Internal Revenue Code defines and interprets gross income, adjusted gross

income (AGI), and taxable income for federal tax purposes. It provides detailed rules taxpayers must follow to determine what income must be reported and how various deductions and adjustments apply

III. **RESOURCES STATES VEHICLE USE POLICY**

The following resources are available to assist agencies in determining those employees whose use of state vehicles is deemed taxable and in reporting the dollar value, by employee, of such benefits.

- A. [Federal Register, February 5, 2020, 85 FR 6424](#) - Published IRS regulations establishing special valuation rules used to determine the amount that must be included in an employee's gross income for the personal use of an employer-provided vehicle. These regulations support the use of specific valuation methods for calculating the taxable benefit of non-business use of state-provided vehicles.
- B. [IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, 2026](#) - Published annually by the IRS, this publication provides the applicable 2026 guidance for the taxation, valuation, and reporting of employee fringe benefits, including the non-business use of state-provided vehicles. It identifies the vehicle valuation methods used to calculate the taxable benefit, including the annual lease value method, cents-per-mile method, and fleet-average valuation rules.
- C. [IRS Notice 2026-10](#) - Published annually by the IRS, this notice provides the calendar year 2026 standard mileage rates and vehicle value limitations used to determine whether certain employer-provided vehicles qualify for the cents-per-mile and fleet-average valuation methods.
- D. [Salary Table for Control Employee/ Executive Pay Schedule](#) - The 2026 Executive Schedule pay rates are used to identify control employees for purposes of applying the IRS vehicle fringe benefit rules. This is relevant because control employees are limited in the valuation methods they may use when calculating the taxable benefit of non-business use of state-provided vehicles. The Office of Personnel Management provides policy leadership and expertise on a variety of Governmentwide pay programs for Federal employees, including the [General Schedule](#) (GS), Law Enforcement Officer (LEO) Pay Schedules, and the [Federal Wage System](#) (FWS).

IV. **STATES VEHICLE USE POLICY**

The State of Connecticut generally prohibits the personal use of state-owned or leased vehicles. Refer to [Department of Administrative Services General Letter No. 115](#), revised January 2026, as applicable.

V. **VALUATION METHODS FOR CONTROL EMPLOYEES**

IRS Publication 15-B defines a control employee as: an elected official; or a government employee whose annual compensation is equal to or exceeds Federal Government Executive Level V - \$184,900 in 2026.

Control employees must choose one of the following valuation methods:

A. Fleet Average Value Method

A **monthly** rate of \$234.25 per 30-day month plus 5.5 cents per mile for fuel is assessed **or** a **per diem** rate of \$31.23.

NOTE: If the vehicle is used more than seven days in a month, it is advantageous to use the monthly rate rather than the per diem rate.

B. Annual Lease Value Method

This method must be used for any vehicle that exceeds the \$61,700 value (per IRS Notice 2026-10). Agencies will be contacted if a fleet vehicle exceeds the stated value. All other agencies who purchase vehicles must use this method in accordance with the IRS Publication 15-B. The vehicles' fair market value (FMV) will determine the monthly rate, plus 5.5 cents per mile for fuel.

NOTE: Once computed, the Annual Lease Value remains in effect until 12/31 of the 4th full calendar year after the rule is first applied.

Example: Control Employee Using Annual Lease Value

The control employee has been assigned a vehicle for the **first time**. The vehicle was purchased by the agency and has a FMV of \$61,700. The employee commutes 20 miles to work round trip for 60 days in the quarterly reporting period.

1. Determine the FMV of vehicle when made available.
2. Use the Annual Lease Value Table in IRS Pub. 15-B to compute the Annual Lease Value <https://www.irs.gov/publications/p15b>
3. Value the fuel (if provided) at 5.5 cents per mile.
4. Determine the monthly rate (ALV/365 (days per year) x 30 (days per month))

Lease Value

\$1,308.90 per month for 3 months	=	\$3,926.70
20 miles a day at 5.5 cents a mile by 60 days	=	\$66.00
TOTAL QUARTERLY AMOUNT	=	\$3,992.70

NOTE: When performing the calculation for any method for any vehicle that is not part of the DAS on-line reporting program, net out any amount that has been paid to the state as reimbursement for personal use. If the amount paid by the state exceeds the taxable benefit for the tax year, the benefit equals zero. Credit amounts cannot be carried forward.

C. Vehicle Cents-Per-Mile

Personal miles are valued at 72.5 cents per mile effective January 1, 2026. If the employer does not supply fuel, the rate is reduced by up to 5.5 cents per mile. Cents-per-mile valuation rule cannot be used for cars

including vans and trucks with FMV exceeding \$61,700 (per IRS Notice 2026-10). This amount is revised annually.

NOTE: Special rules may apply when using each of these methods. Once one of the valuation methods is elected, the employee must use it for all subsequent years unless the qualification rules are not met.

VI. VALUATION METHODS FOR NON-CONTROL EMPLOYEES

All other employees, who do not meet the criteria for a “control employee” are considered non-control employees in this memorandum and must use the commuting value method.

A. Commuting Value Method

For use by a non-control employee only. Personal commutation to work is valued at a daily commuting rate of \$1.50 for each one-way trip (or \$3.00 round trip).

VII. EXCEPTIONS (Applicable to Eligible Control and Non-Control Employees)

The following categories of vehicle use are not presently subject to taxation:

A. Qualified Non-Personal Use Vehicles

The term “qualified non-personal use vehicle” is applied to any vehicle that, because of its nature, is not likely to be used more than a very limited (i.e., de minimis) amount for personal purposes.

Refer to Attachment “A” for a listing of “qualified non-personal use vehicles” that fall within this exception with explanatory information concerning the exception requirements for vans and trucks and the narrowly defined requirements for “law enforcement officer”.

B. Overnight Parking (“Garaging”) of Vehicle at Approved State-Owned or Leased Facility

Taxation will not apply if an employee uses an approved state-owned or leased facility for the overnight “garaging” of an assigned state vehicle even though such facility was some distance from the employee’s worksite and possibly close to his or her home. However, this exception is qualified by four stipulations: (a) a vehicle usage and parking location must make “good business sense” to the employer; (b) overnight parking location must be approved by the employer; (c) if the driver transports one or more passengers from their home(s) to the worksite, such passengers are subject to taxation on the derived benefits; and (d) the vehicle use from the approved parking location is a business trip other than commute to the employee’s normal duty station.

C. De Minimis Use of Vehicle

According to Section 1.132-6 of the IRS Regulations, the term “de minimis fringe” means any property or service, the value of which is (after considering the frequency with which similar fringes are provided by the employer to the

employer's employees) so small as to make accounting for it unreasonable or administratively impracticable.

The regulations give an example of fringe benefit that is not excludable from gross income: the commuting use of an employer-provided automobile more than one day a month. The regulations also say that "the fact that the commuting use of an employer-provided vehicle more than one day a month is an example of a benefit not excludable as a de minimis fringe does not mean that the commuting use of a vehicle up to 12 times per year is excludable from gross income as de minimis fringe".

VIII. VEHICLE USAGE FRINGE BENEFIT COMPUTATION REPORTING REQUIREMENTS

The following forms and steps should be completed to report the Vehicle Usage Fringe Benefit Computation Records:

1. Forms:

- a. Computation Record for Lease Value Method (Form CO-961 Excel Format) [Vehicle Usage Fringe Benefit Computation Record/Lease Value Method](#)
 - b. Computation Record for Cents-Per-Mile Method (Form CO-960 Excel Format) [Vehicle Usage Fringe Benefit Computation Record/Cents Per Mile Method](#)
 - c. Computation Record for Special Commuting Rate (Form CO-959 Excel Format) [Vehicle Usage Fringe Benefit Computation Record](#)
2. From the information on the Monthly Usage Report (Form CCP-40), the agency will then post data as needed to the Employee's Computation Record.
 3. Follow instructions on the Computation Record to calculate the monthly value of the fringe benefit.
 4. Submit the required paperwork to his or her business office for inclusion in a payroll transaction.
 5. Retain the Computation Records and the documenting CCP-40 for the later of (a) three years or (b) until examination by the Auditors of Public Accounts.

Agencies may enter the information in the Core-CT HRMS module, either on the Timesheet page or through Additional Pay, depending on their process. Either method can be used to record the payment appropriately. The coding is as follows:

- **Timesheet Page:** Enter **Amount** and **Time Reporting Code (TRC): XFRBA**
- **Additional Pay Page:** Enter **Amount** and use **Earnings Code: FRB**

For questions regarding payroll processing, coding, or payment entry, please contact OSC – Payroll at osc.payroll@ct.gov for guidance and assistance.

IX. AGENCY RESPONSIBILITIES

Agencies are to notify concerned employees of the preceding requirements and the definition of control employee, and the rate used in the cents-per-mile method.

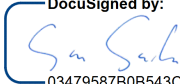
Agencies must continue to maintain the records necessary to properly determine and report on the dollar value of the vehicle use benefit for the period November 1, 2025, through October 31, 2026.

X. QUESTIONS

Any comments or questions concerning this memorandum, or its interpretation may be directed to the Office of the State Comptroller, Central Accounts Payable Division at osc.apd@ct.gov.

Other inquiries may be directed as follows:

Payroll Procedures	Statewide Payroll & Time Management Division	OSC.Payroll@ct.gov
DAS General Letter 115	DAS, Fleet Operations	DAS.Fleet@ct.gov

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SS:CM
Attachment
<https://www.osc.ct.gov>

ATTACHMENT A

Qualified Non-Personal Use Vehicles

A qualified non-personal use vehicle is any vehicle an employee is not likely to use more than minimally for personal purposes because of its design.

Examples of qualified non-personal use vehicles are:

1. Clearly marked police, fire or public safety officer vehicles, but personal use other than commuting must be prohibited by the employer.
2. Unmarked vehicles used by law enforcement officers (explained later) if the use is officially authorized, but the personal use must be related to law-enforcement functions, such as being able to report directly from home to an emergency situation. Use of an unmarked vehicle for vacation or recreation trips do not qualify as an authorized use.
3. An ambulance or hearse used for its specific purpose.
4. Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.
5. Delivery trucks with seating for the driver only, or driver plus a folding jump seat.
6. A passenger bus with a capacity of at least 20 passengers used for its specific purpose and school buses. The working condition benefit is available only for the driver, not for any passengers.
7. Tractors and other special purpose farm vehicles.
8. Bucket trucks, cement mixers, combines, cranes and derricks, dump trucks (including garbage trucks), flatbed trucks, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks.

Vans and Pickup Trucks

A van or a pickup truck is not a qualified non-personal use vehicle unless it has been specially modified, so it is not likely to be used more than minimally for personal purposes. The Internal Revenue Service provides the following guidelines a van or pickup truck can meet to be a qualified non-personal use vehicle.

A pickup truck with a loaded gross vehicle weight of 14,000 pounds or less qualifies if it is clearly marked with permanently affixed decals, special painting or other advertising associated with the employer's trade, business, or function. The pickup truck must be either:

1. Equipped with at least one of the following:
 - a. Hydraulic lift gate.
 - b. Permanent tanks or drums.
 - c. Permanent side boards or panels that materially raise the level of the sides of the truck bed; or
 - d. Other heavy equipment (such as an electric generator, welder, boom, or crane used to tow vehicles); or
2. Used primarily to transport a particular type of load (other than over the public highways) in a construction, manufacturing, processing, farming,

mining, drilling, timbering, or other similar operation for which it was specially designed or significantly modified.

A van with a loaded gross vehicle weight of 14,000 pounds or less qualifies if it is clearly marked with permanently affixed decals, special painting or other advertising associated with the employer's trade, business, or function. The van must have a seat for the driver only or the driver and one other person, and either:

1. Permanent shelving that fills most of the cargo area; or
2. The cargo area is open, and the van always carries merchandise, material or equipment used in the employer's trade, business, or function.

Public Safety Officer

A public safety officer is an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, a fire fighter, a chaplain, or as a member of a rescue squad or ambulance crew.

Law Enforcement Officer

For an unmarked police vehicle to be classified as a qualified non-personal use vehicle, it must be used by a law enforcement officer.

A law enforcement officer is an individual who is a full-time employee of a governmental unit that is responsible for the prevention or investigation of crime. In addition, the employee must be authorized by law to carry firearms, execute search warrants, and make arrests. The employee must regularly carry firearms except when working undercover.

An arson investigator may be considered a law enforcement officer if the investigator meets the requirements.