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JAN 16 2004

COMPTROLLER'S MEMORANDUM NO. 2004-04

TO: Heads of Departments

ATTN: Payroll/Personnel Offices

SUBJECT: Personal Use of State-Owned Vehicles

This memorandum concerns employee use of State-owned vehicles to commute to and from work. To ensure that State resources are used efficiently and economically, we are requesting that you closely examine the use of State-owned vehicles by your employees. For background on this matter, please refer to Comptroller's Memorandum No. 1987-3, dated January 20, 1987.)

As in prior years, the State will use the "commuting valuation rule" allowed by IRS Regulation Section 1.61-21(f) to value the commuting use of a State-owned vehicle in 2004. Under this special valuation rule, commuting use of the vehicle is valued at $1.50 per one-way commute; thus, the amount includible in compensation as a fringe benefit is $3.00 for each round-trip commute, for a maximum of $678 per year or $56.50 per month.

Also, as in prior years, the State of Hawaii will not withhold income taxes on the computed fringe benefit amount but will withhold Social Security and Medicare taxes, as required by law.

Please furnish a copy of this memorandum to each employee in your department or agency who commutes in a State-owned vehicle. Each such employee must be so notified no later than January 31, 2004, or within 30 days after the fringe benefit has been provided to the employee by approving the commuting use of a State-owned vehicle.

Russ K. Saito

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State Comptroller