
A Guide To The

Employee Auto Compensation Analyzer

By Denver Tax Software, Inc.

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Overview

Why Use This Program

Purpose

The purpose of the DTS Employee Auto Compensation Analyzer is to efficiently determine what methods can be used to value the compensation for the employee's personal use of the employer's vehicle and to compute the corresponding values.

Getting The Most Out Of This Program

Quick Start

Go to the Installing And Running section on the next page. We have tried to design the program so that you don't have to refer to this manual! When you are entering inputs, there will be a section of the input screen that discusses what you should be inputting. If you have any questions, please go first to the Tutorial – Example section. See "Tutorial -- Examples" on page 21.

The help file is identical to this manual. The help file, accessed by clicking on the **Help** menu choice, has the same Table Of Contents (Contents) and index that this printed manual does. However, the help file has word search features which are not possible with the written manual.

When the program installs, it also installs a copy of this manual in Adobe's Acrobat (.pdf) format. If you want a hard copy of the manual, click on the manual icon in the Denver Tax Software Group (**Start - Programs - Denver Tax Software Group**). That will bring up the manual in the Acrobat Reader. The manual can be printed from the Acrobat program.

How To Get A Complete Understanding Of This Program

Read the complete manual. The Computing Employee Auto Compensation section discusses the law that made this computation mandatory. See "Computing Employee Auto Compensation" on page 4. This manual discusses each input in depth in the Inputs section.

Installing and Running

System Requirements:

Operating System: Microsoft® Windows® versions 95, 98 or NT 4.
Please refer to the readme.txt file to see if service packs might be required.

Limitations

This program is comprehensive, but it does have limitations as follows:

- The program does not address the Consistency Rules that come into play when you want to change valuation methods.
- The program does not address Unsafe Conditions Commuting Rules, but it does support the more general Commuting Rule.

Installation

All commands you need to enter will be typed in **bold** type.

Installing To A Single Machine

For the purpose of these instructions, we are assuming that your CD drive is drive D, if it is not, please make the appropriate changes. To install the program to a single machine, use the following steps:

1. Click on the **Start** button.
2. Click on the **Run** menu item.
3. Type **D:SETUP** and press the **ENTER** key.
4. Follow the instructions in the installation program.

Network Installation

Network installations instructions are provided in a separate document to customers that have purchased rights to use this program on additional desktops.

Starting the DTS Employee Auto Compensation Analyzer

The Installation program will create a "Denver Tax Software" Start Group, if it doesn't already exist. The DTS Employee Auto Compensation Analyzer will be placed within this group.

To start the Employee Auto Compensation Analyzer, click on the **Start** button, click on the **Programs** button, click on the **Denver Tax Software** program group, then click on the **Employee Auto Compensation Analyzer** icon.

Computing Employee Auto Compensation

How Personal Use Of The Company Car Is Taxed

The personal use of the company car is generally considered compensation subject to income tax by means of Internal Revenue Code (I.R.C.) §61(a)(1). This single line in the I.R.C. deals with compensation and fringe benefits. That lack of explanation is more than made up for in the 40 or more pages in Treasury Regulation (Reg.) §1.61-21.

In general, the income that is derived from the personal use of an auto is considered compensation that should be included both in W-2 boxes 1 and 12. This is income to the employee, and the employer gets to deduct expenses related to the auto.

In extreme circumstances, the results could be more severe, dividend treatment. If the personal use of the corporate auto is a dividend, the employer would not get a deduction for that amount, but it would still be income to the employee. If the corporation is closely held and there is very little business reasons for the shareholder – employee to be using a company car, the IRS might make an argument for dividend treatment. Dividends would be reported on Form 1099-DIV, not the W-2. Dividend treatment is not a possibility for an auto used by a non – shareholder.

How Much To Put On The W-2

General Rule

The general rule for valuing the auto fringe is to use the fair market value (FMV). According to IRS Publication 535, "value of an employer-provided vehicle is the amount the employee would have to pay a third party to lease the same or a similar vehicle on the same or comparable terms in the same geographic area where the employee uses the vehicle. A comparable lease term would be the amount of time the vehicle is available for the employee's use, such as a one-year period."

The IRS's view of the general rule, leaves some problems for the employer. The first problem is how to determine this lease value. Does this mean that the employer is going to have to pretend to shop for cars to get this value? What proof is required?

The "comparable lease term" also presents a problem. Usually, the shorter the lease term the higher the annual lease amount. The IRS's example of one year would provide a higher tax result than a three year lease.

Fortunately, most employee – vehicle combinations will qualify for the Special Valuation Rules where there are more "safe harbors" and methods that often result in lower tax to the employee than the General Rule.

Special Valuation Rules

Methods

There are four Special Valuation Rule methods that pertain to vehicles as follows:

- Annual Lease Rule
- Vehicle Cents-Per-Mile Rule
- Commuting Rule
- Unsafe Conditions Commuting Rule

The program does not make computations for the Unsafe Conditions Commuting Rule.

Special Valuation Rule Qualification Tests

To use any of the Special Valuation Rules at least one of the following conditions needs to be met. If you wish, the program walks you through these tests on an interactive basis.

1. The employer treats the value of the benefit as wages for reporting purposes by the due date of the return (including extensions) for the tax year the employer provides the benefit.
2. The employee includes the value of the benefit in income by the due date of the return for the year the employee receives the benefit.
3. The employee is not a control employee.
4. The employer demonstrates a good faith effort to treat the benefit correctly for reporting purposes.

Control Employee Test

The Control Employee Tests are used both for the Special Valuation Rule test and the Commuting Rule test. If you wish, the program walks you through these tests on an interactive basis. A control employee of a nongovernment employer is any employee who:

1. Is a board- or shareholder-appointed, confirmed, or elected officer of the employer and whose pay is over a limitation that changes every year,
2. Is a director of the employer,
3. Receives pay over an annually changing limit from the employer, or
4. Owns a 1% or more equity, capital, or profits interest in the employer.

The most current version of the program includes the version year's limits for tests one and three, above.

Special Valuation Rules – Other Issues

There are more issues pertaining to the Special Valuation Rules. For more information, refer to IRS Pub. 535 or Reg. §1.61-21(c).

Commuting Rule

In general, this will result in the best outcome for the employee, but it is the most difficult of the Special Valuation Rules to qualify for. The valuation of compensation using the Commuting Rule is simply \$1.50 for each one-way commute. (If the \$1.50 changes, updates to the program will change accordingly.)

If you choose, the program will step you through the qualification tests for this method. To use the Commuting Rule, the employee and the employer must pass all tests as follows:

1. The employer owns or leases the vehicle and provides it to one or more employees for use in the employer's trade or business.
2. For bona fide noncompensatory business reasons, the employer requires the employee to commute in the vehicle.
3. The employer establishes a written policy under which the employer does not allow the employee to use the vehicle for personal purposes, other than for commuting or de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home).
4. The employee does not use the vehicle for personal purposes, other than commuting and de minimis personal use.
5. If this vehicle is an automobile, the employee who must use it for commuting is not a control employee.

Cents-Per-Mile Rule

The Cents-Per-Mile Rule is easier to qualify for than the Commuting Rule. In general, it is better for the employee than the Annual Lease Rule, but usually results in more tax to the employee than the Commuting Rule.

The Cents-Per-Mile rate usually changes every year. The rate can be reduced if the employee rather than the employer pays for the fuel. The program includes the most current Cents-Per-Mile and fuel rates that the user has the option to override.

The program will go through the Cents-Per-Mile tests with you, if you prefer. The tests are as follows:

1. The FMV of the vehicle **must** be below a relatively low limit. The program will display the historical limits for you.
2. The employer reasonably expects the vehicle will be regularly used in the employer's trade or business throughout the calendar year (or for a shorter period during which the employer owns or leases it), or
3. Meets the mileage rule requirements, discussed below.

The mileage rules are as follows:

1. It is driven at least 10,000 miles in that year, and
2. It is used during the year primarily by employees.

Annual Lease Rule

The Annual Lease Rule is the easiest of the Special Valuation methods to qualify for. It usually results in a larger compensation amount than the other two methods. Using this method, the employee's auto compensation is pulled out of a table based on the FMV of the vehicle. The table represents an IRS approximation of lease values.

The FMV of the vehicle can be determined using a method as follows:

- Estimate the FMV using facts and circumstances. This FMV has a much higher chance of being disputed by the IRS than the other methods.
- Add 4% to the manufacturer's invoice.
- Reduce the suggested retail price (sticker price) by 8%.
- Use a nationally recognized source such as Kelly Blue Book.

The 4% and 8%, above, are subject to change. The most current version of the program will reflect any changes to the factors.

The program will make the adjustments to the manufacturer's invoice and sticker prices in the process of determining the lowest FMV needed to take to the Annual Lease Valuation table.

Naturally, the lease value can be prorated if the vehicle is used less than a full year. However, if the vehicle is used less than 30 days, the prorated amount must be multiplied by 4. The program takes care of the prorating, checking whether the vehicle was used less than 30 days and multiplying the lease value by 4, if appropriate.

The IRS's lease values include maintenance and insurance, but do not include fuel. The IRS provides a cents-per-mile cost of fuel that is included in the program.

Other Adjustments

Working Condition Fringes

Any business use of the vehicle can be used to reduce the compensation amount. Thus, if the FMV for the annual use of the car is \$1,000, and the business use is 60%, \$400 ($1,000 - [.6 \times 1,000]$) should appear on the W-2. This adjustment would not apply to the Commuting Rule, since commuting is non-business.

Other Items

If other items related to the car, in addition to maintenance and insurance, are provided, they have to be added to the compensation amount. As previously mentioned, fuel is already included in the Cents-Per-Mile Rule valuation but not included in the Auto Lease Valuation amount.

Employee Payments

If the employee pays the employer for any portion of personal use, those payments reduce what would otherwise have been included on the W-2.

Gross Up – How Much More To Put On The W-2

The compensation for personal use of the business vehicle is also subject to Social Security and Medicare tax withholding. However, if the employee's wages have

exceeded the Social Security maximum, Social Security taxes are no longer an issue. If the compensation amount is figured before year – end, those taxes can be easily withheld. If the compensation for the personal use of the vehicle is recorded after year – end, any Social Security and Medicare taxes have to come from somewhere other than out of a normal pay check.

One of the solutions is to gross up the compensation for personal use of the vehicle to cover any Social Security and Medicare taxes both on the vehicle compensation and the gross up amounts. This gross up can be determined by a mathematical formula which is used by this program.

If you choose to gross up the personal use of the vehicle, the program's Detailed Analysis Report will indicate the compensation before and after the gross up, as well as, the Social Security and Medicare components.

The Employer's Taxes – Lease Inclusion Amount

The primary purpose of this program is to deal with the employee's compensation issues for personal use of the business car. However, in many instances you will be providing the program with most of the information needed to figure the Lease Inclusion Amount for the business. The Lease Inclusion Amount is an amount of income that the business may need to report for leasing a "luxury" vehicle.

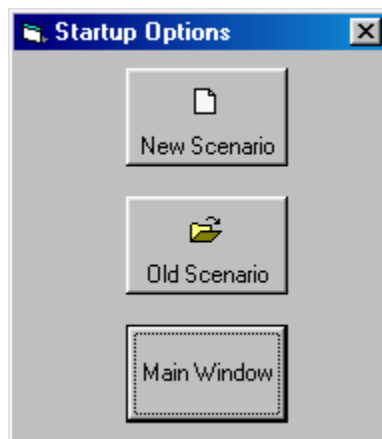
At the inputs for the Annual Lease Valuation you can enter the information so the program can calculate the Lease Inclusion Amount. If the program has enough information to calculate the Lease Inclusion Amount, it appear in the program's Detailed Analysis Report.

Using The Employee Auto Compensation Analyzer

The Startup Options Screen

The first screen to appear when starting the program is the About Screen. This is where you will find the program's version. It also has a button that will help you locate information about your system. That information might come in handy if technical support is needed, or if you are simply curious.

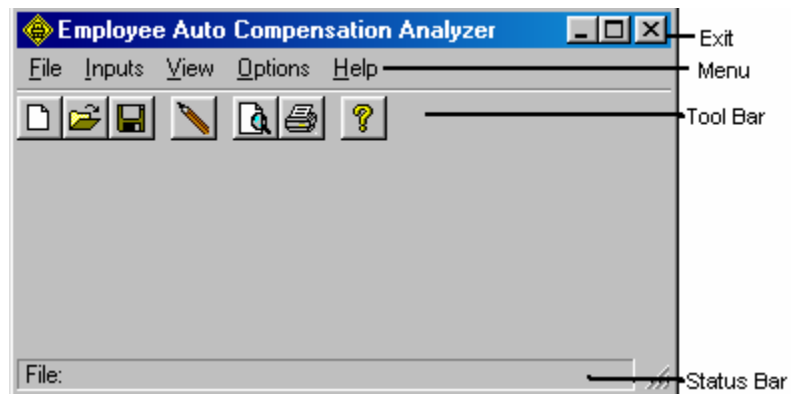
The next screen is the Startup Options Screen.



If this is going to be a new scenario, **click** on the **New Scenario** button. If you are going to use a previously saved file, **click** on the **Old Scenario** button.

The next screen that will appear is the Input Screen. The Input Screen is discussed in detail in a separate section. See "Inputs" on page 12.

The Main Window



Basic Parts Of The Main Window

Minimize, Maximize – Restore Size, and Exit Buttons

The upper right portion of the Main Window has the standard buttons to minimize, maximize – restore size and exit. If you have used any other programs designed for 32 bit Windows systems, you are already familiar with those buttons.

Menu

This is where you can pick menu choices. See "Menu", below.

Tool Bar

Using the Tool Bar is typically the fastest and easiest way to use the program. Tool Bar choices are described with the Menu selections. See "Menu", below.

Status Bar

This displays what file or scenario is active.

Menu

File

New . This brings up a blank input screen.


Open . This brings up a screen where you can choose a previously saved file. Once the file has been selected, the input screen will appear with that file's information.


Save . This saves the current scenario to the file shown in the Status Bar.

Save As.... This is where you can choose a filename.

*When you **click** on the Input Screen's **OK** button, the scenario will be automatically saved.*


This is the Menu choice where you can rename a file. Use this a lot if you are running a "what if" analysis.

Print Preview...  Use this to display the reports to the screen. You can display any combination of Input Report, Detailed Analysis Report or Summary Report.


Print...  Print the reports. You can print any combination of Input Report, Detailed Analysis Report or Summary Report.

Exit. Exit the program.

Inputs

Inputs  Enter information into the program. This will bring up The Input Screen. See "Inputs" on page 12.


View

Reports...  Display the reports on the screen. You can display any combination of Input Report, Detailed Analysis Report or Summary Report.

Options

Fonts... You can change the fonts to make the reports appear differently. We recommend staying with Courier or Courier New.

Help

Contents  Displays the table of contents for the help file.

Search For Help On... This gives you the choice to search the help file using either the index or a keyword search.

About. This displays the information about the DTS Employee Auto Compensation Analyzer. This is where you can find the program's version number and ways to contact DTS.

This is identical to the very first screen that the program displays.

Inputs

Entering Information

Data Entry

The Employee Auto Compensation Analyzer uses the normal input procedures that most Windows programs use. To move from one input to another you can either use the mouse to select the input item you want, or press the **TAB** key to move through them. To exit an input screen you can use the mouse to click on the appropriate button.

You may find it easier to enter numeric information using the numeric keypad. If so, make sure the **Num Lock** key is on.

How To Move Around The Input Screens

The input screen is broken down into tabbed dividers similar to a tabbed notebook. To move to a different tab simply click on the tab you want to move to. The input screen's tabs are Initial Inputs, Special Valuation, Commuting Rule, Cents-Per-Mile, Annual Lease Val. and General Rule

How To Exit The Input Screens

When working with an input form, the **OK** button or **ENTER** key will exit the form and save the information you entered to a file. **Cancel** button is used to exit the screen without preserving the information you entered.

Initial Input Screen

Initial Inputs Screen Inputs

Change or set filename

This is an improvement on the Windows interface. With most Windows programs, when you click on a form's OK button you just move to the next screen. When you click on the OK button in this program, it actually saves your data for you.

Click on the  button to choose or change a filename.

Employee

Enter the employee's name.

Employer

Enter the employer's name.

Vehicle

Enter a description of the vehicle. E.g., make, model, vehicle ID number, etc.

Additional Description

Enter anything you want here. It will appear on the reports.

Start Date

Enter the date the employee started using this vehicle for this tax period. This would typically be either January 1 or the first date during the year that the vehicle was available. Enter dates with four digits for the year. Thus, enter January 1, 2003 as 01/01/2003.

Stop Date

Enter the date the employee stopped using this vehicle for this tax period. This would typically be December 31 or the last date the auto was available.

Odometer start miles

Enter the odometer reading, or your best estimate of it, that was on the auto on the Start date.

Odometer stop miles

Enter the odometer reading, or your best estimate of it, that was on the auto on the Stop date.

Business Miles

Enter the business miles driven between the Start and Stop dates.

Did employer buy gas?

Check this box if the employer purchased the gas.

Income per mile for gas

Enter the income per mile for the gas. The program will show the IRS's gas cost per mile rate for the program's version year. You can override this amount when you reach this input. If you override the program's amount, the amount you enter will only stay in the system while you are currently working on this scenario. If you exit the program, this input reverts to the program's original amount.

Other costs

Enter any vehicle relate costs that are not included in the various valuation methods. Thus, do not include depreciation, lease payments, insurance, maintenance or fuel in this amount.

Employee reimbursements

Enter any amounts the employee paid the employer for the use of this auto.

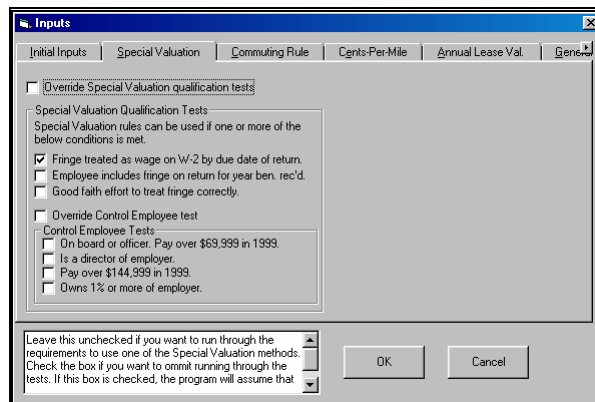
Gross up compensation for Soc. Sec. & Medicare taxes?

Check the box if you want to gross up compensation for personal use of the business vehicle to include Social Security and Medicare taxes. For more information, see "Gross Up – How Much More To Put On The W-2" on page 7.

YTD FICA Wages:

If you have checked the "Gross up compensation for Soc. Sec. & Medicare taxes?" box, enter YTD FICA wages. If wages have exceeded the Social Security wage limit, enter Medicare wages.

Special Valuation Screen



Special Valuation Inputs

Override Special Valuation qualification tests

Check this box to assume that Special Valuation methods can be used. This will "turn off" the Special Valuation tests.

Fringe treated as wage on W-2 by due date of return

Check this box if the employer treats the value of the benefit as wages for reporting purposes by the due date of the return (including extensions) for the tax year the employer provides the benefit.

Employee includes fringe on return for year ben. rec'd

Check this box, if the employee includes the value of the benefit in income by the due date of the return for the year the employee receives the benefit.

Good faith effort to treat fringe correctly

Check this box, if the employer demonstrates a good faith effort to treat the benefit correctly for reporting purposes.

Control Employee Tests

The Control Employee tests are used for the Special Valuation inputs and the Commuting Rule inputs.

Override Control Employee test

Check this box to assume that the employee is not a Control Employee.

On board or officer. Pay over \$xxx in nnnn

For 2002 check this box, if the employee is a board- or shareholder-appointed, confirmed, or elected officer of the employer and whose pay is \$80,000 or more. The program will fill in what xxx should be and the year, nnnn, based on information for the current version year.

Is a director of employer

Check this box, if the employee is a director of the employer.

Pay is over \$xxx in nnnn.

Check this box, if the employee receives pay for 2002 of \$160,000 or more from the employer. The program will fill in what xxx should be and the year, nnnn, based on information for the current version year.

Owns 1% or more of employer

Check this box, if the employee owns a 1% or more equity, capital, or profits interest in the employer.

Commuting Rule Screen

The screenshot shows the 'Inputs' dialog box with the 'Commuting Rule' tab selected. The dialog contains several sections of checkboxes and input fields. The 'Commuting Rule Qualification Tests' section has four checked boxes: 'Used in employer's trade or business.', 'There is a good reason to commute with vehicle.', 'The employer has the required written communications.', and 'No personal use, other than commuting.'. The 'Control Employee Tests' section has four unchecked boxes: 'On board', 'Is a director of employer.', 'Receives high pay', and 'Owns 1% or more of employer.'. On the right, there are two input fields: 'Number of one-way commutes:' with a value of 300, and 'Income per one-way commute:' with a value of \$1.50. At the bottom, there is a text box with the message 'You can change or choose a filename by clicking on the button' and two buttons: 'OK' and 'Cancel'.

Commuting Rule Inputs

These Are Optional!

If you don't want to consider the Commuting Rule, simply leave these inputs blank.

Override Commuting Rule qualification tests

Check this box, if you want to assume that the Commuting Rule can be used without looking at the qualification tests.

Used in employer's trade or business.

Check this box, if the employer owns or leases the vehicle and provides it to one or more employees for use in your trade or business.

There is a good reason to commute with vehicle.

Check this box, if for bona fide noncompensatory business reasons, the employer requires the employee to commute in the vehicle.

The employer has the required written communications.

Check this box, if the employer established a written policy under which the employer does not allow the employee to use the vehicle for personal purposes, other than for commuting or de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home).

No personal use, other than commuting.

Check this box, if the employee does not use the vehicle for personal purposes, other than commuting and de minimis personal use.

Control Employee tests

The Control Employee tests that are used for the Commuting Rule are also one of the tests for the Special Valuation tests. See "Control Employee Tests" on page 15.

Number of one-way commutes

Enter the number of one-way commutes that the employee made during the period. If you are unable to enter information in this input, it is because the qualification tests were not passed. To enable this input and assume that the qualification tests were passed, see "Override Commuting Rule qualification tests" on page 16.

If you don't want to consider the Commuting Rule, simply leave this input blank.

Income per one-way commute

The program will prompt you for the dollars per one-way commute rate. The amount that is showing in this input box before you modify it is the rate that was correct for the version year. If you change this amount, your change will last until you either exit the program or use a different scenario, which ever comes first.

If you are using the most current version of the program, you don't want to change this.

Cents-Per-Mile Screen

The screenshot shows the 'Inputs' dialog box with the 'Cents-Per-Mile' tab selected. The dialog contains the following elements:

- Buttons: Initial Inputs, Special Valuation, Commuting Rule, **Cents-Per-Mile**, Annual Lease Val, General
- Checkbox: Override Cents-Per-Mile qualification tests
- Section: Cents-Per-Mile Rule Qualification Tests
 - Table:

The car was under the FMV limit for the first year it was made available to employees.	1997 \$15,700	1998 \$15,600	1999 \$15,500
--	---------------	---------------	---------------
 - Checkbox: Expected to be used in trade or business.
 - Checkbox: Override Mileage Test
 - Section: Mileage Test
 - Checkbox: The car is driven over 10,000 miles.
 - Checkbox: The auto is used primarily by employees.
- Field: Cents - Per - Mile Rate: \$ 310
- Section: Special 1/1/99 - 3/31/99 Rules
 - Field: Odometer Reading 1/1/99: 450
 - Field: Odometer Reading 3/31/99: 3,250
 - Field: Business miles 1/1/99-3/31/99: 2,000
- Footer: You can change or choose a filename by clicking on the button
- Buttons: OK, Cancel

Cents-Per-Mile Inputs

These Are Optional!

If you don't want to consider the Cents-Per-Mile Rule, simply leave these inputs blank.

Override Cents-Per-Mile qualification tests.

Check this box if you want to assume that the employee qualifies for the Cents-Per-Mile Rule without running through the qualification tests.

The car was under the FMV limit for the first year it was made available to employees.

Check this box, if the auto was under the limit. The list box to the right of this check box lists some of the recent FMV limits.

Expected to be used in trade or business.

Check this box, if you reasonably expect the vehicle will be regularly used in the employer's trade or business throughout the calendar year (or for a shorter period during which the employer owned or leased it).

Override Mileage Test

Check this box, if you want to assume that the Mileage Tests will be passed without running through those tests.

The car is driven over 10,000 miles.

Check this box, if the vehicle is actually driven at least 10,000 miles for the year.

The auto is used primarily by employees.

Check this box, if the auto is used during the year primarily by employees.

Cents-Per-Mile Rate:

The program will prompt you for the Cents-Per-Mile rate. The amount that is showing in this input box before you modify it is the rate that was correct for the version year. If you change this amount, your change will last until you either exit the program or use a different scenario, which ever comes first.

If you are using the most current version of the program, you don't want to change this.

Annual Lease Valuation Screen

Annual Lease Valuation Inputs

These Are Optional!

If you don't want to consider the Annual Lease Valuation Rule, simply leave these inputs blank.

Limit analysis to safe-harbor methods. Ignore FMV Estimate.

Check this box, if you only want to consider safe-harbor methods. You can get the same result by leaving "FMV Estimate (facts and circumstances):" blank.

FMV Estimate (facts and circumstances)

This would be an estimate of the FMV. If you used the classified ads to arrive at a FMV, this is where you would put it.

Manufacturer's invoice price

Enter the manufacturer's invoice price, including options.

Suggested retail (sticker price)

Enter the manufacturer's suggested retail price (including sales tax, title, and other expenses of purchase).

Nationally recognized price source FMV

Enter the retail value of the automobile reported by a nationally recognized pricing source, if that retail value is reasonable for that automobile.

You might have some luck finding this information at <http://www.kbb.com/> or <http://edmund.com/>.

Year lease started:

If the business leased the vehicle, click on the year the lease began. If year the lease began is more recent than the choices provided by the program, you might want to consider an update. This input is used to

compute the Lease Inclusion Amount. For more information on the Lease Inclusion Amount, see "The Employer's Taxes – Lease Inclusion Amount" on page 8.

Year of lease:

If the business leased the vehicle, click on the year of the lease. For example, if the vehicle was leased in 2003 and this is 2003, click on 1 for the first year of the lease, but if the vehicle was leased in 2002 and this is 2003, click on 2 for the second year of the lease. This input is used to compute the Lease Inclusion Amount. [For more information on the Lease Inclusion Amount, see "The Employer's Taxes – Lease Inclusion Amount" on page 8.](#)

General Rule Inputs Screen

General Rule Input

Fair market value for use of vehicle to employee:

Fair market value for use of vehicle to employee

If you want to show the General Rule amount on the reports, enter the value of an employer-provided vehicle. That value would be the amount the employee would have to pay a third party to lease the same or a similar vehicle on the same or comparable terms in the same geographic area where the employee uses the vehicle. Leave this blank, if you don't want the program to show the General Rule value in the reports.

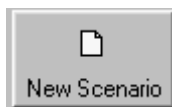
Tutorial -- Examples

A New Scenario Example

Most of the time it doesn't make much difference whether you use the **TAB** or **ENTER** key. This tutorial will use the **ENTER** key whenever possible. When the tutorial directs you to use the **TAB** key, that would be a situation where using the **TAB** and **ENTER** keys will make the program function differently.

Start the program. If you have any questions on how to do this, see "Starting the DTS Employee Auto Compensation Analyzer" on page 3.

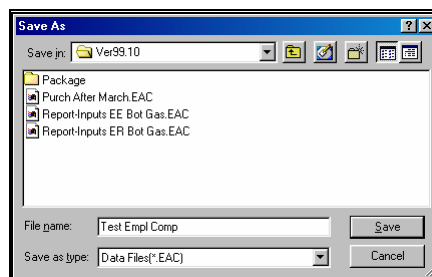
The first screen is the *About Employee Auto Compensation Analyzer* window. **Click** on the **OK** button.



At the *Startup Options* screen, **click** on the **New Scenario** button. This will immediately bring up the input screen.



Click on the *Change or set filename* button.



In the *Save As* screen, type **Test Empl Comp** in the *File name* input. **Click** the **Save** button to return to the input screen. Press the **TAB** key.

For the *Employee* input enter **John Doe** and press the **ENTER** key.

For the *Employer* input enter **ABC, Inc.** and press the **ENTER** key.

For the *Vehicle* input enter **Honda Civic** and press the **ENTER** key.

For the *Additional description* input enter **VIN: 123ABC** and press the **ENTER** key.

Always enter dates in this system using four digits for the year!

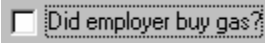
For the **Start date** input simply press the **ENTER** key to accept the date that the program is prompting.

For the **Stop date** input simply press the **ENTER** key to accept the date that the program is prompting.

For the **Odometer start miles** input enter **5000** and press the **ENTER** key.

For the **Odometer stop miles** input enter **17500** and press the **ENTER** key.


For the **Business miles** input enter **8000** and press the **ENTER** key.

 **Click on the check box for *Did employer buy gas?* and press the **ENTER** key.**

For the **Income per mile for gas** input press the **ENTER** key to accept the amount that is already in the system.

For the **Other costs** input enter **400** and press the **ENTER** key.

For the **Employee reimbursements** input enter **361.25** and press the **ENTER** key.

 **Click on the *Special Valuation* tab. The tabs are like dividers on a notebook along the top of the input screen.**


Since there are very few situations that do not qualify for some Special Valuation situations, let's override the Special Valuation Qualification tests. Make sure the **Override Special Valuation qualification tests** check box is checked. If it is not checked, **click** on that check box.

 **Click on the *Commuting Rule* tab. The Commuting Rule inputs will now appear.**

The qualification test check boxes are all checked to indicate that this employee has passed the tests to qualify to use this method. Leave the tests the way they are for this tutorial.

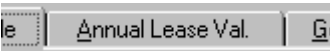
 **Click on the 0 in the *Number of one-way commutes* input box. For the *Number of one-way commutes* input enter **300** and press the **ENTER** key.**

Do not change the **Income per one-way commute** input. The program is correctly indicating the amount that the IRS allows.

 **Click on the *Cents-Per-Mile* tab. The Cents-Per-Mile inputs will now appear.**

Click the check box for *The car was under the FMV limit for the first year it was made available to employees.*

Click the check box for *Expected to be used in trade or business.*

 **Click on the *Annual Lease Val.* tab. The Annual Lease Valuation inputs will now appear.**

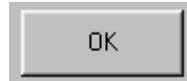
Press the **TAB** key until you are at the **FMV Estimate (facts and circumstances)** input. For the **FMV Estimate (facts and circumstances)** input enter **15000** and press the **ENTER** key.

For the *Manufacturer's invoice price* input enter **14000** and press the **ENTER** key.
For the *Suggested retail (sticker price)* input enter **15700** and press the **ENTER** key.
For the *Nationally recognized price source FMV* input enter **14900** and press the **ENTER** key.



Click on the **General Rule** tab. On the input screen only "Gene" will appear on that tab. The General Rule inputs will now appear.

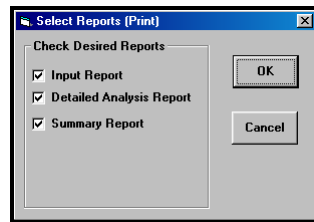
TAB to the *Fair market value for use of vehicle to employee* input. For the *Fair market value for use of vehicle to employee* input enter 4000 and press the **ENTER** key. This is the last input.



Click on the **OK** button. This automatically saves your information. There is no need to take further actions to save the data!



Lets get the results. **Click** on the **Print** button.



In the Select Reports screen you can select the reports that you want to run. If all three reports are not already checked, please check all three boxes now. **Click** on the **OK** button.

The next screen will be the standard Windows print dialog box. **Click** on the **OK** button, and the reports will now print.



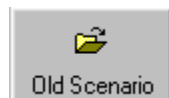
You are done. Simply exit the program by **clicking** on the **X** button in the upper right corner.

An Old Scenario Example

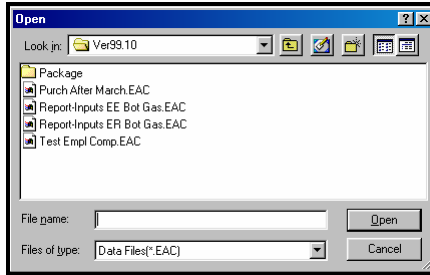
To modify a previously created scenario, we will use the example that we saved in the New Scenario Example. See "A New Scenario Example" on page 21. We will change the number of one-way commuters to 200.

Start the program. If you have any questions on how to do this, see "Starting the DTS Employee Auto Compensation Analyzer" on page 3.

The first screen is the *About Employee Auto Compensation Analyzer* window. **Click** on the **OK** button.



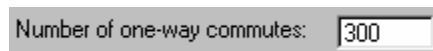
At the *Startup Options* screen, **click** on the **Old Scenario** button. This will immediately bring up the input screen.



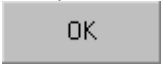
In the *Open* screen, **click** on **Test Empl Comp.EAC** text. **Click** the **Open** button to return to the input screen. Press the **TAB** key.



Click on the **Commuting Rule** tab. The Commuting Rule inputs will now appear.

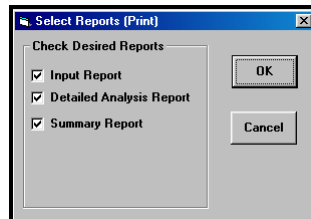


In the *Number of one-way commutes:*

input **click** on the 300. Type 200 and **click** on the **OK** button, , that will save the revised scenario.



Lets get the results. **Click** on the **Print** button.



In the Select Reports screen you can select the reports that you want to run. If all three reports are not already checked, please check all three boxes now. **Click** on the **OK** button.


The next screen will be the standard Windows print dialog box. **Click** on the **OK** button, and the reports will print.



You are done. Simply exit the program by **clicking** on the **X** button in the upper right corner.

Input Sheet

Printed Copies Of The Input Sheets

The fastest way to get blank printed input sheets is to print them from the program's Help  routine. **Click** the **Contents tab**. **Click** the on **Input Sheet** selection. **Click** on the input section that you are interested in. When you see the input sheet on the help screen, **click** on Help's **Print button**.

Initial Inputs



To print this, simply click on the Print button,

Change or set filename: _____

Employee: _____

Employer: _____

Vehicle: _____

Period of employee's use of vehicle:

Start date: _____

Stop date: _____

Odometer start miles: _____

Odometer stop miles: _____

Business miles: _____

Did employer buy gas? ___

Income per mile for gas: (override) _____

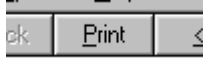
Other costs: _____

Employee reimbursements: _____

Gross up compensation for Soc. Sec. & Medicare taxes? **YES** or **NO**

YTD FICA Wages: _____

Special Valuation



To print this, simply click on the Print button,

Override Special Valuation qualification tests

Special Valuation Qualification Tests

Fringe treated as wage on W-2 by due date of return.

Employee includes fringe on return for year ben. rec'd.

Good faith effort to treat fringe correctly.

Override Control Employee test.

Control Employee Tests

On board or officer. Pay over limit. (The screen will display the current year limits.)

Is a director of employer.

Pay over limit. (The screen will display the current year limits.)

Owns 1% or more of employer.

Commuting Rule



To print this, simply click on the Print button,

Override Commuting Rule qualification tests

Commuting Rule Qualification Tests

Used in employer's trade or business.

There is a good reason to commute with vehicle.

The employer has the required written communications.

No personal use, other than commuting.

Override Control Employee test.

Control Employee Tests

On board or officer. Pay over limit. (The screen will display the current year limits.)

Is a director of employer.

Pay over limit. (The screen will display the current year limits.)

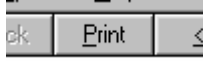
Owns 1% or more of employer.

Number of one-way commutes: _____

Income per one-way commute: (override) _____

Cents-Per-Mile Inputs

To print this, simply click on the Print button,



Override Cents-Per-Mile qualification tests

Cents-Per-Mile Rule Qualification Tests

The auto was under the FMV limit for the first year it was made available to employees (The screen will

display the limits.)

Expected to be used in trade or business.

Override Mileage Test

Mileage Test

The car is driven over 10,000 miles.

The auto is used primarily by employees.

Cents-Per-Mile Rate: (override) _____

Annual Lease Valuation Inputs

To print this, simply click on the Print button,



Limit analysis to safe – harbor methods. Ignore FMV estimate.

FMV Estimate (facts and circumstances): _____

Safe – Harbor Methods

Manufacturer's invoice price: _____

Suggested retail (sticker price): _____

Nationally recognized price source FMV: _____

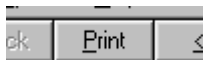
Lease Inclusion Amount inputs

Year lease started: _____

Year of lease: _____

General Rule

To print this, simply click on the Print button,



Fair market value for use of vehicle to employee: _____

License Agreement

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 17

The employer has the required written communications.
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