CIRCULAR

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY

NO.: 27-08-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 4
EFFECTIVE DATE: 01-01-26	EXPIRATION DATE: 12-31-26	SUPERSEDES: 26-07-OMB
SUBJECT: TAXABILITY OF THE PERSONAL USE OF STATE PROVIDED VEHICLES AND DRIVER SERVICES		
ATTENTION: DIRECTORS OF ADMINISTRATION		
FOR INFORMATION CONTACT: Zachary.Burkhalter@treas.nj.gov		

This Circular makes one substantive change to 26-07-OMB. In Section IV, Item A (The Lease Valuation Rule); the annual salary threshold used to identify a "Control Employee" has been increased from $183,100 to $184,900. Dates have also been changed to reflect Calendar Year 2026. The Internal Revenue Service Code states that the personal use of an employer-provided vehicle and/or use of driver services is taxable to the employee as a non-cash fringe benefit. "Personal use" includes commuting to and from work as well as personal travel. **The policies and procedures outlined in this Circular apply only to Departments and Agencies paid through Centralized Payroll**.

I. FRINGE BENEFIT DETERMINATION

The state-wide vehicle policies outlined in Circular 25-10-ADM "State Vehicular Assignment, Use and Violation Policy" allow for the valuation of personal use of state provided vehicles to be calculated using either the commutation valuation rule or the lease valuation rule. The Director of Administration for each department is responsible for establishing a system for tracking the use of state vehicles within their department, and for reporting the personal use information to Centralized Payroll by the cut-off dates specified in paragraphs IV.A.4 and IV.B.4. In addition, the Directors of Administration are responsible for notifying the affected employees, within 30 days of providing them with the use of a state provided vehicle, of the valuation method to be used to calculate their vehicle fringe benefit.

II. QUALIFIED NON-PERSONAL USE VEHICLES

The following types of vehicles are exempted from fringe benefit consideration. That is, their use is deemed to be exclusively for business purposes:

A. Clearly marked police, fire, and rescue vehicles;
B. Unmarked law enforcement vehicles when used by full-time officers authorized to carry firearms, execute search warrants, and make arrests;
C. Delivery trucks with seating only for the driver, or only for the driver plus a folding jump seat;
D. Cargo carriers with greater than a 14,000-pound capacity;
E. School and passenger buses with greater than a 20-person capacity;
F. Flatbed trucks, bucket trucks, cranes and derricks, fork-lifts, cement mixers, dump trucks, garbage trucks, specialized utility repair trucks, farm tractors, and other special purpose farm vehicles;
G. Certain clearly marked or specially modified pick-up trucks and vans as defined in the I.R.S. Code.

III. ANUAL REPORTING PERIOD

In order for Centralized Payroll to process the information necessary to compute the vehicle fringe benefit for employees by the established I.R.S. deadline, the reporting time period for calendar year 2026 will be from November 1, 2025 through October 31, 2026.

IV. CALCULATION OF VEHICLE FRINGE BENEFIT

A. The Lease Valuation Rule

This method will be used to calculate the vehicle fringe benefit for all "Control Employees." A governmental "Control Employee" is defined as an elected official or an employee whose compensation equals or exceeds $184,900 per year. For purposes of identifying "Control Employees," compensation will be defined as an employee's annual pay rate as of October 30, 2026. Additionally, if an employee is not a "Control Employee" but is provided a driver for his/her vehicle, the lease valuation method must be used to determine his or her fringe benefit.

1. To obtain the "Annual Lease Value" to be reported for an individual regarding a vehicular assignment, contact the transportation official listed below:

For all State departments except Military and Veterans Affairs, Law and Public Safety and Transportation:

Chief, Bureau of Transportation Services
605 South Broad Street - PO Box 233
Trenton, New Jersey 08625
Phone No. (609) 292-0734

Department of Military Affairs and Department of Veterans Affairs:

Mr. Shawn Hopkins
Principal Staff Officer 2
Eggerts Crossing Road - PO Box 340
Trenton, New Jersey 08625
Phone No. (609) 732-5972

Department of Law and Public Safety:

Mr. Peter Leland
Vehicle Coordinator
Richard Hughes Justice Complex, 3rd Floor
25 Market Street-PO Box 081
Trenton, NJ 08625
Phone No. 609-292-6061

Department of Transportation:

Ms. Kelly Hutchinson
Director, Human Resources
Main Office Building, 2nd Floor
1035 Parkway Avenue – PO Box 600
Trenton, New Jersey 08625
Phone No. (609) 963-2154

Ms. Kim Janiszewski
Manager, Human Resources
Main Office Building, 2nd Floor
1035 Parkway Avenue – PO Box 600
Trenton, New Jersey 08625
Phone No. (609) 963-2148

2. In addition to the Annual Lease Value provided by the transportation officer listed above, the value of the services provided by a driver must also be included in determining the total taxable fringe benefit. For this purpose, the value of a driver's services will be defined as the compensation (salary) paid to the driver. The driver's compensation (salary paid) shall be reduced by (1) the total business driving value (2) and shall be reduced proportionately to reflect the amount of time during which the driver performs substantial services for the employer other than as a driver and (3) is not on call as a driver. This will result in the personal use portion of a driver's service.

   Be sure to read the attached Treasury Regulations 1.61-21 (b) (5) to accurately calculate the proper amount of compensation for personal use of the driver services.

3. Reduce the "Annual Lease Value" by the business use portion of a state provided vehicle and then add the personal use portion of driver's compensation to arrive at the "Total Personal Annual Lease Value." The employee must be advised to carefully maintain an accurate account of the business and personal use portion of a state provided vehicle and driver services on the Fringe Benefit Analysis Sheet.

4. Once the "Total Personal Annual Lease Value" is computed, for all affected employees in their department, the Director of Administration will complete Form# CP AUTO II and submit it to Centralized Payroll by **November 20, 2026**. An electronic version of this form utilizing employee ID is available from Centralized Payroll. To obtain a copy please contact Zachary Burkhalter. Please note, the full social security number or full employee ID must be utilized when submitting the forms back to Centralized Payroll.

B. The Commutation Valuation Rule

The commutation valuation rule will be used to determine the fringe benefit relating to state provided vehicles for all "Non-Control" employees. Employees should keep a record of the commutation use of a state provided vehicle.

NOTE: If a vehicle is provided a driver, this rule may not be used to value the commuting use for any person, other than for the driver, who rides in the vehicle.

1. The value of the commutation use of a state provided vehicle is $1.50 per one-way commutation. Commutation is defined as direct travel from an employee's residence to and from an official workstation. For the days when an employee is on sick leave, vacation, or personal leave, no commutation use is incurred.

2. A trip between an employee's residence and a "temporary" work location, when the employee has a regular work location, is NOT commuting. For more information regarding the definition of a "temporary work location", refer to I.R.S. Revenue Ruling 99-7 at http://www.irs.gov/pub/irs-drop/rr-99-7.pdf. Commuting from home to a temporary work location is a work necessity that would be deductible as a working condition fringe benefit; these commutes are not reportable.

3. If more than one employee commutes in a state provided vehicle, as is the case of an employer-sponsored car pool, the amount includible in the income of each employee is $1.50 per one-way commutation.

4. For all employees affected by the commutation valuation rule in their department, the Director of Administration will complete Form# CP AUTO I, identifying employees and indicating the total number of one-way commutations, and submit it to Centralized Payroll by **November 13, 2026.** An electronic version of this form utilizing employee ID is available from Centralized Payroll. To obtain a copy please contact Zachary Burkhalter. Please note, the full social security number or full employee ID must be utilized when submitting the forms back to Centralized Payroll.

C. Contractual Commutation Mileage Payments

1. Compensation received by employees, represented by certain negotiating units, for travel in their personal vehicle to and from their place of assignment and permanent place of residence in excess of 20 highway miles each way is taxable. Please refer to Circular 99-08-OMB "Commutation Mileage Payments Accounting and Taxability" for additional information.

2. Centralized Payroll will obtain amounts paid pursuant to these contracts from the New Jersey Comprehensive Financial System. No agency input is required.

V. CENTRALIZED PAYROLL

A. The taxable vehicle fringe benefit amount will be included in the gross wages on regular Pay Period 27, 2026, and displayed in the box entitled "Taxable Benefits" on the check/direct deposit pay stub and on the W-2 Forms of the affected employees for 2026.
B. F.I.C.A. and Medicare contributions, if required, will be withheld for affected employees on Pay Period 27, 2026.
C. The state, as an employer, will remit the F.I.C.A. and Medicare taxes withheld along with the employer contribution.
D. There will be no state or federal income tax withheld; however, the vehicle fringe benefit amount will be included in taxable federal wages and taxable state wages for NJ residents. (Vehicle fringe benefits are not taxable for PA state wages.)
E. The submission of data to Centralized Payroll after the due dates will result in affected employees receiving their regular 2026 I.R.S. Form W-2 that does not include the proper taxable earnings. As required by regulation, a 2026 I.R.S. Form W-2C, Statement of Corrected Income and Tax Amounts will be issued subsequent to January 31, 2027.

Tariq Shabazz

Tariq Shabazz
Acting Director

Attachments Form# CP Auto I
Form# CP Auto II
Treasury Regulations 1.61-21(b) (5) (To obtain copies contact Jessica.Tabor@treas.nj.gov)

LIST OF VEHICLE ASSIGNMENTS
FOR NON-CASH FRINGE BENEFIT - YEAR 2026
(NOVEMBER 1, 2025 THROUGH OCTOBER 31, 2026)

DUE IN CENTRALIZED PAYROLL **NOVEMBER 13, 2026**

EMPLOYEE FULL NAME (LAST,FIRST MI)	SOCIAL SECURITY NO. (MUST INCLUDE FULL SSN)	NO. OF ONE-WAY COMMUTATIONS

DEPARTMENT/AGENCY NAME

TOTAL # OF COMMUTATIONS
FOR DEPARTMENT/AGENCY_____

DIRECTOR OF ADMINISTRATION-SIGNATURE

DIRECTOR OF ADMINISTRATION-NAME (PLEASE PRINT)

FORM# CP AUTO I (REV. 13)

LIST OF VEHICLE ASSIGNMENTS
FOR NON-CASH FRINGE BENEFIT - YEAR 2026
(NOVEMBER 1, 2025 THROUGH OCTOBER 31, 2026)

DUE IN CENTRALIZED PAYROLL **NOVEMBER 20, 2026**

EMPLOYEE FULL NAME (LAST,FIRST MI)	SOCIAL SECURITY NO. (MUST INCLUDE FULL SSN)	LEASE VALUE (INCLUDING OTHER SERVICES)

_____
DEPARTMENT/AGENCY NAME

_____
DIRECTOR OF ADMINISTRATION-SIGNATURE

_____
DIRECTOR OF ADMINISTRATION-NAME (PLEASE PRINT)

FORM# CP AUTO II (REV. 13)