methods of reimbursement for costs associated with personal use of a company car or ...

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Vehicle programs and mileage reimbursement have long been a source of confusion among individuals, businesses, and the accountants that work with them. Patchwork methods of reimbursement for costs associated with personal use of a company car or business use of a personal vehicle have led to inaccurate payments, muddled taxes, and even mistakes that can result in fraud or lawsuits.

While these issues have made the occasional headline, the recent passage of federal

find that's no longer an option – and therefore may be more likely to seek reimbursement from their employer directly.

It's easy to see this as another business and accounting headache. However, it's also an opportunity to improve your business' risk posture by implementing fair and defensible reimbursement practices. What many companies fail to realize is that they have always been subject to a wide swath of labor laws across state and county lines, which means they have a variety of vehicle-related expense obligations to their employees in those regions. While the TCJA may spark drivers to seek reimbursement from their employers instead of addressing this issue in their own tax returns, following best practices for mileage reimbursement cuts any business' risk, both legally and financially. It's a win-win.

Given this change, what do finance departmens need to do to keep the businesses they work for compliant? If your company is already using FAVR other accountable vehicle reimbursement plans, the good news is that you don't need to do anything – you're already following best practices. For others, however, it's vital that you revisit the fundamentals of vehicle reimbursement:

1. Fixed and Variable Rate (FAVR) reimbursement remains the fairest, most accurate and defensible method of reimbursing employees for the business use of their personal vehicle. It is the most accurate of the IRS-approved mileage reimbursement methods because it results in personalized mileage reimbursement rates based on each employee's costs to operate their car. Though FAVR plans must be built upon considerable data in order to be IRS-compliant, there are technologies available that can automate the process, making it easy to employ. FAVR program expenses are tax deductible for employers and non-taxable to their employees, eliminating tax waste.

2. With cent-per-mile programs, businesses can reimburse employees using a

purpose and substantiation function of FAVR and Accountable Plans.

With planning for the 2018 tax season well underway, it’s never too late to implement a fair and accurate form of mileage reimbursement. If you haven’t taken a look at your vehicle program recently, now is the time to reevaluate your practices.

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As Chief Legal Officer, Danielle Lackey is responsible for all legal affairs at Motus, a vehicle management and reimbursement platform. She also works with strategic business units to drive initiatives that bolster IRS and legal compliance for Motus clients. Prior to joining Motus, Danielle co-founded and served as CEO of Cadence Counsel, a company that helps law firms and companies thrive in an environment where work, as we know it, is rapidly changing. Before founding Cadence Counsel, Danielle practiced as a litigator at Latham & Watkins, representing major corporations and senior executives in complex civil and criminal matters. She earned her J.D. with Distinction from Stanford Law School and is a graduate of Brown University (Phi Beta Kappa, Magna Cum Laude).