

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P.O. Box 942850
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DATE: January 9, 2002

PAYROLL LETTER # 02-002

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: RALPH ZENTNER, Acting Chief
Personnel/Payroll Operations BureauRE: **2002 FEDERAL RATES IMPACTING FRINGE BENEFIT/EMPLOYEE BUSINESS EXPENSE PROGRAMS**

PLEASE CHECK WITH YOUR ACCOUNTING OFFICE TO DETERMINE WHETHER THEY RECEIVE PAYROLL LETTERS. IF THEY DO NOT, PLEASE SHARE A COPY OF THIS LETTER WITH THEM. PAYROLL LETTERS MAY ALSO BE ACCESSED VIA THE INTERNET @www.sco.ca.gov/ppsd/scoltrs.

The Internal Revenue Services (IRS) released various 2002 Federal rates impacting Fringe Benefit/Employee Business Expense (FB/EBE) programs. NOTE: THESE RATES DO NOT AFFECT RATES AUTHORIZED BY THE STATE. However, the Federal rate changes may affect the taxability of State provided benefits to employees. These rates are effective January 1, 2002 and their applicable IRS citations follow.

1) Federal Standard Mileage Rate (Revenue Procedure 2001-54)

For business travel reimbursements, the Federal Standard Mileage Rate increased to \$0.365 per business mile.

2) Federal Moving Expense Mileage Rate (Revenue Procedure 2001-54)

For Moving Expense Mileage Rate reimbursements, the Federal Rate increased to \$0.13 per mile.

3) Per Diem (Revenue Procedure 2001-47)

Federal High/Low Per Diem rates for reimbursements paid to employees under an employer's High/Low Per Diem Plan increased to \$204 from the 2001 level of \$201 per day for travel to any listed high-cost locality. The per diem rates for travel to any other locality using the optional high-low substantiation method also increased from \$124 to \$125. The Meals and Incidental Expenses High Rate/Low rates remain the same as in 2001, at \$42 a day for high-cost localities, and \$34 a day for low cost localities.

Changes to 2002 High Cost Localities Added: Napa, San Mateo/Redwood City

4) Personal Use of State Vehicle (PUSV) (Revenue Procedure 2001-48)

Use the new Federal Standard Mileage Rate of \$0.365 per mile when using the Cents-Per-Mile Rule.

Definition of a Luxury Car: The definition of a "luxury vehicle" is one with Fair Market Value (FMV) that is in excess of \$15,300. Luxury vehicles are not eligible for the Cents-Per-Mile Rule.

Definition of Control Employee: Compensation for a Control Employee increased to \$121,600 per Office of Personnel Management CPM 2001-15. Control employees cannot use the Commuting Valuation rule -- \$1.50 per one way commute or \$3.00 per round trip.

5) Qualified Transportation Fringe Benefits

The 2002 Federal exclusion for Qualified Transportation Fringe Benefit's Discount Travel/Transit Pass Program and Vanpooling increased from \$65.00 to \$100.00.

The exclusion for Employer-Provided Parking increased from \$180.00 to \$185.00.

Amounts exceeding the above ceilings are taxable, reportable income.

Revisions to the Payroll Procedures Manual are forthcoming.

General FB/EBE Information - Tax Support Section (916) 322-8105

RZ:TSS/DB