



TEXAS TECH™

Operating Policy and Procedure

OP 80.06: Leased or Loaned Vehicles and Car Allowances

DATE: July 21, 2025

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish policy and procedures for use of vehicles not owned by Texas Tech personnel and authorization for car allowances.

REVIEW: This OP will be reviewed every two years after publication by the Assistant Vice President and Chief Procurement Officer, the Assistant Vice President and Chief Payroll Officer, and the Assistant Vice Chancellor and Risk and Compliance Officer of TTUS Risk Management with substantive revisions forwarded through administrative channels to the Senior Vice President for Administration & Finance and Chief Financial Officer (SVPAF/CFO), the Vice Chancellor and Chief Financial Officer, the President, and the Chancellor.

POLICY/PROCEDURE

1. Loaned Vehicles

a. General Policy

Local car dealers periodically agree to loan vehicles to the university at no cost. The acceptance and use of loaned vehicles without charge requires prior review of the agreement by the Assistant Vice President and Chief Procurement Officer and approval by the SVPAF/CFO. Review and approval will be based upon a brief written recommendation submitted by the department. The statement will briefly outline the conditions of the loan, including details of insurance coverage.

b. Maintenance of Loaned Vehicles

All maintenance of loaned vehicles not covered by the manufacturer's warranty or the dealer will be paid from an allowable departmental FOP. Any exceptions require the written approval of the SVPAF/CFO.

c. Operating Expenses

Operating expenses for loaned vehicles will be handled in accordance with procedures developed by the department and approved by the SVPAF/CFO.

d. Insurance

If the vehicle is to be insured under any of the university's insurance policies, it is the responsibility of the primary operator to notify the Procurement Services Office and to verify

coverage is in place. The department will be responsible for any costs relating to insuring the vehicle(s).

2. Leased Vehicles

a. General Policy

- (1) The President or his/her designee will approve the lease of any vehicle for use by a Texas Tech University employee. This policy does not apply to rented vehicles in travel status.
- (2) The leased vehicle is assigned for business use only. For the purpose of these guidelines, non-business use is defined as use not associated with the business of the institution. Representing the institution at public or social functions is official business.
- (3) Any lease agreement must be reviewed and approved by the Procurement Services Office.

b. Payment for Operating Expenses

A FOP will be established for each leased vehicle, and this FOP will be used to pay the lease, gas and oil, maintenance, insurance premiums, and any other allowable vehicle expenses. A fleet Voyager card will be issued for each leased vehicle, upon request to the Procurement Services Office. The fleet Voyager card shall be utilized for all related vehicle expenses, and it provides discounts for these types of expenses. Appropriated funds (funds starting with 11, 12, 13, and 14) may not be used to lease passenger cars. It is university policy that only gift, endowment, foundation, and certain designated funds that do not preclude the lease of passenger cars and grants that allow for leases may be used.

c. Insurance

All vehicles must have liability insurance coverage under the university's automobile policy. It is up to the department leasing the vehicle to notify the Procurement Services Office and to verify coverage is in place. Physical damage coverage is available at an additional cost if requested. Physical damage coverage may be required by the leasing company. The new vehicle cost will be required for placement of physical damage coverage. The department shall provide a FOP that permits insurance expenses.

3. Taxability of Loaned or Leased Vehicles

- a. Use of employer-provided vehicles and fuel is taxable income to the employee to the extent the vehicle is used for other than business purposes. Commuting to and from the workplace is not considered a business use of the vehicle. Texas Tech uses the "Annual Lease Value Method" of valuing use. The fair market value upon which the lease value is based is determined at the time the vehicle is provided to the employee and will be reported by the department on the monthly usage report. This value remains unchanged for a period of four years ([IRS Reg. 1.61](#)).
- b. The taxable portion on the value of non-business use will be included in the employee's next available on-cycle payroll. Federal income tax will be withheld monthly and these amounts will be included on the employee's Form W-2 as taxable income. Upon initial approval, the

- requesting administrator shall provide Attachment A, *Employer-Provided Vehicle Usage Report Requirements*, and Attachment B, *Monthly Usage Report*, to the employee approved to receive a loaned or leased vehicle. If the employee terminates employment with Texas Tech, the employing department must forward the final vehicle usage report to Payroll & Tax Services before the final paycheck is processed. If the final vehicle usage report is not received in a timely manner, withholding will be processed on the employee's lump sum vacation payment and/or will be the responsibility of the employing department.
- c. The IRS Regulations require withholding for OASI and MEDHI. OASI and MEDHI will be deducted from the monthly on-cycle payroll check. If the employee terminates employment with Texas Tech, the employing department must forward the final vehicle usage report to Payroll & Tax Services before the final paycheck is processed. If the final vehicle usage report is not received in a timely manner, withholding will be processed on the employee's lump sum vacation payment and/or will be the responsibility of the employing department.
 - d. The employing department will maintain records of all vehicles furnished to employees, provide that information to Payroll & Tax Services, obtain completed *Monthly Usage Report* forms, and submit them by the 15th of the following month for the preceding monthly accounting period to Payroll & Tax Services.
 - e. It is the employee's responsibility to maintain substantiating evidence for the business usage claimed and provide such evidence to the Internal Revenue Service in the case of an audit. Any additional tax assessments and penalties resulting from an audit will be the responsibility of the employee. This will include any taxes or penalties assessed to Texas Tech for under-reporting and under-withholding because an unsubstantiated report was filed by the employee.

4. Car Allowances

- a. Car allowances may be provided to certain professional staff. The following factors are considered in order to obtain approval for a car allowance.
 - (1) The individual's Texas Tech duties require business usage of a personal vehicle.
 - (2) A vehicle or car allowance is normally furnished to an individual in a similar capacity at a comparable major institution.
 - (3) An administrator is regularly called to perform official duties outside the normal workday.
 - (4) An appropriate source of funds must be available; however, available funding is **not** sufficient justification for an allocation.
- b. A person approved for a car allowance is not permitted to submit mileage for reimbursement as a travel expense except upon written approval of the SVPAF/CFO.
- c. Authorized Amount

The authorized car allowance amount may not exceed \$1,000 per month without Chancellor or President written approval, based upon review and recommendation by the SVPAF/CFO.

d. Approval Procedure

The administrator seeking initial approval of a car allowance will initiate a memo to the Chancellor or President for review and approval. The memo must include justification, the recommended monthly car allowance amount, the effective date of the authorization, and an approval line. Upon receiving the approved memo, the administrator will forward the approved memo to Payroll & Tax Services.

e. Payment Procedure

Upon initial approval and at the beginning of each fiscal year, the administrator will identify the funding source and submit the appropriate *electronic Personnel Action Form* (ePAF). Car allowances may be paid only from local institutional funds. The car allowance payment will be established on the employee's record and will be paid each month of the fiscal year.

f. Taxability

Car allowances are considered taxable income subject to federal income tax, OASI, and MEDHI withholding. Car allowances are not considered retirement covered wages and are not considered a part of benefits base salary for insurance purposes.

g. Reporting

At the end of each fiscal year, Payroll & Tax Services will forward to the SVPAF/CFO and the Vice Chancellor and Chief Financial Officer a report listing each person receiving car allowance payments, the funding source, and the fiscal year total.

h. Insurance

The university does not insure vehicles for which a car allowance is provided. The owner of the vehicle is responsible for insuring the vehicle and assuring the vehicle is properly classified on their insurance policy.

5. Right to Change Policy

Texas Tech University reserves the right to interpret, change, modify, amend, or rescind this policy, in whole or in part, at any time without the consent of employees.

[Attachment A: Employer-Provided Vehicle Usage Report Requirements](#)

[Attachment B: Monthly Usage Report](#)