



**Peter Franchot**  
*Comptroller*

**Robert J. Murphy**  
*Director*  
*Central Payroll Bureau*

TO: All State Agencies

FROM: Robert J. Murphy, Director  
Central Payroll Bureau

DATE: April 6, 2010

SUBJECT: Withholding of Taxes on the Fringe Benefit Value  
For Distribution to Employees with State Vehicles

This memorandum is to remind employees that the personal use of state owned or leased vehicles is considered a non-cash fringe benefit subject to reporting and taxes. Under provisions of the Internal Revenue Code, the State of Maryland elects to not withhold Federal or State income tax on this fringe benefit. FICA (Social Security and Medicare) taxes are withheld from employees who are FICA taxable.

For this year, the reportable taxing period covers November 1, 2009 through October 31, 2010. The Fleet Management division of the Department of Budget and Management will submit the employees' Auto Fringe Value forms to the Central Payroll Bureau during the months of November and December 2010. Upon receipt, the fair market value of the fringe benefit will be added to the employee's Federal, State, and FICA taxable earnings, and FICA tax, where applicable, will be deducted from the current pay. These amounts will be reflected in the employee's earnings statement and on the annual Wage and Tax Statement (Form W-2).

Employees who anticipate taxable income due to this fringe value reporting and are concerned about adequate Federal and State withholding taxes can, in lieu of filing estimated tax payments, increase their withholding by adjusting their form W-4/MW-507. That form can be downloaded from our website

<http://compnet.comp.state.md.us/cpb/>

Click on General Information  
Forms

or submit electronically through POSC also found on our Web site.

Please provide all employees who are assigned a State vehicle, even if they do not pay a commute fee, with a copy of this memorandum. If **new employees** are assigned a State vehicle in calendar 2010, they must also receive a copy of this memorandum within 30 days after the date the vehicle was first provided.

/gls  
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