

MOTUS DRIVES COST AND INEQUITY OUT OF FOOD AND BEVERAGE COMPANY'S AUTO ALLOWANCE PROGRAM

As one of the nation's largest marketers, sellers and distributors in the food and beverage industry, this leading distributor offers 'single source' solutions to thousands of convenience stores, grocery stores, restaurants and drug store chains. The company's focus on customer service places a premium on their employees' ability to deliver and promote thousands of products daily at the right place and at the right time.

In the face of an economic decline, balancing costs with the need to expand became a considerable challenge. Management reviewed innovative business solutions that would help to both reduce costs and improve efficiencies for their drivers. They quickly identified transitioning to a tax-free vehicle reimbursement program as an opportunity to derive tremendous value on both counts.

For years the company provided each of its drivers a car allowance of \$450 per month for using their personal vehicles for business. When providing employees with a car allowance, the IRS requires that the employer pay FICA taxes on the monthly reimbursement. In addition, federal, state and local taxes must be withheld from the drivers' paychecks. Consequently, there was significant tax "waste," adversely impacting both the company and its employees.



"By eliminating payroll taxes and providing a net reimbursement to our employees, we discovered that transitioning to a 100% tax-free program would save us over \$2,000 per driver, per year. It would have an immediate and significant impact on our bottom line, without any negative financial impact to our employees," said the Vice President, Finance.

"Our previous car allowance did not account for driver-specific factors such as localized pricing, annual business miles driven, territory conditions and geographic cost variances. Because our drivers were spread across the country and incurred different costs for things like fuel and auto insurance, our flat car allowance over-reimbursed some employees and under-reimbursed others. It wasn't equitable and exposed us to risk."

Selecting a partner

To help deliver the return on investment (ROI) and efficiency gains, the company knew they needed a strong partner with state-of-the-art technology. Specifically, they sought a vehicle reimbursement program and technology platform that would help achieve the following:

- Cost reduction through administration of a tax-free reimbursement program
- Fair and accurate reimbursement for each individual employee
- Improved efficiency, productivity and accountability

“We needed a partner who would handle the full administration of our reimbursement program. Our drivers are spread throughout the country and we didn’t have the administrative staff to properly conduct program training, ensure ongoing compliance and monitor reimbursement rates, just to name a few.”

To calculate a fair and accurate reimbursement rate for each driver, Motus gathered driver-specific information to determine costs for insurance, taxes and other location-based factors. Each driver’s actual business miles were evaluated to derive the cost impacts on fuel, maintenance and vehicle depreciation.

After determining accurate reimbursement rates based on these various factors, Motus coordinated the initial transition to the program, conducted program training, ensured ongoing compliance by verifying insurance coverage and updated reimbursement rates to reflect actual market costs.

The company and its employees no longer bear the tax burdens of the legacy car allowance program. The company has recognized significant cost savings and reports an improvement in employee morale. Employees now receive a fair, accurate and individualized reimbursement and no longer run the risk of being over or under-reimbursed.

About Motus

For companies with mobile workers that drive more than 5,000 business miles per year, Motus is the most accurate vehicle management and reimbursement platform available. Through its sophisticated configuration engine that incorporates real-time data across hundreds of variables, Motus drives significant reductions in cost, ensures compliance and reimburses employees exactly what they deserve. For more information about the company, please visit motus.com or connect with us on Twitter, Facebook, or LinkedIn.