DATA SHEET

2019 mBurse Car Allowance Survey Results

Tax reform impacts factored heavily this year as both companies and employees navigated the elimination of a popular tax deduction.

Who participated?

Human Resources

HR managers, directors, and VPs representing a range of industries:

8%
Technology

27%
Manufacturing

22%
Food & Beverage

29%
Healthcare
(Pharma and Medical Devices)

12%
Professional services

2%
Other

Employees

Drivers who received a car allowance in 2019, representing a range of roles:

43%
Sales

18%
Operations

20%
Account Management

11%
Field sales

5%
Management

3%
Other

Our methodolgy

We anonymously surveyed over 100 HR managers and employee drivers representing companies ranging in size from 100 employees to 10,000+.

When the Tax Cuts and Jobs Act was passed in December of 2017, it set in motion changes that will continue to reshape market standards for car allowances in 2020 and beyond. The elimination of the unreimbursed business expense deduction has resulted in income loss for employees who receive a car allowance, fueling complaints about their compensation. However...

Only 18%

of our respondents reported making changes to their policy in response to tax reform.

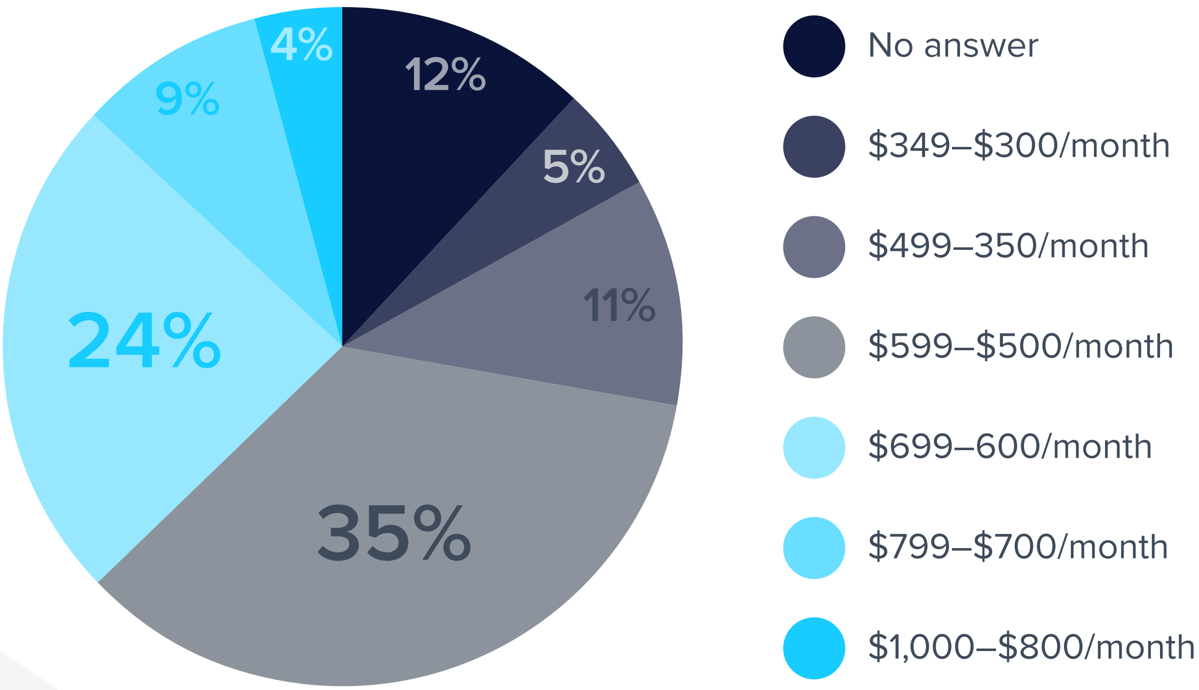
An additional 20%

reported initiating the process of evaluation and changes, while 62% were considering changes.

To stay competitive, organizations across the U.S. will be forced to adjust their car allowances for 2020.

This year we asked our participants about their actual car allowance amount

A wide range exists:



With 79% of organizations paying a taxable car allowance, the take-home pay for their employees will be around 30-40% less than the allowance amount after all federal and state taxes. This means that employers evaluating their current car allowance amount need to take taxes into consideration.

Key takeaways

9 out of 10

companies have made changes or are considering changes to their car allowance as a result of tax reform.

61%

of drivers reported income loss due to the elimination of the tax write off for business mileage.

79%

of companies paid a taxable car allowance, down slightly from 2018.

62%

of managers reported complaints from employees about their car allowance amount.

What mobile employees had to say

Our survey of employees who receive car allowances revealed several important details:

88%

affirmed the importance of having all their vehicle expenses covered by their car allowance.

67%

said that a company's car allowance or vehicle reimbursement was very important when considering employment; an additional 23% said it was somewhat important.

81%

of employees said they would support their employer tracking their business mileage if it meant receiving full reimbursement of vehicle expenses.

With the tax reform placing additional pressure on the take-home pay of mobile employees, it is clear that these drivers will continue to place a high value on receiving full reimbursement of vehicle expenses. With 70% of our respondents reporting more than 15,000 business miles per year, it is also clear that the typical car allowance amounts reported by the HR managers do not match the needs of their employees.

Non-Taxable Policies

There are three major forms of non-taxable vehicle reimbursements, all of which require mileage tracking.

IRS Mileage Rate

The employer reimburses mileage using the 2019 IRS rate of $.58/mile or a lower rate. May over-reimburse some drivers while under-reimbursing others, requiring careful management and cost control.

Mileage Allowance

The employer pays a car allowance up to the driver's mileage times the IRS rate and no more. Prevents over-reimbursement but caps mileage and requires extensive administration.

FAVR Reimbursement

The employer pays a fixed allowance plus a variable mileage rate, both determined by expense data for the employee's zip code. The most accurate, cost-effective approach; requires third-party administation.

Next steps

1. Heading into 2020, organizations need to discern whether their car allowance meets their employees' vehicle expense needs after the tax reform.

2. With 74% of car allowance amounts not based on drivers' vehicle expenses, there's an opportunity to gain a competitive advantage by using data.

3. Organizations that pay a taxable car allowance should explore switching to a non-taxable plan, allowing them to leverage tax savings into better driver benefits.

4. Tracking business mileage is important for non-taxable plans. Our survey results should lay to rest concerns about employee pushback.

mBurse Services

- Rate consultation
- Vehicle expense data
- Mileage tracking
- FAVR program administration
- Benchmarking analysis
- CRM software integration

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