

**Simplified Full Inclusion Method**  
**Annual Lease Value -Daily Inclusion Amount**  
**Table (Rev. Proc. Question 44)**

If the employee provided the use of a demonstration automobile is not a full-time salesperson, the full exclusion and the partial exclusion in this revenue procedure do not apply. The employer must include in the employee's income and wages each month the full value of the demonstration automobile using the following table.

Value of Demonstrator Provided	Daily Inclusion Amount
\$0 - 2,999	\$3
3,000 - 4,999	4
5,000 - 5,999	5
6,000 - 7,999	6
8,000 - 8,999	7
9,000 - 10,999	8
11,000 - 11,999	9
12,000 - 12,999	10
13,000 - 14,999	11
15,000 - 15,999	12
16,000 - 17,999	13
18,000 - 18,999	14
19,000 - 20,999	15
21,000 - 21,999	16
22,000 - 23,999	17
24,000 - 24,999	18
25,000 - 25,999	19
26,000 - 27,999	20
28,000 - 29,999	21
30,000 - 31,999	23
32,000 - 33,999	24
34,000 - 35,999	25
36,000 - 37,999	27
38,000 - 39,999	28
40,000 - 41,999	29
42,000 - 43,999	31
44,000 - 45,999	32
46,000 - 47,999	34
48,000 - 49,999	35
50,000 - 51,999	36
52,000 - 53,999	38
54,000 - 55,999	39

For vehicles with value in excess of \$59,999, the dollar inclusion amount is (.25 x value) + \$500, divided by 365, rounded to nearest dollar amount.

**Simplified Partial Exclusion Method**  
**Inclusion Amount Table**  
**(Rev. Proc. Question 35)**

For full-time salespersons covered under the Simplified Method for Partial Inclusion (Section 5 of R.P. 2001-56) dealers should include an amount based on the following table in the salesperson's income at least monthly. *(Note: The daily inclusion amount must be applied based on a 7-day week.)*

Value of Demonstrator Provided	Daily Inclusion Amount
\$0 - \$14,999	\$3
\$15,000 - \$29,999	\$6
\$30,000 - \$44,999	\$9
\$45,000 - \$59,999	\$13
\$60,000 - \$74,999	\$17
\$75,000 and above	\$21

**Definition of a Qualified Salesperson**

- Employed full-time by an automobile dealer
- Spends at least half of a normal business day performing functions of a floor salesperson or sales manager
- Directly engages in substantial promotion and negotiation of sales to customers
- Derives at least 25% of his or her gross income directly as a result of sales activity

**Full Text of Revenue Procedure 2001-56 and other employment tax information can be found at**

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Revenue Procedure 2001-56 Simplified Accounting Methods to Value Demonstrator Vehicles



**Internal Revenue Service**

Small Business and Self Employed Division

*Automobile dealerships often provide demonstration vehicles (demos) to dealership salespersons and other employees. In order to exclude the value of the salesperson's demo from his or her income, significant record keeping by the salesperson and dealership is required.*

*Revenue Procedure 2001-56 provides simplified optional methods to determine the value of the use of the demo provided and clarifies the existing rules on demo use by salespersons.*

*The simplified methods are available to any automobile dealer engaged in the sale of new or used autos and light duty trucks. Light duty trucks are trucks with a gross vehicle weight of 14,000 pounds or less.*

The optional methods include:

- A simplified method for the full exclusion from income of qualified demo use (Simplified Out/In Method)
- A partial exclusion method that allows dealerships to include in the salesperson's income the value of the personal use of the demo
- A simplified method to include the full value of the demo use in an employee's income when other methods do not apply
- A method to apply the general rule when the methods in the revenue procedure are not used

### **Simplified Method for Full Exclusion Out/In Method (Rev. Proc. Questions 11-25)**

- Available only to qualified salespersons
- Requires a qualified written policy and reasonable belief that it is followed
- Limits personal use outside of normal working hours
  - o Commuting plus an average of 10 miles per day
- Required Records include:
  - o Record of round trip commuting mileage for each salesperson
  - o Records supporting total use outside of working hours

### **Simplified Partial Exclusion Method (Rev. Proc. Questions 26-39)**

- Available only to qualified salespersons
- Requires a qualified written policy and reasonable belief that it is followed
- Requires that an amount be included in salesperson's income at least monthly
  - o Table of amounts included
- Required Records include:
  - o Written Policy
  - o Verification of value of demo
  - o Evidence that the amount was timely included in salesperson's income

### **Simplified Full Inclusion Method (Rev. Proc. Questions 40-47)**

- Available to any employee
- Requires that the value of the use of the vehicle be included in the employee's income at least monthly
  - o Amount based on Annual Lease Value Tables
- Required Records Include:
  - o Verification of value of demo
  - o Evidence that the amount was timely included in employee's income

### **Application of the General Rule When Revenue Procedure Methods Are Not Used (Rev. Proc. Questions 1, 48-51)**

- Available to any employee
- Requires that the full fair market value of the use of the demo be included in the employee's income at least monthly

### **Determination of the Value of Demos Provided (Rev. Proc. Questions 33-34)**

- Annual Average Look Back Method
  - o May be used under the Partial Exclusion or Full Inclusion Method
  - o Based on average sales price and number of all vehicles sold in the prior year
  - o Method is optional