mBurse

DATA SHEET

2018 mBurse Car Allowance Survey Results

Opportunities abound for companies to increase their competitive edge.

When 2018 arrived, it brought a tax reform that should have everyone re-evaluating their car allowance or reimbursement program. However, only 18% of our respondents were aware of this, and only 23% are planning to do anything about it.

The tax bill passed by Congress in 2017 is best known for tax cuts. But this legislation also removed the unreimbursed business expense deduction for 2018 – 2025. Now, an employee who receives a taxable car allowance can no longer deduct mileage on his or her tax return to offset taxation and fill in any gaps between the allowance amount and his or her vehicle expenses.

Of the companies we surveyed, 83% pay a taxable car allowance. That means that, in 2019, a large number of mobile employees will be dismayed when they file their taxes and find they've lost an important deduction.

Given the widespread lack of awareness surrounding tax reform, companies that adjust and cushion their employees from the loss of the tax deduction will gain a competitive advantage over companies that don't.

What's more, companies operating in employee-friendly states like California and Massachusetts may face labor code lawsuits if they fail to make adjustments now. Other states may also tighten labor laws in order to protect employee income.

METHODOLOGY

- We sent emails to HR managers containing a link to an anonymous survey
- Companies surveyed ranged in size from fewer than 100 employees to 8,500 employees
- Respondents represented a range of industries:
  - **Technology** – 15%
  - **Manufacturing** – 16%
  - **Food/Beverage** – 19%
  - **Healthcare** – 20%
  - **Professional services** – 15%
  - **Other** – 15%
- The survey comprised eight questions about the company's car allowance

Five Survey Findings and How to Interpret Them

73%

have not changed their car allowance in the last 10 years

From 2008 to 2018, inflation increased 14.5% (Bureau of Labor Statistics). **Failing to re-evaluate a car allowance can lead to employee dissatisfaction, high attrition rates, low productivity, and labor code violations** when an allowance does not keep up with employee expenses.

Fewer than 26%

base their car allowance amount on expense data

In response to, “What is your allowance amount based on?” 26% chose “Random amount” and 12% said they didn’t know. Another 36% based theirs on a competitor’s rate. **Most companies simply do not know whether their allowance actually covers employees’ car expenses.**

61%

pay the same exact amount to all employees, regardless of territory or role

Paying equal amounts to offset unequal needs doesn't make sense. Depending on where they live, different employees experience different gas prices, insurance rates, taxes/fees, and maintenance costs. Some cover larger territories than others. **An equal allowance means unequal take-home pay.**

Only 23%

can confidently say that their employees are satisfied with their car allowance

In the past two years, **46% of companies received complaints about their company car allowance.** This is not surprising, given that most have not increased the allowance in the past 10 years, most do not base the amount on data, and most pay the same amount to all employees.

19%

add a fuel card or reimbursement for fuel or mileage to the allowance

Many mobile employees face a shortfall after taxes, which will be exacerbated by the loss of the unreimbursed expense deduction. Adding a fuel card or mileage reimbursement can help, but the better solution is a non-taxable allowance.

Conclusion: Consider a Change Now

Traditional car allowances carry weaknesses that leave many organizations exposed in the wake of the tax reform. By switching to a non-taxable allowance based on employee expense data and sensitive to differences in territory and role, your business can gain a competitive advantage while protecting itself from labor code violations as states move to protect mobile employee income.

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