

DATA SHEET

2020 Car Allowance Survey Results

COVID-19 had a massive impact. Here's what we learned when we asked management and drivers alike about their company policy.





Methodology

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



81% of managers and **77%** of drivers reported major impacts from COVID-19 on their business travel.



78% of managers reported modifications to their company car allowance policy, and for **9** out of **10** it was to cut costs.

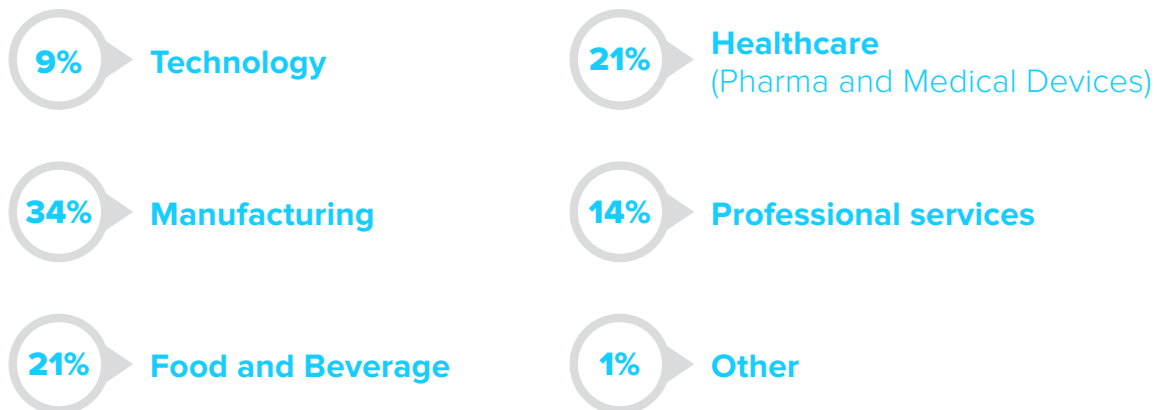


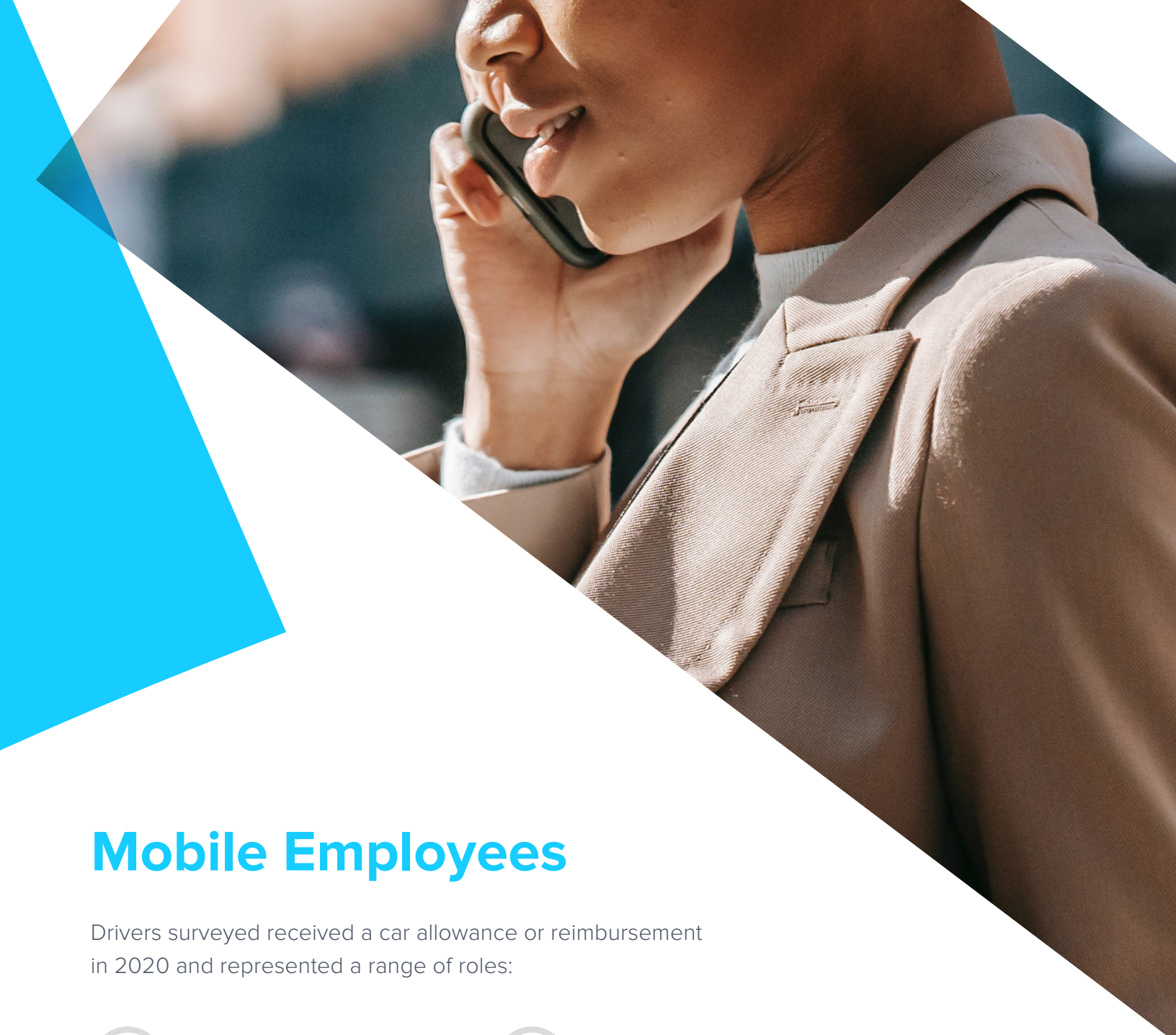
4 out of **5** drivers reported serious concerns about the adequacy of their car allowance or reimbursement.



HR Management

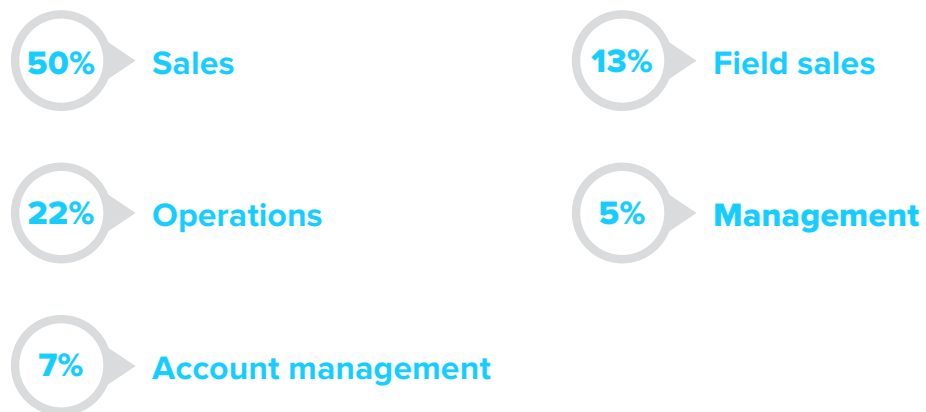
HR managers, directors, and VPs surveyed represented a range of industries:





Mobile Employees

Drivers surveyed received a car allowance or reimbursement in 2020 and represented a range of roles:





2020 was a tough year for everyone, and unquestionably a challenging time for organizations and workers that rely on business travel.

With roughly half of our respondents reporting fewer than 5,000 business miles traveled in 2020, it is clear that the pandemic is upending traditional ways of approaching car allowances and reimbursements.

For the second year in a row, a majority of drivers reported negative impacts from changes related to their car allowance or vehicle reimbursement. In 2019 it was effects of the tax reform, while 2020 was all about policy changes made in response to the pandemic. With 88% of managers reporting that they received complaints about the company car allowance policy, it is clear that this is an area that will require thoughtful engagement in 2021.

When we asked our participants about their actual car allowance amount, they reported a wide range, with numbers similar to the 2019 numbers:

\$1,000–800/month	2%
\$799–700/month	8%
\$699–600/month	27%
\$599–500/month	41%
\$499–350/month	9%
\$349–300/month	9%
No answer	4%

At the same time, 78% of organizations reported that they modified their car allowance/reimbursement policy and 80% of mobile employees reported a negative impact from policy changes, suggesting that the official allowance amounts reported may not reflect the reality on the ground.



Outlook for 2021 business vehicle policies

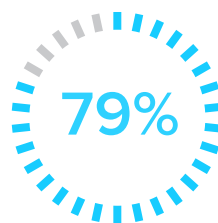
The key findings of our 2020 survey related to the serious concerns many mobile employees have about their employer's COVID-updated policies once business travel returns to normal:



expect their car allowance or reimbursement to be **“Not effective at all”** at protecting their income from volatile costs.



expect their car allowance or reimbursement to be **“Slightly effective”** at protecting their income from costs.



chose **“Very important”** when asked how important a car allowance or reimbursement is while considering employment.




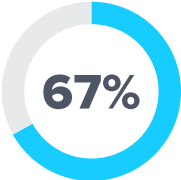




chose **“Somewhat important”** when asked how important a car allowance or reimbursement is while considering employment.



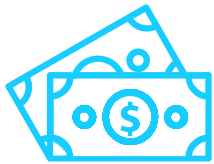
Due to tax reform, mobile employees in 2019 reported losing income because they could no longer write off business mileage. The evidence suggests that most employers failed to update their car allowance policies or switch to a non-taxable reimbursement in response to this change. In 2020, cost-cutting changes to allowances and reimbursements in response to the pandemic introduced fresh concerns about the future viability of these policies. With only 11% of respondents able to confidently tie their allowance amount to cost data, change is needed.

Year-to-year comparisons

Survey Item/Response	2020	2019
Employees who drove 15,000+ annual business miles	 20%	 70%
Employees who consider a car allowance or reimbursement “Very important” when considering a job	 79%	 67%
Managers who received complaints about their car allowance or reimbursement policy during previous 12 months	 88%	 62%

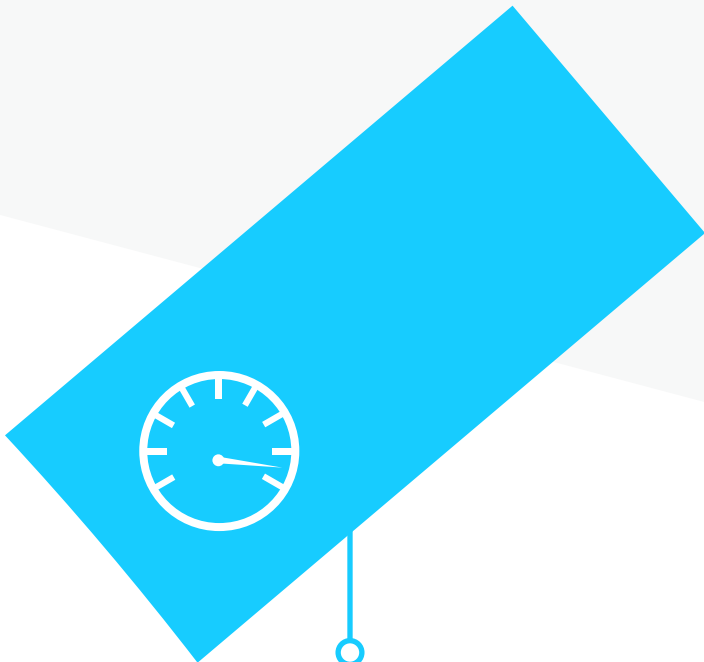
In 2021, employers must proactively address the concerns of their mobile employees. This means finding flexible and cost-effective ways to cover employees’ vehicle expense needs, whether they drive a lot or a little.

Outlooks for 2021



Car Allowance

Taxable car allowances are outdated, plain and simple. After losing 30-40% to taxes, employees cannot keep up with vehicle expenses, nor can they recoup the cost through tax deductions anymore.



Mileage Rate

COVID-19 showed that a mileage rate cannot reimburse fixed vehicle costs (insurance, license, taxes, depreciation) if you do not drive enough. But at \$.56/mi the IRS rate will over-reimburse high-mileage drivers in 2021.



FAVR Allowance

Fixed and variable rate reimbursement (also known as a FAVR car allowance) delivers tax-free payments without over-reimbursing or under-reimbursing. Look into FAVR in 2021.

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