

# Risk Control Bulletin

## Policy on Personal Use of Company Vehicles

RISK CONTROL



### Introduction

A company's primary reason for a written policy on personal use of a company vehicle is to set company rules on how employees may or may not use the company vehicle for non-business purposes. Company vehicles are given to employees to take home for a variety of reasons. In most cases, however, employees' use of company vehicles is not intended to exist without limitations. A company vehicle should be restricted to the employee assigned to the vehicle, and non-employees, such as spouses or children, should not be allowed to drive company vehicles.

Therefore, policies covering personal use of company vehicles should be in writing and signed by the employee to verify their comprehension of, and agreement to comply with those policies.

### What is the cost for a company that provides personal use of its vehicles?

Allowing employees personal use of company vehicles is costly. Every mile a company vehicle is operated for personal use shortens the number of business miles a company will get from that vehicle. For example, if your company vehicle averages 25,000 business miles a year and you replace it at 75,000 miles, you expect to keep the vehicle for 36 months. If your employee's personal use is equal to 15% of the total miles every year (~312 personal miles a month), your vehicle will reach the replacement mileage in 30.6 months. Your company will have lost almost half a year's use of that vehicle. A company may also have more cost for fuel, tires, brakes and other items on that vehicle.

In addition, allowing personal use of company vehicles has administrative costs. The IRS requires businesses to report personal use of company vehicles as compensation or income for the employee.

These are only a few of the costs associated with personal use of your company vehicles. As the owner of the

company, you need to understand the true cost of allowing personal use of company vehicles.

### Sample Personal Use Policy

(Company Name) will permit personal use of the company vehicle assigned to (Employee Name) under the following conditions:

Only the employee is allowed to drive the company vehicle. Spouses, children, other relatives or friends are not authorized to drive the company vehicle.

1. Personal use will be within \_\_\_\_\_ miles of the employee's home, unless the employee has written consent from the company at least one week in advance.
2. The driver must not operate the company vehicle if they have:
  - Consumed any alcoholic beverages
  - Taken any prescription, over the counter or illegal drug or substance that may impair driving ability
  - Become intoxicated or are under the influence of any prescription, over the counter or illegal drug or substance
3. The driver and all passengers in the company vehicle must use passenger restraints at all times when the vehicle is in motion.
4. The driver must not talk or text on a cell phone, operate a computer or other equipment while vehicle is in motion.
5. The following uses are not allowed with company vehicles:
  - Towing of trailers, campers or boats
  - Transporting of hazardous materials

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- Traveling into any foreign country (Canada or Mexico)
  - Attaching equipment such as luggage carriers, winches, or plows
  - For hiring to others or transporting others to generate income
  - Giving rides to hitchhikers
  - Using for any other purpose not approved by the company
6. Any accidents during personal use must be reported to the company immediately.
  7. The company will consider unauthorized use of the vehicle by someone other than the employee as the equivalent of theft, and the driver may be held responsible for the consequences.
  8. The company may restrict or withdraw this personal use policy at any time.

I understand and agree to comply with this policy.

Employee Signature \_\_\_\_\_

Employee's Drivers License Number \_\_\_\_\_

Vehicle Description \_\_\_\_\_

Date \_\_\_\_\_

### Unassigned Vehicle Personal Use

Personal use of a company vehicle may occur when an employee asks to borrow or use a company vehicle. For example, the employee is moving something and wants to use the company pickup or van.

Should you let them use the company vehicle? **No.** If they need to use a truck for moving, the employee should go to a car or truck rental company.

### If you allow an employee to borrow a vehicle for special use, here are some suggested steps you should take.

1. Review the employee's Motor Vehicle Record (MVR) to assure it is acceptable.

2. Complete a documented road test of the driver in the company vehicle if it is different from what they will be driving to ensure they can operate it safely.
3. Conduct and document a safety inspection of the vehicle before the employee takes it.
4. Have the employee review and sign a copy of the company fleet safety rules.

### Have the employee complete a written request stating:

- The employee will be the only person to drive the vehicle.
- How and where the vehicle will be used.
- The number of miles they expect to drive the vehicle.
- The cargo being transported and how it will be secured in the vehicle.
- How many passenger they expect and that everyone will use the vehicle restraints when the vehicle is in motion.
- The driver shall not talk or text on a cell phone, operate computer or other such equipment while vehicle is in motion.
- All accidents will be reported to the company immediately.

### Source

Market Trends. The Hidden Cost of Personal Use. September 22, 2009.

<http://www.fleetfinancials.com/Blog/Market-Trends/Story/2009/09/The-Hidden-Cost-of-Personal-Use.aspx>