

# How to create a company vehicle policy



Certain industries and job roles may require regular use of a company car. Perhaps the job role requires spending most of the day on the road driving to different locations. It can be financially beneficial for the company to provide a vehicle rather than mileage reimbursement if the employee will be racking up hundreds of miles every day, and it prevents the employee from putting strenuous wear on their personal vehicles.

A company car can also be seen as a perk for employees. As we all know, employers are having to get more creative with their perks and benefits offerings to attract strong candidates in competitive markets.

If you're ready to start offering company vehicles, be sure to have a solid company car policy first. Here is what you need to include:

## Who qualifies for a company vehicle

All employees driving company vehicles should have a valid driver's license and a satisfactory motor vehicle record.

Sometimes company vehicles are kept for shared usage on an as-needed basis, but often they are assigned to an employee for continued use. Only employees with a frequent need to drive for company business should be assigned their own vehicle. Decide how you will quantify that. Some businesses use frequency in terms of days per week or the overall % of an employee's time that will be spent driving. Others use an annual mileage estimate. Decide how you will determine who receives a company vehicle so that you can implement your

company vehicle policy and offerings fairly for all staff.

If an employee is going to be driving infrequently, they may use their personal vehicle and submit for mileage reimbursement from the company. Use the annual IRS mileage rate to determine the appropriate reimbursement amount per mile driven.

If you have multiple employees with infrequent driving needs, a shared company vehicle can also be an option. This vehicle should be kept on company property when not in use and checked out by staff when business needs arise. For example, this is common practice for companies or departments in which staff need occasional access to a van or larger vehicle to transport supplies for special events. Be sure to still request a motor vehicle record check for anyone that will be driving the shared company vehicle.

## **The company's responsibilities**

The company has a variety of responsibilities over the company car. Always have the car checked out prior to assigning it to employees to ensure it is safe to drive. The ongoing responsibilities of the company once the car has been assigned are:

### **Vehicle maintenance**

The company is responsible for providing a vehicle that is safe to operate. This means that following a regular maintenance schedule is important.

Employers offering company vehicles should coordinate with employees to ensure that each vehicle is checked at the recommended intervals and any maintenance concerns are addressed promptly. Regular oil changes, fluid checks, and tire pressure checks should be done frequently.

### **Insurance**

Most personal insurance policies will not cover an employee that gets in an accident while driving for business use outside of normal commuting to and from work, so maintaining appropriate commercial insurance to cover employee use of company cars is important.

Employers should maintain valid coverage on all company vehicles that covers liability for property damage and bodily injury to the employee and others.

### **Promoting driver safety**

Employers are responsible for verifying that employees are qualified to drive company vehicles. Verify that all staff that will be driving have a valid driver's license.

It's a good idea to request a motor vehicle report (MVR) to check the employee's driving record. Giving a company car to employees with a history of reckless behavior or frequent accidents is a liability.

Also, do your best to promote safe driving by encouraging staff to follow safe driving practices and allowing them enough time to complete their tasks. Being excessively demanding with delivery or visit expectations or not building in enough time between appointments for employees can lead to speeding and other unsafe driving activities.



## The employee's

### responsibilities

Having a company car can be a wonderful benefit, but it also comes with a lot of responsibility. Employees need to do their due diligence to maintain the car, operate it safely, and more.

### Safe driving

It's important to remind employees to drive safely and follow traffic laws to prevent accidents and collisions.

Employees operating company vehicles should:

- Follow the posted speed limit and appropriately adjust their speed to traffic and weather conditions.
- Wear their seatbelt while driving and ensure that all passengers have their seatbelts fastened.
- Avoid operating the vehicle while under the influence.
- Refrain from using their cell phone while driving.
- Maintain appropriate space from other vehicles and utilize defensive driving techniques.
- Report any changes that may impact their driving ability (i.e. alerting the company if they've experienced a head injury that may necessitate a break from driving).

## **Reporting accidents and maintenance needs promptly**

Employees should report any accidents immediately to their supervisor or human resources. The company car policy should note who to report the accident to and the procedure for reporting accidents outside of business hours.

It's also a good idea to remind employees to cooperate with local police and to obtain a copy of the accident report if possible. Employees should also keep up-to-date insurance information in their company car at all times and provide it when requested.

Employees should also report any maintenance concerns as soon as they notice them. Even a minor car issue could impact the safety of the vehicle and the employee driving it, so it's important that the repair procedure is in place so that employers are immediately notified of any issues and mechanic appointments can be scheduled.

## **Tickets and citations**

Employees should be personally responsible for traffic violations and citations obtained while using a company vehicle. Remind employees to follow all appropriate traffic laws and posted parking restrictions.

In many states, parking violations are leveraged against the vehicle, not the driver, so the company needs to be made aware of these citations promptly. Check your state and local laws to determine how parking tickets are handled in your jurisdiction. Often, if you include in your company vehicle policy that employees are responsible for these fines, you may recover the cost of the fine from the employee even if the parking citation is directed at the company (as the registered owners of the vehicle).

## **Cleanliness**

While the company is responsible for providing a safe, clean, and regularly serviced vehicle, the employee is responsible for maintaining the vehicle's condition and cleanliness.

It is also a good idea to prohibit smoking in the vehicle. Smoking in a vehicle, even with the windows rolled down, can leave a lingering scent in the car. This can appear unprofessional if an employee needs to transport a client or potential customer in their company vehicle. The lingering smoke smell and particles that can stick to the interior of the vehicle also diminish the vehicle's resale value, cause the company to incur extra cleaning costs to prepare the vehicle for the next staff member, and can cause asthma or other issues for employees assigned that vehicle in the future.

Normal wear and tear on the vehicle and its interior should be expected, but employees should be diligent in keeping the car appropriately clean.

## **Personal Use**

Determine whether you will allow personal use of a company vehicle. If you have a company fleet and allow employees to check out cars for business purposes, personal use should likely be limited to reasonable use during an employee's assigned breaks (i.e. driving to pick up takeout for lunch or running a quick errand within a reasonable distance during their break).

If employees are allowed to take their vehicles home, the possibility for more substantial personal use arises.

Should you allow personal use of vehicles? Allowing personal use of the company vehicle can result in increased liability, wear and tear on the vehicle, and other difficulties. It is generally best to limit company car usage to work hours (with limited personal use allowed for breaks as discussed above) and the employee's daily

commute if taking the car home.

However, personal use of a company car can be an incentivizing fringe benefit for employees. Consider the norms of your industry in regards to company cars as well as how competitive recruiting is in your industry and region. If you feel the need to offer the extra perk to boost recruiting, then feel free to do so. Just be sure to clearly outline the responsibilities and obligations of all parties in a signed agreement before handing out any company vehicles.

## Keep Records

Having a thorough company vehicle policy is an important step. The next thing to do is ensure that you are having every employee sign off on it prior to giving them the keys. You'll want to store signed copies of the policy in case they are needed for future disputes involving company vehicles or disciplinary action.

Also keep records of driver's licenses, driving records, accident reports, vehicle maintenance, complaints, or driving infractions. After all, a company car is a privilege and those found to not be operating their company vehicle safely may have to have their car or driving privileges revoked. Accurate records help protect the company.

**Additional resource:** Updating your handbooks and company policies? Check our guide to [employee handbooks](#).