Do Yourself a FAVR – Get Out of the "Car Business" in 2020

Is 2020 the year you get out of the "car business?" Wouldn't you rather focus attention on operations that foster business success, as opposed to dedicating resources and cash to a company car program that creates administrative headaches, risk and tax obligations? Make the switch to a vehicle reimbursement plan (VRP) that cuts your expenses, liability and time spent managing it.

Don't Just Take Our Word for It

Of course, we're biased. Our customers, however, are not. We recently added a series of use cases to our website that were developed with their help. Our goal isn't to showcase marquee clients, but instead offer proof-of-concept that companies in many different industries have transitioned to a Fixed and Variable Rate VRP because it makes sense.

For example, a parts distributor with branch offices around the U.S. had three different programs in play and was relying on the honor system to log mileage. After carefully researching their options, they chose a CarData FAVR plan. The CEO of the company frames up the outcome of their decision this way: "We see at least twenty five percent overall cost savings compared to a company car lease program. And we are one hundred percent sure that the company and our salespeople are IRS-compliant."

A chemical industries solution provider saw $800,000+ cost reduction in one year by switching from the IRS "cents-per-mile" standard rate to a FAVR plan. Their drivers had logged a total of more than 6.7 million miles. A twist in their situation is that the types of vehicles employees use varies widely. Some need a pick-up truck to visit field locations, others drive a sedan when they make sales calls. The difference in gas consumption alone makes a traditional fixed car allowance inequitable. Their new FAVR program accounts for different vehicle profiles and adjusts for fuel prices. The company's Senior Finance Director says, "By receiving a fixed reimbursement relevant to the profile vehicle, plus variable reimbursement based on each month's mileage and adjusted for the price of gas in their territory, drivers are confident that they are getting treated fairly."

Compare the Facts

While it's good to see how other organizations use a FAVR program, it's critical to have details to be sure it's right for your company. Some key points include:

- FICA obligation is cut by 15.3% since reimbursement is no longer considered income by the IRS.
- The average price of fuel in the employee's specific region is calculated each month to ensure that reimbursement reflects the true cost.
- Reimbursements are automatically determined and reported for review, and monthly payments are made via electronic funds transfer.
- Insurance policies are audited for each employee, ensuring that all required coverages are met, and reducing liability and risk.
- Increased vehicle program fairness for both the business and employee.
- Reduced administration.
- Drivers can apply the equity in the vehicle toward their next vehicle at trade-in.

Let’s Work Through Your Options
Making decisions that affect the way your business operates calls for careful evaluation. We welcome the opportunity to discuss the vehicle reimbursement plan you have now, whether it’s a fixed allowance, cents-per-mile rate or traditional company car policy, and your objectives.

Is 2020 the year you get out of the car business? We’re here to help you answer that question!