

**VIRGINIA DEPARTMENT OF TRANSPORTATION  
EXTERNAL & CONSTRUCTION AUDIT  
LEASE VEHICLE CONSIDERATIONS**

**CRITERIA FOR LEASING VEHICLES**

- The VDOT contracting officer shall provide the specifications, and ensure that the leased vehicles do not include amenities that are not necessary or required
- Leases must be supported by bona fide documentation from the leasing company and will only be allowed from established companies in the business of leasing vehicles.
- Leased vehicle rates should not include costs intended to be reimbursed by the leased vehicle mileage rate, including insurance, maintenance, taxes, tags, decals, registration, and gas
- Reimbursement for mileage should be limited to project related mileage as documented by mileage logs

**CRITERIA FOR CLASSIFYING LEASES**

Also, if at its inception a lease meets one or more of the following four (4) criteria, the lease shall be classified as a capital lease by the lessee. A capital lease would only be eligible for company owned vehicle mileage reimbursement. Otherwise, it shall be classified as an operating lease eligible for reimbursement.

- The lease transfers ownership of the property to the lessee by the end of the lease term
- The lease contains a bargain purchase option
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease
- The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs, such as insurance, maintenance, and taxes to be paid by the lesser, including any profit thereon, equals to or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by him. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.