

Taxable Fringe Benefits

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I. Purpose

To provide guidance to university departments and staff of their responsibility to inform Payroll Services of taxable fringe benefits provided to employees and to facilitate proper withholding and reporting of payroll taxes.

II. Policy

The University complies with IRS rules which considers all compensation paid to, or on behalf, of an employee as taxable unless specifically excluded by IRS code. Fringe benefit is any form of pay other than money to an employee, including gift certificates and property.

III. Examples and Definitions

- *Apparel/clothing allowance benefit*: Value of merchandise credit that allows certain employees to buy clothes and goods from an outside vendor.
- *Athletic tickets benefit*: Value of season tickets provided for which there is no University business purpose.
- *Automobile benefit*: Value of personal use of a University provided vehicle.
- *Club membership benefit*: Value of University paid club memberships and related expenditures for which there is no University business purpose.
- *Gift Certificate benefit*: Value of any gift certificates awarded to an employee.
- *Housing benefit*: Market value of University provided housing or payment of housing costs where housing is determined to be a personal benefit.
- *Specifically excluded benefits*:
 - Awards for length of service and safety achievement (See [BPM E-7-12](#))
 - Contributions by employers to accident and health plans
 - Educational assistance programs
 - Group term life insurance coverage up to \$50,000
 - Meals or lodging furnished for convenience of employer
 - Qualified tuition reduction
- *Travel reimbursements* : Travel reimbursements which are not considered in compliance with accountable plan reasonable time rule by the traveler signing/approving reimbursement request within 60 calendar days of the date when business travel ends.
- *Working condition fringe benefit*: Any property or service provided by an employer that, if paid by the employee, would be deductible as a trade or business expense under IRC Section 162. The value of the working condition benefit is excludable from an employee's income. To qualify as a working condition benefit, the benefit received by the employee must be related to the employee's duties at the university. The business use of an employer-provided vehicle qualifies as a working condition fringe benefit as does the payment of work related professional licenses and certifications. In order for the expense to be excludable from compensation income as a working condition fringe benefit, they must be:
 - Bona fide business expense which is relatively clear and
 - Sufficiently documented.

IV. Responsibilities

- A. Employee

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1. Acknowledge receipt of department provided fringe benefit through signature on the [Taxable Fringe Benefit](#) form when provided by department.
- B. Payroll Administrators
 1. Adhere to [BPM E-7-12](#) regarding employee awards and gifts.
 2. Report any taxable fringe benefits provided by department to an employee, employee relative or dependent to the Payroll Services Director or Assistant Director within five business days of employee receiving benefit.
 3. Contact Payroll Services Director to determine the taxability of a fringe benefit in advance of providing to employee.
- C. Payroll Services
 1. Provide guidance to departments on taxability of fringe benefits.
 2. Coordinate with central offices for certain university provided fringe benefits such as Health and Wellness incentives, tuition waiver for graduate level program exceeding tuition benefit limits, and season athletic tickets.
 3. Process the fringe benefit amount as inclusion in the employee's gross pay during the next payroll cycle.

V. Procedures

- A. Department administrator should initiate [Taxable Fringe Benefit](#) form for each employee, spouse or dependent of department provided fringe benefit.
- B. Employee should sign the form to acknowledge receipt of benefit.
- C. Departments must submit the completed form(s) to Payroll Services located at 340 Peterson Service Building within five business days of employee, spouse or dependent receiving the fringe benefit.
- D. Payroll Services will process the fringe benefit amount for the inclusion in the employee's gross pay during the next payroll cycle. Any forms received for separated employees after last paycheck will be handled as adjustment to the calendar year reported W2 and any payroll taxes charged to the department.