



Employment Tax Overview

James Driver, Federal State
and Local Government



Taxable Fringe Benefits

- What is a Fringe Benefit?



Taxable Fringe Benefits

- **Any property, Service or cash**
(Other than Salary provided by Employer)
- **Taxable unless excluded specifically by law**
 - Example: Medical Premiums
IRC 106



Taxable Fringe Benefits

What should I do?

- Identify specific benefit provided to employee (s)
- Determine if benefit is excluded by law and
- Determine if benefit is fully taxable, or only partially



Taxable Fringe Benefits

Examples of Non Taxable Benefits are:

- No additional cost service
- Qualified employee discounts
- Working condition fringe
- De minimis fringe
- Qualified transportation expenses



Taxable Fringe Benefits

Taxable Fringe Benefits should:

- INCLUDE in Employee's wages and on W-2
- Never on Form 1099-MISC
- Subject to Federal Withholding, Social Security (if applicable) and Medicare
- Even if benefit is received by/for spouse or child of employee



Taxable Fringe Benefits

Specific issues taxable issues

- Clothing and Equipment
- Early Retirement Incentives
- Stipends
- Awards
- Bonuses



Taxable Fringe Benefits

- CASH PRIZES OR AWARDS are always taxable
- PERFORMANCE AWARDS are always taxable
- NON-CASH:
 - Use Fair Market Value



Taxable Fringe Benefits

REMEMBER

- If the benefit is taxable:
 - Determine the Value of the benefit
 - Include it in Wages and W-2



Taxable Fringe Benefits

Accountable Plan

- Business Connection
- Adequate 'accounting' by employee in reasonable time period
- Excess reimbursement returned in a reasonable time period



Taxable Fringe Benefits

What is a Non Accountable Plan

- Does Not Meet ALL 3 Requirements For An Accountable Plan
- Benefit is Fully Taxable When Paid



Taxable Fringe Benefits

- Per Diem Allowances
 - for lodging, meals and/or incidentals
 - for business related travel
 - while away from home



Taxable Fringe Benefits

- Meals away from home:
 - Overnight
 - Accountable Plan - Not taxable
 - NOT Overnight
 - Taxable as wages



Taxable Fringe Benefits

Meal Allowances when not traveling:

- Meals with business meetings -
 - NOT taxable if:
 - clear business setting
 - directly related
- Employer buys you lunch -
 - Taxable as wages (e.g. Monthly board meeting meals, day trip lunch for meeting)



Taxable Fringe Benefits

- Employee Car used for Employer's Business:
- 2018 Federal Mileage Rate - \$.545
 - At this rate or less: Non-taxable to Employee
 - Excess over this rate: Taxable to Employee - only the excess amount
 - If Employee chooses not to get reimbursed, cannot claim on personal tax return
 - Substantiation required



Taxable Fringe Benefits

- Employee reports to Employer:
 - Date, Purpose, Place of each trip
 - Mileage 'at or near the time' incurred
 - Examples: Diary, log, trip sheet, expense statement or similar record
 - Commuting is always taxable
 - - it is non-business travel



Taxable Fringe Benefits

Employer Provided Vehicles

- **How Does Employee Account For Personal Use?**
- Personal Use is taxable
- Verified Business Use is not taxable
- Employee can reimburse Employer for personal use



Taxable Fringe Benefits

Personal Use of government vehicle

- IF NO RECORD KEPT:
 - Value of ALL use is taxable
- IF RECORD KEPT:
 - Only Personal Use is taxable



Taxable Fringe Benefits

Valuing Personal Use

- Automobile Lease Valuation Rule
- Cents-Per-Mile Rule
- Commuting Rule



Taxable Fringe Benefits

- Taxable Fringe Benefit Guide

http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf

- IRS Publication 15-B

<http://www.irs.gov/pub/irs-pdf/p15b.pdf>



Taxable Fringe Benefits

- HELPFUL WEB LINKS!

IRS PUBLICATION 963

<http://www.irs.gov/pub/irs-pdf/p963.pdf>



Department of the Treasury

Internal Revenue Service

www.irs.gov