



# **Fringe Benefits**

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### **Internal Revenue Service**

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# Fringe Benefits

- Property
- Service
- Cash

Received in addition to regular pay



# Taxable Fringe Benefits

- Include in Employee's wages on W-2
- Never on 1099
- Subject to FIT Withholding, Social Security and Medicare (if applicable)
- Enter as a "non-cash taxable benefit" in software system



# Accountable Plan

1. Business Connection
  2. Adequate accounting by employee in reasonable time period
  3. Excess reimbursement returned in a reasonable time period
- If 3 requirements met, then not taxable
  - Nonaccountable Plan requirements not met so taxable



# Travel Expenses

Travel expense reimbursements may include:

- Costs to travel to and from business destination
- Transportation costs at business destination
- Lodging, meals and incidental expenses
- Cleaning, laundry and other miscellaneous expenses



# Travel Meals and Lodging

The requirements of “traveling away from home” are met when:

- Traveling away from the tax home
- Substantially longer than an ordinary day’s work, and
- Requires an overnight stay or substantial sleep or rest



# Day Meal Example

Employee required travel to training out of town for the day

Employer pays for employee's meals

Employee away from home 7:00 am - 9:00 pm

Employee naps in car for an hour before returning home

Should the cost of the meal be included in the employee's wages as a fringe benefit?



# Day Meals

If the employer reimburses or pays for meals on “day trip”:

- Include the cost of meal in employee’s payroll as a fringe benefit
- Subject to Federal Income Tax W/H, Social Security & Medicare (if applicable)





# Meals at Conferences

- “Associated With” Meals – Tax Free & not included in wages if:
  - Meals at conventions
  - Meals at conferences
  - Does not include going to lunch with co-worker



# Automobile Expenses

- Personal vehicle used for business
- 2023 - 65.5 cents per mile
- At this rate or less: Non-taxable
  - Excess over rate: Taxable fringe benefit included in wages
- Monthly allowance for driving own car for business is taxable if no accountability
  - verify mileage – mileage log, calendar



# Employer Provided Vehicles

- Business Use
- Both Business and Personal
- Personal Use is commuting, vacation or weekend use by spouse or dependent
- De Minimis Nontaxable



# Valuation of Personal Use

- Three Automobile Valuation Rules when employer provides vehicle to employee
  - Automobile Lease Valuation Rule
    - Applies to all auto - doesn't have to be leased
  - Vehicle Cents-Per-Mile Rule
  - Commuting Rule



# Auto Lease Rule

1. FMV of vehicle
2. Use table in Publication 15-B
3. Determine % of personal use
4. Multiple Annual Lease Value by % of personal use
5. If fuel is provided, add 5.5 cents per mile



# Cents-Per-Mile Rule

- Vehicle “regularly used” in business
  - 50% or more mileage is for business or
  - Vehicle used transport at least 3 employees to work OR
- Vehicle driven 10,000 miles a year
- 2023 FMV limited to \$60,800
- 65.5 cents in 2023



# Commuting Rule

- \$1.50 per one-way commute if:
- Vehicle owned/leased by employer
- Provided for business use
- Bona fide noncompensatory business reasons
- No control employees (elected officials)



# What is Commuting?

- Driving from home to office or office to home
- Commuting is taxable fringe benefit if done in employer's vehicle
- Include all trips to and from work in 1 day
- Include weekends or evenings trips
- Include even if called in for an emergency





# Commuting Example

How much would be included in employee's wages for one day of commuting?

- Supervisor takes car home every day
- Goes to work at 7 AM & goes home for lunch
- Comes back to office & goes home at 4 PM
- Comes back in for a mandatory meeting at 7 PM & returns home at 9 PM



# Qualified Non-personal Use Vehicles (QNPV)

- Use of a QNPV is excludable to employee as a working condition fringe benefit
- Commuting is nontaxable to employee
- Must have policy on restricting personal use of vehicle
- Substantiation and record keeping is not required



# Examples of QNPV

Clearly marked police and fire vehicles

Unmarked vehicles used by law enforcement officers

The officer must be:

1. Authorized & regularly carries a firearms
2. Execute search warrants
3. Make arrests (not citizen's arrest)



# Examples of Vehicles

- Ambulance
- Dump truck
- Flatbed trucks
- Utility repair truck (not a pickup truck)
- Passenger buses (at least 20 passenger)
- Delivery trucks with driver seat only or driver & folding jump seat
- Vehicle designed to carry cargo - loaded gross vehicle weight over 14,000 lbs



YES



NO





# Qualified Non-Personal Use Vehicle

Modified vans qualify if they are:

Permanently affixed with decals or special paint associated with your community AND meets both of the following:

➤ Equipped with only a seat for the driver (or a seat for the driver and one other person) and one of the following-

Permanent shelving that fills most of the cargo area, or

An open cargo area, and the van always carries merchandise, material, or equipment used in your trade, business, or function



**YES**







**NO**





# Clothing/Uniforms

1. Specifically identified items to be worn as a condition of employment and
2. Not adaptable to general use as ordinary clothing and aren't worn as ordinary clothing

If both requirements aren't met then taxable fringe benefit



# Safety Equipment

Examples:

- Hard hats
- Safety Shoes
- Anti-glare screen for computer
- High Visibility Shirts for Road crews



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    - File Tab (top left)
      - Federal, State & Local Governments
- OR**
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