

Fringe Benefits By Nancy Llewellyn

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 <u>not</u> taxable
- Nonaccountable Plan requirements not met so taxable



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:

- 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

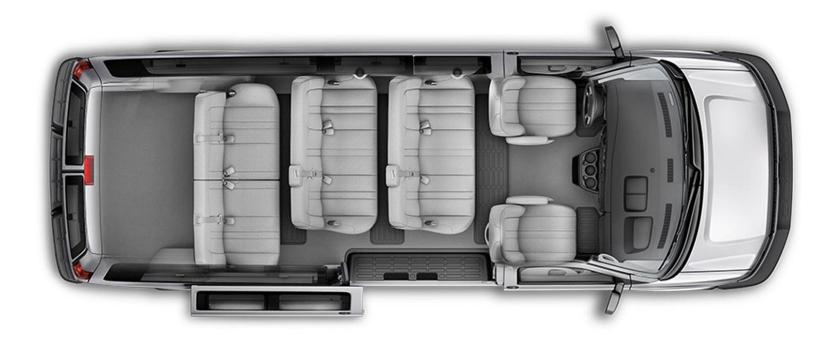


YES





NO





Clothing/Uniforms

- 1. Specifically identified items to be worn as a condition of employment and
- 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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- IRS increases mileage rate for remainder of 2022 (August 25, 2022)
- 2023 inflation adjusted amounts for Health Savings Accounts (August 25, 2022)

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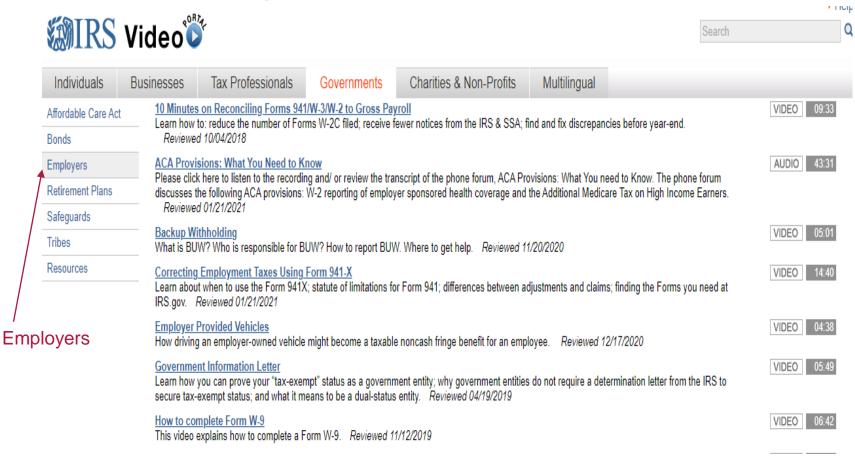
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