



# Taxable Fringe Benefits

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**This presentation is intended to provide basic information on the subjects covered. It reflects the interpretation by the IRS of tax laws, regulations, and court decisions. The explanations in the presentation are intended for general guidance only, and are not intended to provide a specific legal determination with respect to a particular set of circumstances. Additional research may be required before a determination may be made on a particular issue. Citations to legal authority are included in the text. You may want to consult a tax advisor to address your specific situation.**



# Overview

- What is a fringe benefit?
- Reporting fringe benefits
- Nontaxable fringe benefits



# What is a Fringe Benefit?

A fringe benefit is a form of pay for the performance of services (including property, services, cash or cash equivalent) in addition to stated pay.

Fringe benefits to employees are taxable wages unless specifically excluded by a section of the Internal Revenue Code (IRC).



## 4 Different types of fringe benefits

- Taxable
- Nontaxable (excludable)
- Partially taxable
- Tax-deferred



## IRC Sections excluding fringe benefits

- IRC § 104 – Health reimbursements
- IRC § 106 – Health insurance premiums
- IRC § 117(d) – Qualified tuition reductions
- IRC § 119 – Meals or lodging for employer's convenience
- IRC § 125 – Cafeteria plans
- IRC § 127 – Educational assistance programs
- IRC § 129 – Dependent care assistance program
- IRC § 132 – Specifies additional fringe benefits



# Reporting fringe benefits

- Taxable benefits are reported when received by the employee
- Included in employees' wages in the year the benefit is received and included on W-2
- Employer may treat benefits as paid in a pay period, quarterly, semiannual or annual
- Employer may withhold at wage rate of 25%



# Nontaxable fringe benefits

- An allowance or reimbursement policy:  
Accountable Plan
  - Business Connection
  - Adequate Accounting
  - Documentary Evidence



## Nontaxable fringe benefits continued

- De minimis fringe benefits
- No-additional-cost services
- Qualified transportation fringe benefits
- Health and medical benefits



## Nontaxable fringe benefits continued

- Travel and transportation expense
  - Mileage reimbursement
  - Per diem
- Clothing and uniform payments
- Cell Phones



# Vehicles

- Use of employee-owned vehicle
  - excess mileage reimbursement taxable
- Employer-provided vehicle
  - de minimis personal use
  - personal use of employer vehicle



## Other benefits

- Awards and prizes
- Professional licenses and dues
- Educational reimbursements and allowances
- Group term life insurance