



**TAXABILITY OF FRINGE
BENEFITS- PART 2
Commonly Provided Fringe Benefits**



Cell Phones

No longer considered listed property

- Notice 2011-72, 2011-38 I.R.B. 407



Accident and Health Care Plans

Internal Revenue Code Section 105(b)

- Exempts employer payments for certain medical expenses
- Includes the cost of insurance
 - Accident, health, and qualified long-term care
- Contributions to trust or fund to directly or via insurance provide benefits
- Contributions to Archer MSAs or HSAs

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Accident and Health Care Plans² of 2

- Certain reimbursements to employees under an accident or health plan for specific injuries or illnesses
- Payment must be figured without regard to any period of absence from work

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Moving Expenses

IRC Section 132(g):

- Allows employer to reimburse employee

IRC Section 217:

- Allows individual to deduct certain expenses

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Moving Expenses slide 2 of 2

Not taxable to employee if they are:

- paid under an Accountable Plan
- meet specific tests under IRC 217

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IRC 217 Tests

Individual must be an employee who incurs the expenses

Expenses must:

- closely relate to starting work at new job location
- be allowed under section 217
- meet time and distance tests

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Moving Expenses – Travel Costs

Non-taxable travel costs:

- Moving other members of household
- Airfare, car
- Lodging while travelling
- Parking fees, tolls

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Moving Expenses: Goods & Personal

Non-taxable moving costs - household goods/personal effects:

- Packing, crating, transporting
- Shipping car(s)
- Shipping pet(s)
- Storage & insurance (30 consecutive days)

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Moving Expenses- Reimbursements

Don't include reimbursements in income if:

- the reimbursed expenses qualify under IRC 217, and
- they are paid in the same calendar year they are deducted

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Moving Expenses

Timing of taxability

Employer's reporting on W-2

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Meal Allowances & Reimbursements_{1 of 11}

Meals while traveling

Meals while not traveling

- Meals with meetings or entertainment
- De minimis meal allowances

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Meal Allowances & Reimbursements 2 of 11

Meals while traveling

- Tax-exempt requirements:
 - Must be away from tax home overnight, or long enough to require substantial sleep or rest
 - No set number of hours or miles away
 - Substantiation required

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Meal Allowances & Reimbursements 3 of 11

Meals not away from home:

- Meals with meetings
- Meals with entertainment
- De minimis meals

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Meal Allowances & Reimbursements 4 of 11

Meals with meetings or entertainment:

- Tax-exempt if meal meets test:
 - “Directly Related” test, or
 - “Associated With” test

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Meal Allowances & Reimbursements 5 of 11

“Directly Related” Meals are tax-exempt:

- business meetings
- service club or professional meetings
 - Example: Rotary, Finance Officers Association, CPA

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Meal Allowances & Reimbursements 6 of 11

“Associated With” Test

- Meals with clear business purpose
- Substantial business discussion/negotiations directly before or after a meal

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Meal Allowances & Reimbursements 7 of 11

“Associated With” Meals are tax-exempt meals at:

- conventions
- conferences

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Meal Allowances & Reimbursements 8 of 11

De Minimis Meals are tax-exempt if meal is:

- small in value and occasional
- not provided routinely or often
- provided so employee can work overtime

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Meal Allowances & Reimbursements 9 of 11

De minimis meal

- Generally, must be consumed during overtime period
- Not based on number of hours worked

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Meal Allowance & Reimbursements 10 of 11

Note: Meals consumed en route to daily business events are not exempt

- Example: Breakfast and dinner while traveling to and from a daily convention or conference would not be exempt

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Meal Allowances & Reimbursements 11 of 11

- If not staying at a hotel, there is no tax exempt meal reimbursement while traveling to and from event
- If everyone is responsible for their own arrangements during a lunch break, the reimbursement for lunch is fully taxable

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Employee's Car

Reimbursed business use is non-taxable if
AT or BELOW Federal Mileage Rate

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Standard Mileage Rates

2010 .50 cents per mile
2011 .51 cents per mile
2012 .555 cents per mile
2013 .565 cents per mile
2014 .56 cents per mile
2015 .575 cents per mile

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Employer Provided Vehicles – 1 of 3

Qualified non-personal use vehicle

- by its design is unlikely to have personal use
- use is tax-exempt

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Employer Provided Vehicles – 2 of 3

Qualified non-personal use vehicles

- Clearly marked police and fire vehicles
- School buses
- Unmarked law enforcement vehicles
- Special purpose vehicles – snow plows, etc.
- Vans and pickups must be modified to qualify

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Employer Provided Vehicles – 3 of 3

See Publication 15-B for valuation rules on employer provided vehicles (Lease Value, Cents per Mile and Commuting Rule).

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