

FRINGE BENEFITS

Florida Atlantic University provides several fringe benefits to employees. While some of the fringe benefits are provided University wide, others are provided to specific employees by their departments or colleges. Fringe benefits are a form of pay for the performance of services. According to the Internal Revenue Service, unless specifically excluded by law, these fringe benefits are subject to taxation and must be reported on the employee's paycheck and W 2 form. The value of the fringe benefit is added to the employee's gross pay, and it increases the amount of their taxable contributions. In order to facilitate this reporting, the departments or colleges providing the fringe benefits are required to submit a Fringe Benefit Certification Form. Examples of taxable fringe benefits include car leases, cash gifts or gift cards, housing, meals, uniforms, and club dues. IRS Publication 15B (<http://www.irs.gov/pub/irs-pdf/p15b.pdf>) lists fringe benefits in more detail.

CAR LEASE

Employees who have vehicles provided by the University will be taxed according to the Lease Value Rule. Under this rule the value of the automobile is determined by using its annual lease value. More information regarding this rule and the current year lease values can be found on the IRS website (<http://www.irs.gov/pub/irs-pdf/p15b.pdf>)

GIFTS AND CASH AWARDS

Cash awards, including gift certificates and gift cards are considered taxable income to the employee.

***DE MINIMIS* FRINGE BENEFITS AND MEALS**

Gifts of low or negligible value are considered *de minimis* fringe benefits and are not included in an employee's wages. Examples of *de minimis* fringe benefits would include holiday gifts, other than cash or cash equivalents, with a low fair market value; employer provided meals furnished on the University's property for the University's convenience; and occasional tickets for entertainment or sporting events. Also excluded from the employee's income would be items provided by the University such as coffee, donuts, soft drinks, etc. Occasional meals or meal money provided to enable an employee to work overtime would be excluded unless the meal money is figured on the basis of hours worked. Occasional parties or picnics for employees and their guest would also be excluded. Any meals that are required by federal law to be furnished to crew members of certain commercial vessels are excluded from the employee's income. In practice, gifts or awards, other than cash or cash equivalents, with a value of less than \$100.00 may be considered a *de minimis* fringe benefit. However, if such gifts are given more than twice each calendar year, the total value of all gifts would be included in the employee's income.

HOUSING

Housing provided to an employee by the University is not included in the employee's income if:

1. The housing is provided as a condition of employment required for the employee to properly fulfill the duties of his/her employment
2. The property is physically located on the University property
3. Housing is provided for the convenience of the employer

UNIFORM ALLOWANCES

Costs of buying and maintaining uniforms may be considered ordinary and necessary business expenses, and therefore not subject to withholding if the uniforms are (1) specifically required as a condition of employment and (2) not adaptable for general use. Uniforms that can be worn as ordinary clothing or that replace ordinary clothing (such as military uniforms), don't meet the second part of this test and can't be considered ordinary and necessary business expenses.

The University policy is to furnish uniforms, clothing, and safety footwear as perquisites to employees only in those specific instances where it is determined that the furnishing of such items is in the best interest of the University due to the exceptional or unique requirements of the position.

If a uniform is required for safety, security, or health purposes and is not suitable for everyday wear, the issuance to the employee of the uniform or the purchase of the uniform by the University is non-reportable and nontaxable event for federal employment tax purposes. Examples of these type items are safety equipment, special footwear, protective clothing, etc.

Note: Providing allowances, advances or reimbursements for the purchase, maintenance or replacement of uniforms and footwear are reportable and taxable events for federal employment tax purposes.

CLUB DUES

Club dues and memberships are not allowed as business deductions. If an employer provides these benefits to an employee, they are taxable to the employee and subject to federal withholding tax, social security and Medicare.

FRINGE BENEFITS RECEIVED FROM OTHERS

Generally, if a third party other than the University pays a fringe benefit to an employee in connection with the employee's performance of services for the University, the payment is considered taxable income to the employee and is subject to applicable withholdings. This is the case when the benefit is part of the employee's employment contract, is contemplated during the employment process, or is provided by the third party via an agreement or arrangement with the University. For example, a local auto dealer may provide a vehicle to a University employee as part of the employee's employment contract. In this situation, the value of the fringe benefit is taxable, subject to withholdings, and reported on the employee's W 2.

On the other hand if, for example, a local auto dealer provided a vehicle to a University employee on its own, without going through the University, the value of the fringe is not considered taxable wages reportable on the employee's W 2. However, the employee may still have some income tax consequences resulting from the use of the vehicle. In this case, the University has no withholding or reporting obligations with regard to the vehicle.