


I LOVE FRINGE BENEFITS

Part 1 is complete!
Join us Feb. 26th for Part 2.



I LOVE FRINGE BENEFITS!

Part 2 of 3

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Revenue Agents, Federal, State and Local Governments

February 26, 2014

Tax Exempt/Government Entities Division
Federal, State and Local Governments



FEDERAL, STATE AND LOCAL GOVERNMENTS (FSLG) SERVING Government Entities





Lori Stieber Paula Graham Wally Reimold



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WHERE TO GET INFORMATION

<http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Educational-Resources>



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CELL PHONES

- No longer considered listed property



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PAYMENTS IN LIEU OF INSURANCE

- Receipts for insurance or medical expenses
 - Non-Taxable – No reporting required



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PAYMENTS IN LIEU OF INSURANCE (cont.)

- Cash Payments – No Accounting

- Fully Taxable

- W-2 Reportable

- Box 1 – Gross Compensation

- Box 3 – SSA Wages

- Box 5 – Medicare Wages



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MOVING EXPENSES



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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

- Not taxable to EE if:
 - Paid under an Accountable Plan
 - Specific tests of IRC 217 met



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IRC 217 TESTS

- Must be an employee
- Employee must incur the expenses
- Expenses closely related to starting work at new job location
- Expenses allowed under section 217
- Must met time and distance tests



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MOVING EXPENSES

- Non-Taxable Costs of Traveling:
 - Moving other members of household
 - Airfare, Car
 - Lodging while travelling
 - Parking fees, tolls



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MOVING EXPENSES

- Non-Taxable Costs of Moving 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 are not included in income if:

- Expenses qualify under IRC 217, and
- Are reimbursed 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

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MEAL ALLOWANCES & REIMBURSEMENTS

- Meals while traveling
- Meals while not traveling
 - Meals with meetings or entertainment
 - De minimis meal allowances



MEAL ALLOWANCES & REIMBURSEMENTS

- Meals while traveling
 - Tax-Free Requirements:
 - Must be away from tax home overnight, or long enough to require substantial sleep or rest
 - No set numbers hours away or distance
 - Substantiation required

MEAL ALLOWANCES & REIMBURSEMENTS

- Meals not away from home:

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



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MEAL ALLOWANCES & REIMBURSEMENTS

- Meals with meetings or entertainment:

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



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MEAL ALLOWANCES & REIMBURSEMENTS

- “Directly Related Meals – Tax-Free

- Meals as part of business meetings
- Meals at service club or professional meetings

- Example- Rotary, Finance Officers Association, CPA



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MEAL ALLOWANCES & REIMBURSEMENTS

- “Associated With” Test
 - Meals with clear business purpose
 - Substantial business discussion/negotiations directly preceding or following a meal



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MEAL ALLOWANCES & REIMBURSEMENTS

- “Associated With” Meals – Tax-Free
 - Meals at conventions
 - Meals at conferences



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MEAL ALLOWANCES & REIMBURSEMENTS

- De Minimis Meals – Tax-Free if:
 - Meal is small in value and occasional
 - Not provided routinely or often
 - Provided so employee can work overtime
 - Enables employee to work overtime



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MEAL ALLOWANCES & REIMBURSEMENTS

- De Minimis Meal

- Generally meal must be consumed during overtime period
- Meal allowances based on number of hours worked does not qualify as de minimis



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MEAL ALLOWANCES & REIMBURSEMENTS

- Note:** Meals consumed en-route to daily business events are not tax deductible

- ie Breakfast and dinner while traveling to and from a daily convention or conference would not be deductible



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MEAL ALLOWANCES & REIMBURSEMENTS

- No hotel = No tax free meal reimbursement while traveling to and from event
- If you break for lunch and everyone is responsible for their own lunch arrangements, the reimbursement for lunch is fully taxable



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EMPLOYEE VEHICLE USED FOR EMPLOYER'S BUSINESS



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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



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EMPLOYER PROVIDED VEHICLES

- Qualified Non-Personal Use Vehicle
 - By design, vehicle is unlikely to have personal use
 - Use of vehicle is tax-free



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EMPLOYER PROVIDED VEHICLES

- 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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THIS QUALIFIES:



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THIS DOESN'T QUALIFY



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DEFINITELY NOT



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THIS QUALIFIES



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AND DEFINITELY NOT THIS ONE

A Cowasaki



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EMPLOYER PROVIDED VEHICLES

•See Publication 15-B for car valuation rules on employer provided vehicles.

Available at www.irs.gov/publications



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QUESTIONS?



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QUESTION 1

When a County's Sheriff squad cars are no longer being used in the active fleet, they are provided to the County jail administrators for commuting. The County would like to know if they can use the commuting rule to value the employees' personal usage of the vehicles.



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QUESTION 2

We have a policy that specifically prohibits an employee from using a county supplied cell phone for personal reasons and we police the cell phone bills for personal use. We discipline employees for violating this policy. Will personal use still be taxable?



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QUESTION 3

We have a question related to de minimis fringe benefits. If an employer provides a gift certificate for a Christmas turkey or an occasional theatre ticket, what facts and circumstances would allow the gift certificate to be excluded from taxable income?



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RECAP – HELPFUL RESOURCES

- www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Educational-Resources

Educational materials for government entities

- www.irs.gov/Forms-&-Pubs

Link to download forms and publications and other educational resources



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USEFUL TELEPHONE NUMBERS

- 1-827-829-5500 for the TE/GE toll-free tax assistance line
- 1-800-829-3676 for the Forms order site
- 1-866-455-7438 for 1099 and W-2 assistance



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