

I LOVE FRINGE BENEFITS!

Part 3 of 3

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Revenue Agents, Federal, State and Local Governments

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



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





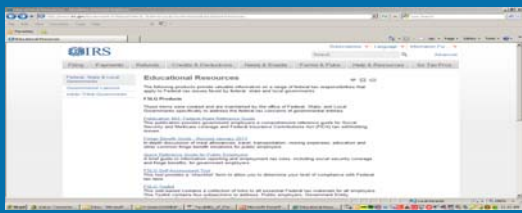

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WHERE TO GET INFORMATION

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


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UNIFORMS AND CLOTHING ALLOWANCES

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UNIFORMS

- Uniforms must be qualified in order to be exempt from tax
- Plain pants and a shirt do not qualify as a uniform
- Suits, sport coats, etc. worn by plain clothes police officers do not qualify as uniforms

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OTHER TYPES OF COMPENSATION

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OTHER TYPES OF COMPENSATION

- All income is taxable unless excluded by the IRC
- Some types of payments are “Supplemental” Wages



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SUPPLEMENTAL WAGES

- Bonuses: Signing, Recruiting, Relocation
- Awards for outstanding service
- Back Pay
- Severance Pay
- Administrative Leave



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SUPPLEMENTAL WAGES


- Withhold:
 - Two Different Methods:
 1. Optional
 2. Aggregate



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AWARDS AND PRIZES

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AWARDS AND PRIZES


- Cash or Cash Equivalent – Always Taxable
- Cash Equivalent: Savings bonds, unrestricted gift certificates and gift cards



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AWARDS AND PRIZES

- Non-Taxable Awards and Prizes
 - Only three types are tax-free:
 - Certain awards/prizes transferred to charity
 - De minimis awards/prizes
 - Certain employee achievement awards



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AWARDS AND PRIZES

- Transferred to Charity:

- Must be given for charitable, scientific, artistic, or educational achievement, and
- Must be transferred to charitable organization before taking possession
- Other rules apply



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AWARDS AND PRIZES

- Non-Taxable De Minimis Awards/Prizes:

- Cannot be cash or cash equivalent
- Must be small in value and not given frequently
- No set \$\$\$ amount for de minimis



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AWARDS AND PRIZES

- Non-Taxable De Minimis Awards/Prizes:

- Examples:
 - Holiday ham or turkey
 - Flowers for special occasions
 - Nominal birthday gifts
 - Coffee mugs, plaques



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AWARDS AND PRIZES

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–Examples:

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AWARDS AND PRIZES

•Non-Taxable Employee Achievement Awards/Prizes:

- Must be non-cash
- Must be for safety or length of service
- Value cannot exceed either \$400 or \$1600/year/employee
- Average value of all awards cannot exceed \$400 and remain tax-free



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AWARDS AND PRIZES

•Non-Taxable Length of Service Awards:

- Cannot be given within the first five years of service
- Cannot be given more often than very five years (except for retirement awards)



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AWARDS AND PRIZES

- Non-Taxable Safety Awards:

- Cannot give first year of employment, and
- Cannot be given to more than 10% of eligible employees (not managers, clerical, or other professional employees)



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AWARDS AND PRIZES

- Taxable Awards:

- Cash or cash equivalent
- Non-Cash awards won in employer sponsored drawing
- Any award other than qualified non-taxable



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PROFESSIONAL LICENSES AND DUES FOR ORGANIZATIONS



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PROFESSIONAL LICENSES

- Fees Paid to Maintain – Ordinary Business Expense
- If EE Pays: Deductible on 1040
- If ER Pays: Working Condition Fringe
 - Follow Accountable Plan Rules
 - Employee Must Keep Records



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ORGANIZATION DUES

- General Rule: Not deductible
- Exception for Professional Organizations
 - Business Leagues
 - Professional Organizations
 - Trade Associations



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QUESTIONS?



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QUESTION 1

We have a question related to a retirement gift. A faculty member of a school is retiring and his department would like to give a \$100 gift card to a restaurant as a retirement present. The employer wants to know if this is taxable or not because of the infrequency and special occasion circumstance.



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QUESTION 2

We have a question about uniforms. Are fire retardant uniforms provided as a condition of employment and worn by workers that are performing electrical work taxable?



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QUESTION 3

Our new union agreement states that some employees get a \$75.00 boot allowance. What is the best way to handle this? Also our police officers get a \$500.00 allowance for uniforms. The union agreement states uniforms will be ordered and paid according to police department policy. Does this let us off the hook and put the record keeping on the employee?



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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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