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# FISCAL POLICY MANUAL

## TAXABLE FRINGE BENEFITS

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### INTRODUCTION

With respect to Internal Revenue Service (IRS) regulations and guidelines, individual agencies are not separate entities. The State as a whole is one entity. The State provides various benefits to employees that need to be evaluated to determine if the IRS considers those benefits taxable to the employee.

Examples of benefits to evaluate include, but are not limited to:

- life insurance paid by the employer
- use of a state owned vehicle
- use of state owned housing
- discounts on services
- nonqualified moving expenses
- educational assistance
- meals

This policy sets forth guidelines to assist agencies in determining taxable status of employer provided fringe benefits and how to account for them.

### DEFINITIONS

Fringe Benefit – A form of compensation in addition to salary or wages provided to any person for the performance of services.

Providers of Fringe Benefit – State agencies are the providers of a fringe benefit if it is provided for services performed. The State may be the provider of the benefit even if it was provided by another entity. For example, the State is the provider of a fringe benefit if a client or customer provides the benefit to the State's employee for services that the employee performs.

Recipient of Fringe Benefit – An employee who is the recipient of a fringe benefit that is provided for services performed.

## POLICY

All state agencies are required to follow IRS regulations and guidelines in determining whether a fringe benefit is taxable to the employee. Refer to IRS publications 15, 15A, 15B (each are Employer Tax Guides), 535 (Business Expenses), 463 (Vehicle Use), and 521 (Moving) to determine the taxable status of a fringe benefit. [Click here to go to the IRS publications Web site.](#)

In STARS, taxable fringe benefits for travel or moving expenses must be coded to the correct subobjects, regardless of whether the reimbursing agency employs the individual or is reimbursing an employee of another agency. For more information, [click here to view or download the STARS chapter on moving expenses.](#)

All taxable fringe benefits are required to be processed through the state payroll system. For tax purposes, all taxable fringe benefits must be processed during the calendar year in which they were provided. Submitting taxable fringe benefits for payroll processing should occur at least monthly.

## ADMINISTRATIVE PROCEDURES

Research the IRS publications noted above to determine if any benefits are taxable. Employee meal reimbursements are taxable unless the employee travels and stays overnight.

Taxable meals should be coded to the following expenditure subobjects:

- 5353 - In State Subsistence
- 5356 – Out-of-State Subsistence
- 5357 – Out-of-Country Subsistence

After receiving notification from Statewide Accounting that these types of transactions have processed through the accounting system, the Division of Statewide Accounting will record the information in the payroll system.

If an employee is not the employee of the reimbursing agency and the payment is made directly to the employee, the reimbursing agency must notify the employing agency of the payment. The employing agency will need to code the amount to TFB for processing in payroll.

If the taxable moving costs are paid to a vendor directly, use subobject code 5359, Non-qualified Moving and Relocation. Notify your payroll office to tax the employee for the amount. Payroll will use the Taxable Fringe Benefit earnings code MTF.

If the payment is made to an employee, notify your payroll office that a payment for non-taxable moving was made to an employee. Payroll will use Taxable Fringe Benefit earnings code MOV for that amount, which will then show up for informational purposes in box 12 on the employee's W-2.

For other fringe benefits received, whether paid in actual dollars or not, use the appropriate Taxable Fringe Benefit earnings code and dollar amount when recording payroll data on IPOPS or when submitting payroll information if IPOPS is not used.

For additional assistance, please contact the Division of Statewide Payroll in the State Controller's Office.