

Fiscal Policy FIO900: Fringe Benefits and Internal Awards Provided to Employees	
Version:0004	Effective Date: 04/01/2023

Fringe Benefits and Internal Awards Provided to Employees

SECTION 1. Policy Statement

I. Generally

- A. The University provides several Fringe Benefits to employees. Fringe Benefits are a form of pay and, in some cases, are taxable. Some University Fringe Benefits are available for all employees and others are available to specific employees based on their department.
- B. The Internal Revenue Service (IRS) considers Fringe Benefits as a form of pay. Some Fringe Benefits are taxable and others are non-taxable. The IRS determines which Fringe Benefits are taxable and which are non-taxable. For clarity, some non-monetary Fringe Benefits might be taxable. See Guidance Document: Taxable and Non-Taxable Fringe Benefits for more information.
- C. The University intends for this policy to comply with applicable tax laws and IRS regulations. Nothing in this policy confers eligibility for benefits to any employees when the employees are otherwise ineligible for the Fringe Benefits. In the event of a conflict between this policy and federal tax law, federal tax law will prevail.

II. Timing of Taxation

- A. Unless expressly excluded or deferred until a later year under the Internal Revenue Code (IRC), all taxable fringe benefits should be included in the employee's gross income in the year in which they are received.

III. Internal Awards

A. Generally

1. The University's departments may acknowledge work-related achievements by providing cash or non-cash awards to employees. Internal awards are a type of Fringe Benefit and, depending on the circumstances, internal awards might be taxable or non-taxable. 26 U.S.C. § 74; 26 U.S.C. § 274(j).
2. The University must comply with IRS regulations for the employee to be eligible to exclude certain non-cash awards from their taxable income.
3. If an award is taxable, the University's payroll office will withhold applicable taxes. Examples of taxable awards to employees are extra-service pay and incentive-based compensation pay.

B. Gifts for Employees Prohibited

1. University departments must not purchase gifts for employees; employees' family members; or members of employees' households. Gifts include, but are not limited to, flowers, wedding gifts, birthday gifts, greeting cards, etc.
2. Nothing in this policy prohibits employees from utilizing personal funds to pay for gifts. When utilizing personal funds to purchase gifts, University employees must not seek reimbursement from the University.

C. Non-Taxable Awards

1. Length of Service

- a) University departments may present employees with awards to celebrate the employee's length of service. To qualify as a non-taxable award for length-of-service, the University department:
 - i) Must not disguise wages through the award process
 - ii) Must make the award through a meaningful presentation
 - iii) Must limit the value at \$400 or less
 - iv) Must not provide a length-of-service award to an employee within their first five years of employment
 - v) Must not provide a length-of-service award to an employee more than once every five years

2. Other Recognition (de minimis award)

- a) University departments may award an item of tangible personal property to an employee in recognition of their noteworthy work-related accomplishment.
- b) Departmental de minimis awards must not exceed \$100.00 in value and departments must not make de minimis awards frequently to the same employee.
- c) Examples of departmental awards include, without limitation, a book, plaque, or similar item of tangible personal property.

IV. Non-Taxable Fringe Benefits

A. The IRS generally considers the following Fringe Benefits to be non-taxable:

1. No-additional cost services
2. Working conditions
3. De minimis
4. Qualified employee discount
5. Meals and lodging (under certain conditions)
6. Clothing (under certain conditions)
7. Educational tuition assistance (under certain conditions)
8. Employer reimbursement to employees for the cost of professional licenses/certifications

B. See Guidance Document: Taxable and Non-Taxable Fringe Benefits for more information.

V. Taxable Fringe Benefits

A. The types of Fringe Benefits listed below in this section V are generally always taxable.

The list below is not an all-inclusive list.

- 1.Apparel allowance
- 2.University-provided vehicle, including “courtesy cars”
- 3.Club membership
- 4.Gift certificates
- 5.University-provided housing
- 6.Admission to events
- 7.Spouse/partner travel, meals, etc.
- 8.Graduate tuition (exceptions might apply)
- 9.Third-party-provided benefits

B. See Guidance Document: Taxable and Non-Taxable Fringe Benefits for more information.

VI. Taxation of Certain Transactions

A. Professional Licenses and Dues

- 1.The University may reimburse employees, or pay directly for, the cost of an employee’s professional license or the employee’s membership in a professional organization and are non-taxable when the license or membership is directly related to the employee’s job.

B. Educational Reimbursement and Allowances

- 1.Job-related educational expenses might qualify as a working condition Fringe Benefit. Generally, educational expenses are non-taxable if the educational course is:

- a) Job-related and maintains or improves job skills; or
- b) Expressly required by law, regulations, or by the employer.

VII. Controller’s Office; Payroll

A. If University employees have questions about whether a certain Fringe Benefit is taxable or non-taxable, the employees must contact the Controller’s Office or Payroll for guidance.

SECTION 2. Reason for the Policy

This policy ensures that the University observes tax laws and regulations related to internal awards and fringe benefits. Further, this policy provides guidance to departments regarding their obligation to notify UT System Administration Payroll when processing taxable fringe benefits.

SECTION 3. Scope and Application

This policy applies to all departments.

SECTION 4. Procedures

SECTION 5. Definitions

Fringe Benefit: A form of pay (including property, services, tuition waivers, meals, cash, cash equivalent, etc.) in addition to stated (hourly) pay for performance of job duties or extra services.

SECTION 6. Penalties/Disciplinary Action for Non-Compliance

Failure to comply with this policy could result in tax consequences for the University and for individual employees. Further, failure to comply with this policy could result in adverse human resources actions, up to and including termination.

SECTION 7. Responsible Official & Additional Contacts

Subject Matter	Office Name	Telephone Number	Email/Web Address
Policy Clarification and Interpretation	[Office Name]	[Department Telephone]	[Department Email]

SECTION 8. Policy History

SECTION 9. Related Policies/Guidance Documents

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