

### Non-Taxable Fringe Benefits:

#### A. De Minimis Fringe Benefits:

1. A Fringe Benefit might qualify as a de minimis Fringe Benefit when the University provides property or services to an employee infrequently and the value of the property or services is so small that accounting for it would be unreasonable or impractical.
2. Federal law does not specify a value threshold for what qualifies as de minimis, but the IRS has issued official guidance that items or services valued at \$100 (or more) do not qualify as de minimis.
3. Some examples of Fringe Benefits that might qualify as de minimis are:
  - a) Occasional personal use of University printers
  - b) Personal use of employer-provided cell phone
4. Some examples of Fringe Benefits that never qualify as de minimis are:
  - a) Cash or cash equivalent
  - b) Season tickets to sporting or theatrical events
  - c) Membership in a private country club
  - d) Membership in an athletic facility
5. See 26 U.S. Code § 132(e).

#### B. No-Additional-Cost Services:

1. A Fringe Benefit might qualify as a no-additional-cost service if the University can provide the service to an employee and:
  - a) Providing the service does not cause the University to incur additional costs;
  - b) The University provides the service to customers (students, etc.) in its ordinary course of business.
2. An example of a no-additional-cost service is where the University provides tickets to a sporting event that is not sold out.
3. See 26 U.S. Code § 132(b).

#### B. Qualified Employee Discount:

1. The University may offer discounts to its employees as a Fringe Benefit.
  - a) Discounts for Services:
    1. To qualify as a non-taxable qualified employee discount, the University may offer a discount of up to 20% of the price the University charges the general public. Discounts up to 20% are only non-taxable when:
      - a. The University sells the services to the general public in the ordinary course of business; and
      - b. The discount is available to all University employees or a group of University employees defined under a reasonable classification provided that the classification does not favor employees that the IRS deems to be “highly compensated.”
  - b) Discounts for Goods:
    1. To remain non-taxable, the University may offer discounts on goods when the discount does not exceed the gross profit percentage of the price at which the University sells to the general public (customers).
    2. The University will calculate the gross profit percentage by dividing the aggregate sales price of goods by the aggregate cost of such goods.

C. Working Condition:

1. A Fringe Benefit might qualify as a working condition Fringe Benefit if:
  - a) The University provides property or services to an employee and the value of the property or services would be deductible as a business expense if the employee paid for the property or services (see 25 U.S. Code § 162 and § 167).
  - b) The item or service that the University provides is related to the University's business operations.
  - c) The University documents the business purpose of the purchase with records.
2. Excluding personal use of University-provided cell phones, any personal use of University-provided working condition Fringe Benefits is taxable.
3. Some examples of working condition Fringe Benefits are University-provided:
  - a) Cell phones
  - b) Automobiles
  - c) Airplanes
  - d) Chartered flights
  - e) Club memberships
  - f) Professional dues
  - g) Publications
4. See 26 U.S. Code § 132(d).

Work Clothing and Uniforms:

A. Generally

1. When the University provides clothing to its employees, the clothing is considered taxable income, unless the clothing falls under one of the following categories: working-condition Fringe Benefit or de minimis Fringe Benefit.

B. Working-Condition Fringe Benefit

1. Uniforms: Clothing that meets the following criteria is considered a working-condition Fringe Benefit:
  - i. The University requires the employee to wear the uniform in the performance of the employee's assigned job duties; **and**
  - ii. The clothing is not adaptable to general usage as ordinary clothing.
2. Safety equipment: Items that an employee wears to protect themselves or to maintain a sanitary environment. Common examples are hardhats, safety goggles, safety shoes, and anti-glare screens for computer monitors or laptops.

C. De Minimis Fringe Benefit

1. To qualify as a de minimis Fringe Benefit, the value of University-provided clothing must be less than \$100 per calendar year. [Chief Counsel Advice \(CCA\) Memorandum 200108042](#)

D. When Taxable:

1. When the purchase of uniforms is subject to taxation, departments that require employees to wear uniforms may manage tax consequences in one of three ways:
  - i. Purchase the uniforms for the employees (directly or through reimbursement) and add the value of the clothing to the employees' respective salaries, and report the amounts to the Payroll Office to be included in the employees' W2.

- ii. Purchase the uniforms and add the value of the clothing to the employees' respective salaries, and pay the taxes for the employees by grossing up the cost of the clothing.
- iii. Allow employees to buy their own uniforms, which eliminates the University's tax liability for uniform purchases.

Meals and Lodging: Meals and lodging that the University provides might be non-taxable under certain circumstances.

- A. Meals: to qualify as non-taxable, meals must be provided:
  1. On the University's property; and
  2. For the University's convenience.
- B. Lodging:
  1. To qualify as non-taxable, lodging must be provided:
    - i. On the University's property;
    - ii. For the University's convenience; and
    - iii. As a condition of employment.
  2. Travel policy:
    - i. Please see FI0705 for more information.

This policy does not address the provision or reimbursement of meals and travel related expenses incurred by an employee during official University business.

Taxable Internal Awards: The following types of awards are always taxable:

- Cash or cash equivalents (gift certificates, gift cards, etc.).
- Recognition awards, cash or non-cash, for job performance (excluding de minimis awards).
- Awards for performance, such as outstanding customer service or based on productivity.
- Non-cash prizes (unless de minimis) won by employees from random drawings at employer sponsored events.
- Achievement awards, cash or non-cash, that do not meet specific qualified plan award rules.
- Awards for length of service or safety achievement that do not meet specific requirements. IRC Section 274(j)

Taxes: If a department fails to tax an award appropriately, the individual employee will remain liable for any taxes that the employee might owe.