

130. Fringe Benefits

Fringe benefits can be offered to employees in many forms. We are most familiar with insurance-related benefits that are offered at no cost to the employee or through payroll deduction. Other types of benefits include cash payments, discounts, or payments made on behalf of the employee. In some cases, fringe benefits may be attributed to an employee even though the employee received no direct benefit (tuition discounts provided to a dependent, for example).

IRS regulations contain several examples of benefits that are specifically excluded from taxable income. Unless there is a specific exclusion provided, all benefits provided to an employee are included in taxable income. Benefits specifically excluded from income include the following.

- awards and prizes (IRC Section 74)
- group-term life insurance coverage up to \$50,000 (IRC Section 79)
- amounts received under accident and health plans (IRC Section 105)
- contributions by employers to accident and health plans (IRC Section 106)
- qualified tuition reduction (IRC Section 117(d))
- meals or lodging furnished for the convenience of the employer (IRC Section 119)
- qualified campus lodging (IRC Section 119(d))
- educational assistance programs (IRC Section 127)
- dependent care assistance programs (IRC Section 129)
- certain fringe benefits (IRC Section 132) such as
 - de minimis fringe benefits,
 - no-additional-cost services,
 - qualified employee discounts,
 - working condition fringe benefits,
 - qualified transportation fringe, or
 - qualified moving reimbursements

The Payroll Office has primary responsibility for determination of taxable benefits and should be consulted on any questionable or unclear benefits.