



IRS Tax Update

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Today's Topics

- Fringe Benefits
- Employee Reimbursements
- Employer Provided Vehicles
- 1099 Filing Requirements
- Your Questions

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Fringe Benefits

- Fringe benefits include any property, service or cash payment provided to your employees (other than salary)
- All compensation provided to your employees (cash and non cash) is taxable unless specifically excluded by the law
 - Example IRC 106 for Health Insurance

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Your Responsibilities

- Identify all benefits provided to your employees
- Determine if the benefit is excluded by the law
- Determine if the benefit is taxable, nontaxable or possibly partially taxable

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Non Taxable Fringe Benefits

- De Minimis Fringe Benefits
 - Examples (copier, cell phone, coffee)
- Group Term Life Insurance
 - Coverage up to \$50,000
- Health/Dental Insurance
- Review Fringe Benefit Guide, Publication 5137

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Taxable Fringe Benefits

- If you determine a fringe benefit is taxable to employee it must be included as wages on the W-2 and subject to federal withholding, Social Security and Medicare taxes.
 - Examples include life insurance above \$50,000, employer provided vehicles, awards and many others
 - Enter as a "non-cash taxable benefit" in software system

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Meals and Lodging

- Per Diem Allowances
 - IRS published rate (MI&E \$51.00/day in NE \$64 for Omaha - 2018)
- Actual Cost
 - Receipts provided to employer
- Allowances for travel
 - May be taxable depending on treatment

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Gym Facilities

- On-premises gym facilities may be a non taxable benefit to your employees.
- If you pay a membership fee for a public gym such as the local YMCA the amount paid would be taxable to your employee.
- Any "wellness" gift card should be treated as a taxable benefit.

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Awards and Prizes

- Any cash or "cash equivalent" is taxable to your employees.
- There is no minimum amount or safe harbor rules for a cash equivalent, such as a gift card, to be treated as a non taxable benefit.

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Employer Provided Vehicle

- A vehicle provided to an employee that is used for their commute or other personal use is generally a taxable fringe benefit.
- Three methods to value:
 - Lease Valuation
 - Cents Per Mile Rule
 - Commuting Rule

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Valuation Methods

- Commuting Valuation Rule
 - Personal use valued at \$1.50 each way
 - Cannot be used for **elected officials** or "control employees" (\$153,800 for 2018) or "highly compensated"
 - Must prohibit personal use in handbook
 - Any personal use is taxable, if an employee takes a vehicle home for lunch it would be a taxable benefit even if they don't take it home at night

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Qualified Non-Personal Vehicle

- By design the vehicle is NOT LIKELY to have personal use
 - Clearly marked police and fire vehicles
 - School buses
 - Certain special purpose vehicles
- These vehicles may be exempt from taxation to the employee

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Qualified Vehicle



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Nonqualified Vehicle



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Employee Reimbursements

- Accountable Plan
 - Business Connection
 - Adequate accounting (receipts)
 - Excess reimbursements returned
- Nonaccountable Plan
 - Does not meet all three of the above requirements
 - Benefit is fully taxable when paid

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1099 Filing Requirements

- Amount over \$600 per year
- All individuals and partnerships
 - LLC's could be individuals, partnerships or corporations so review Form W-9 carefully
- Corporations do not receive 1099's
 - Exceptions include Attorneys and For Profit Medical Services
- Combination of products and services

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Completing the 1099

- Always secure TIN (with W-9) from vendors and use to complete 1099
- First line should always be the name used on the Vendors tax return
 - SSN's always need vendor's full name
 - DBA's can appear on second line of 1099
 - Business TIN's should have business name

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IRS Matching Program

- IRS matches SSN to first 4 letters of taxpayers last name
- IRS matches EIN to first 4 letters of the taxpayers business name
- If mismatch occurs the IRS will send CP2100 notice to you and you must determine how to fix the error

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Form W-9 and Backup Withholding

- Secure a TIN (Form W-9) for each of your vendors at the beginning of your relationship
- Backup withholding of 24% of each payment over \$600 would apply until they provide TIN (Form W-9)
- Backup withholding is sent to the IRS with EFTPS and a Form 945 is required by January 31

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FSL-ET Audit Items

- If you are selected for an audit of your payroll we will review your payroll, accounts payable, fringe benefits to employees and other related items.
- A payroll reconciliation should be completed each year.
- Common adjustments: executive compensation, fringe benefits, Form 1099 penalties and retirement plans.

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FSL Website

- Quick Reference Guide
- ACA Information
- Educational Resources
 - Videos, presentations and other materials
- Customer Services
- Go to www.irs.gov/government-entities/federal-state-local-governments for more information

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Questions?

- Any Questions?
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