



Payroll fringe benefits reporting & taxation: What employers should know

November 21, 2019

Webinar starts at 2:00 PM CT



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Administration



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About the speaker



Cindy McSwain

Senior Vice President
Outsourcing Services

Leads AGH's outsourcing services

10+ years in outsourcing accounting/payroll

10+ years in audit experience

5+ years in tax experience

Member of AICPA, KSCPA, and numerous civic organizations

About the speaker



Sonia Phillips

Senior Payroll Manager
Outsourcing Services

Handles payroll processing, reporting, and tax filings for multi-state, multi-site companies

Expertise in technology, employee benefits and payroll

About the speaker



Debby Ingram

Payroll Supervisor
Outsourcing Services

Handles payroll processing, reporting, and tax filings for multi-state, multi-site companies

Expertise in customer service, research and multi-state payroll taxes

Welcome!



Polling question #1

Please answer for continuing education credit

Learning objectives

The key takeaways

Learning Objectives



- ✓ Identify various types of fringe benefits
- ✓ Discuss the taxability and reporting requirements of various fringe benefits.
- ✓ Understand the substantiation requirements.

Compensation

A quick review



Compensation defined



“...all income from whatever source derived, including (but not limited to) compensation for services, including fees, commissions, fringe benefits, and similar items...”

(IRC §61)

Compensation defined



“...gross income means all income from whatever source derived, unless excluded by law. Gross income includes income realized in any form, whether in money, property or services. Income may be realized, therefore, in the form of services, meals, accommodations, stock, or other property, as well as cash.”

(IRS Regulations §1.61-1)

Compensation breakdown

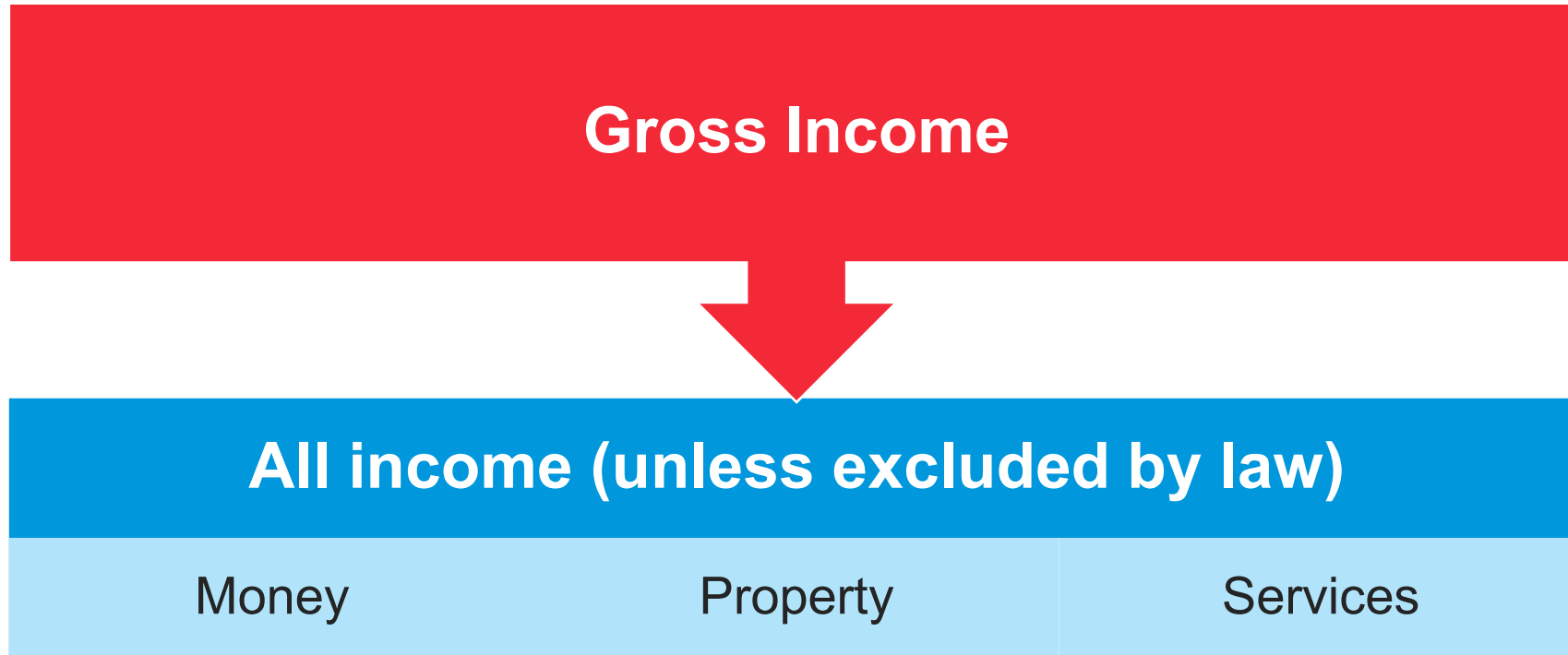


Gross Income

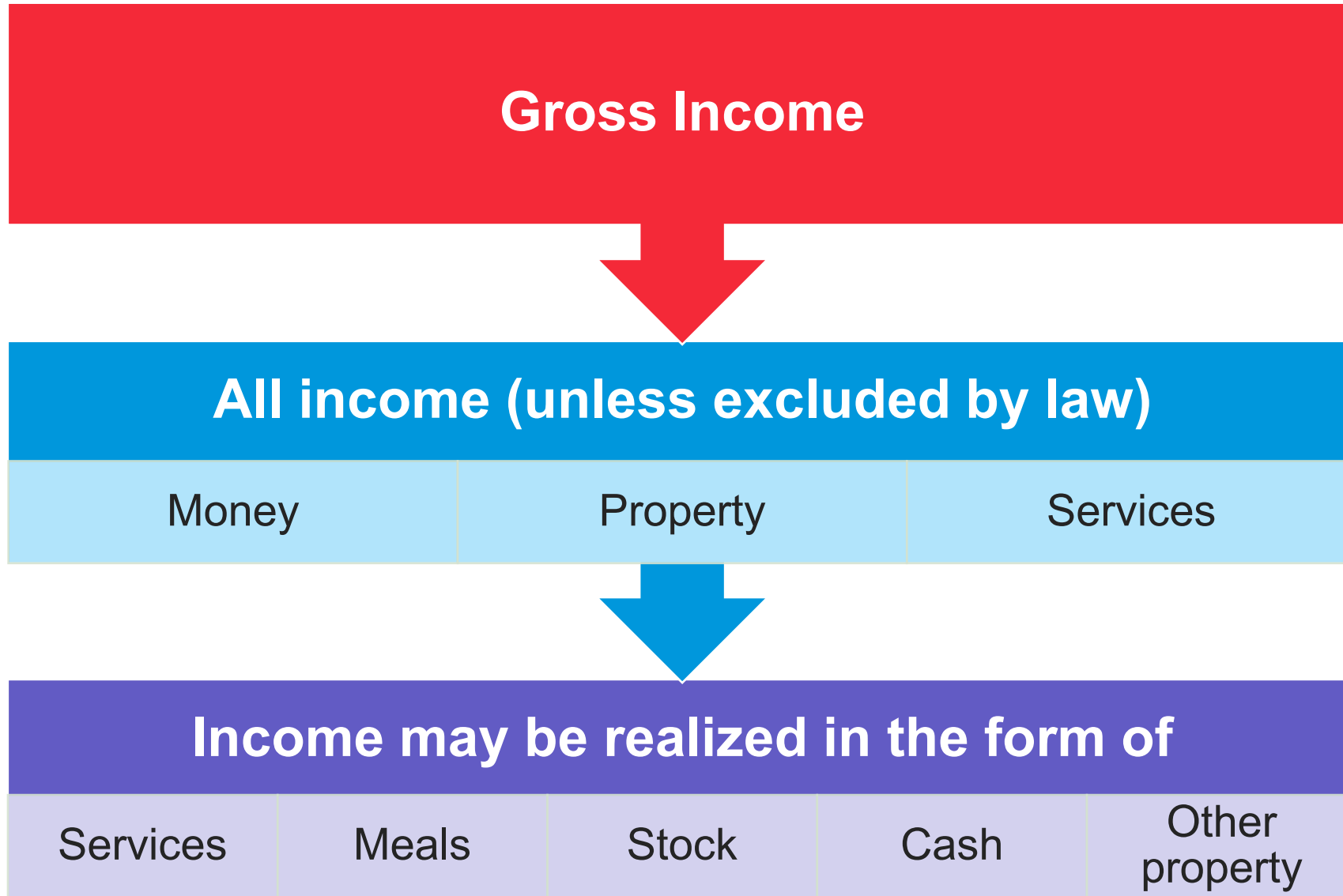
Compensation breakdown



Compensation breakdown



Compensation breakdown



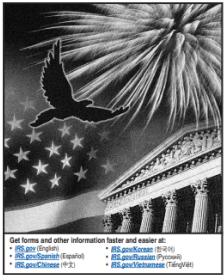
Fringe benefits & the IRS

Department of the Treasury
Internal Revenue Service

Publication 15-B
Oct. 19, 2018

Employer's Tax Guide to Fringe Benefits

For use in 2019



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Future Developments

For the latest information about developments related to Pub. 15-B, such as legislation enacted after it was published, go to [IRS.gov/pub/15b](https://www.irs.gov/pub/15b).

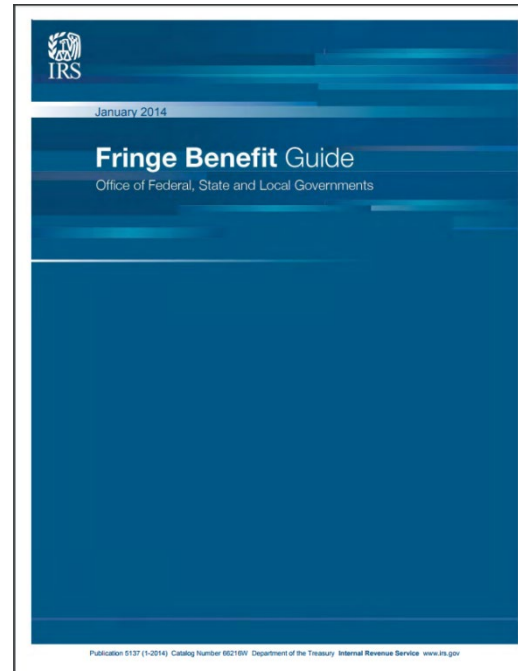
What's New

Cents-per-mile rule. The business mileage rate for 2019 is 59 cents per mile. You may use this rate to reimburse an employee for business use of a personal vehicle, and under certain conditions, you may use the rate under the cents-per-mile rule to value the personal use of a vehicle.

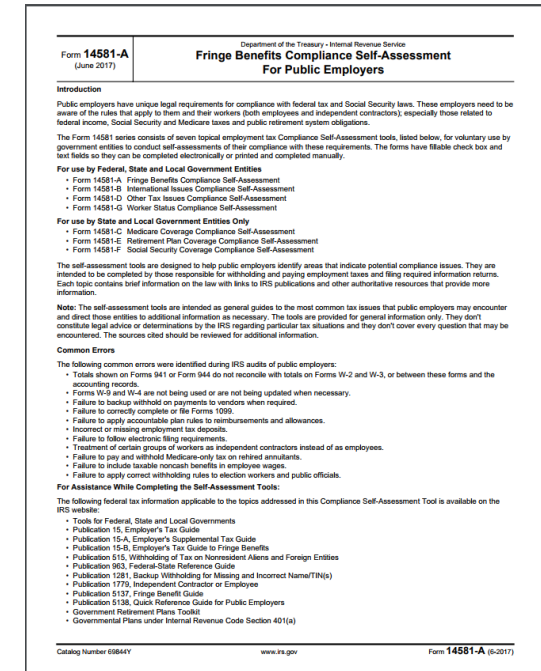
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• [IRS.gov/irs2019](https://www.irs.gov/irs2019) (Chinese)

Dec 18, 2018

IRS Publication 15-B
Employer's Tax Guide
to Fringe Benefits



IRS Publication 5137
Fringe Benefit Guide
**USE WITH CAUTION –
Not updated for TCJA**




IRS Form 14581-A
Fringe Benefits
Compliance
Self-Assessment

Polling question #2

Please answer for continuing education credit

Learning objective

Identify fringe benefits

- 
- ✓ Identify various types of fringe benefits

Identify



Fringe benefits

No dollar limit on **de minimis** fringe benefits



Fringe benefits

No dollar limit on **de minimis** fringe benefits

All cash benefits are taxable.



Fringe benefits

No dollar limit on **de minimis** fringe benefits

All cash benefits are taxable.

Date of “payment” **optional** for non-cash benefits as long as **reported at least annually**.

Withholding on fringe benefits:

- Add to regular wages
- Option flat tax rate (22% federal)



Common Fringe Benefits

Overview and description

Working conditions

Includes property or services

Non-taxable if employee could have deducted on personal return

Must be business related

Must be substantiated



De minimis

Based on frequency, not value

Can exclude personal use of business equipment if minimal

Group meals, employee picnics

Does **NOT** include cash



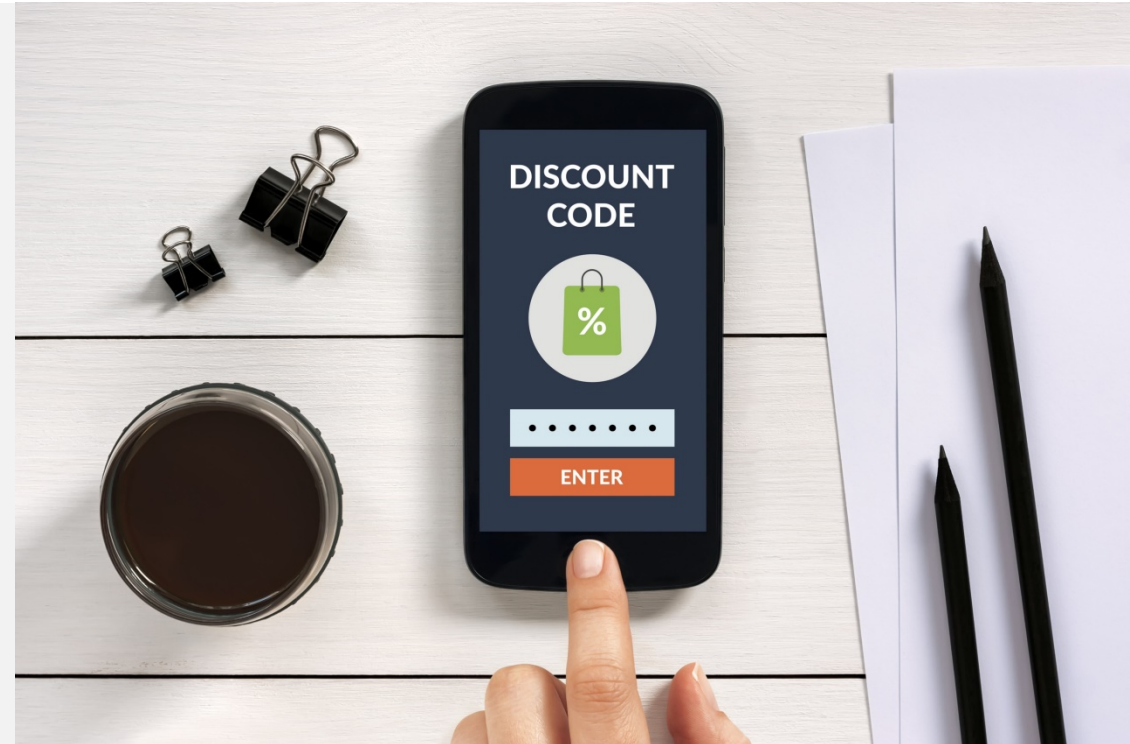
Employee discounts

Property or service must be offered to the public as part of business

For property, cannot exceed employer's gross profit percentage times the public price

For services, no more than 20% of public price

Cannot be excluded for HCE if discount not offered to all employees



Qualified transportation

Commuter transportation

Transit passes

Qualified parking

~~Bicycle commuting~~ (eliminated by TCJA)

Cannot exceed monthly excludable limits

Must be substantiated



Travel

Must be under accountable plan
(AKA substantiation)

Travel must be temporary

Employee must be away from tax home

Per diems based on location

Per diems can't extend past one year



Transportation

Must be documented

Local business travel

May include air, train, bus, shuttle, and taxi fares

May be a mileage reimbursement

Can include tools and parking fees



Moving expenses

100% taxable



Meals & lodging

Meals are excludable if provided on premises and for the employer benefit

Meals while traveling fall under travel expenses

Lodging is excludable if provided on premises, for the employer benefit, and a requirement



Employee vehicle

Employee vehicle reimbursement

- Substantiate
- Excludable if at or less than IRS stated rates

Methods for employer provided vehicle

- Lease valuation rule
- Cents-per-mile rule
- Commuting rule



Equipment & allowances

Equipment that is business expense

Reimbursements must be substantiated

Stipends and allowances are not excludable

Uniforms excludable if required and not street wear



Awards & prizes

Cash is **ALWAYS** wages

Random drawings, recognition and performance awards includable

Certain non-cash may be excluded with specific criteria



Professional licenses & dues

Licenses

- Employee must be required to maintain
- Directly related to the job

Dues

- Professional organizations excluded
- Social clubs taxable

Substantiation required



Education reimbursement

Working condition fringe

- Not allowed for minimum job requirements
- Not allowed if training for new trade or business
- Must be required by employer or law

Qualified educational program

- Written program
- Limited amount

Qualified scholarships and tuition



Dependent care assistance

May provide household and dependent care to allow employee to work

Must not favor HCEs

Must believe employee can exclude from gross income

Include in box 10 of W-2

Same limits as cafeteria plan



Group term life insurance

Policy in excess of \$50,000

Discriminatory plans include entire policy value

Consider terminated employees and last paycheck

Spouse or dependent policy greater than \$2,000 makes entire policy taxable



Polling question #3

Please answer for continuing education credit

Learning objective

Taxability & reporting requirements

- 
- ✓ Discuss the taxability and reporting requirements of various fringe benefits.

Supplemental wage payments

Anything that isn't regular wages

- Bonus
- Back pay
- Commissions

Federal withholding at 22%

State withholding – check the rates



Supplemental wage payments

#1 - Supplemental Method

Bonus	1,000.00
Supplemental FIT (22%)	-220.00
Supplemental KS SIT (5%)	-50.00
FICA (6.2%)	-62.00
Medicare (1.45%)	-14.50
	<hr/>
	653.50

#2 - Concurrent with Other Wages (W-4)

Salary	1,500.00
Bonus	1,000.00
taxable wages	<hr/>
	2,500.00
W-4 FIT (M-0)	-189.17
K-4 SIT (M-0)	-58.13
FICA (6.2%)	-155.00
Medicare (1.45%)	-36.25
	<hr/>
	2,061.45

#3 - No Concurrent Wages (Calculated)

1. Add supplemental wages to regular wages and calculate tax on total
2. Reduce tax calculated by tax already withheld on regular check

Regular Check

Salary	1,500.00
W-4 FIT (M-0)	-77.92
K-4 SIT (M-0)	-27.13
FICA (6.2%)	-93.00
Medicare (1.45%)	-21.75
	<hr/>
	1,280.20

Bonus Check

Bonus	1,000.00
Concurrent less Regular Check FIT	-111.25
Concurrent less Regular Check SIT	-31.00
FICA (6.2%)	-62.00
Medicare (1.45%)	-14.50
	<hr/>
	781.25

Paying employee taxes

Grossing up earnings

Gross earnings = Desired net payments / (100% - total tax %)

Note: Be careful when nearing the \$200,000 additional Medicare tax wage threshold or the \$1,000,000 threshold

Paying employee taxes

Gross Up Calculator		FIT Supplemental rate = 22%											KSSIT Supplemental rate = 5%												
Things to consider:																									
Have they met the FICA threshold?																									
What about the \$200,000 limit for FHI?																									
Has the employee earned > \$1 million?																									
Employee Name	Net Pay Amount	FICA	FHI W/H	FIT W/H	SIT W/H	Total Pay	Addl Pay	Tax Rates				effective tax rate	Gross												
								FICA	FHI	FIT	SIT														
Phillips, Sonia	1,500.00	142.31	33.28	504.97	114.77	2,295.33	795.33	6.20%	1.45%	22.00%	5.00%	34.65%	2,295.33												
McSwain, Cindy	2,500.00	237.18	55.47	841.62	191.28	3,825.55	1,325.55	6.20%	1.45%	22.00%	5.00%	34.65%	3,825.55												
Ingrim, Debby	10,000.00	-	240.66	-	-	10,240.66	240.66	0.00%	2.35%	0.00%	0.00%	2.35%	10,240.66												
		-	-	-	-	-	-	6.20%	1.45%	0.00%	0.00%	7.65%	-												
		379.49	329.41			16,361.55	2,361.55																		



Reporting

W-2s & coding

Wage and tax reconciliation

Earning Code	FIT	FICA	FHI	FUTA	SIT	SUI	Year End	FIT	FICA	FHI	FUTA	SIT	SUI
BEREAVEMNT	1	1	1	1	1	1	8,354.03	8,354.03	8,354.03	8,354.03	8,354.03	8,354.03	8,354.03
BIRTHDAY	1	1	1	1	1	1	15,508.46	15,508.46	15,508.46	15,508.46	15,508.46	15,508.46	15,508.46
BONUS	1	1	1	1	1	1	769,490.79	769,490.79	769,490.79	769,490.79	769,490.79	769,490.79	769,490.79
FRINGE_INS	1	1	1	1	1	1	82,923.00	82,923.00	82,923.00	82,923.00	82,923.00	82,923.00	82,923.00
FRNG_TXPRP	1	1	1	1	1	1	5,145.00	5,145.00	5,145.00	5,145.00	5,145.00	5,145.00	5,145.00
HOLIDAY	1	1	1	1	1	1	96,866.20	96,866.20	96,866.20	96,866.20	96,866.20	96,866.20	96,866.20
JURY	1	1	1	1	1	1	661.68	661.68	661.68	661.68	661.68	661.68	661.68
OT	1	1	1	1	1	1	29,886.77	29,886.77	29,886.77	29,886.77	29,886.77	29,886.77	29,886.77
OTHER	1	1	1	1	1	1	64,876.50	64,876.50	64,876.50	64,876.50	64,876.50	64,876.50	64,876.50
REGULAR	1	1	1	1	1	1	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41	4,481,779.41
REIMB_EXP	0	0	0	0	0	0	23,347.00	0.00	0.00	0.00	0.00	0.00	0.00
SEVERANCE	1	1	1	1	1	1	21,490.40	21,490.40	21,490.40	21,490.40	21,490.40	21,490.40	21,490.40
SICK	1	1	1	1	1	1	79,013.02	79,013.02	79,013.02	79,013.02	79,013.02	79,013.02	79,013.02
SUBS_OHLTH	1	0	0	0	1	0	24,593.74	24,593.74	0.00	0.00	0.00	24,593.74	0.00
THPRTY_LT	1	0	0	0	1	0	10,323.60	10,323.60	0.00	0.00	0.00	10,323.60	0.00
VACATION	1	1	1	1	1	1	244,966.01	244,966.01	244,966.01	244,966.01	244,966.01	244,966.01	244,966.01
							<u>5,959,225.61</u>						

Wage and tax reconciliation

Earning Code	FIT	FICA	FHI	FUTA	SIT	SUI	Year End	FIT	FICA	FHI	FUTA	SIT	SUI	
401K	-1	0	0	0	-1	0	283,017.20	-283,017.20	0.00	0.00	0.00	-283,017.20	0.00	
401K_EECU	-1	0	0	0	-1	0	5,782.93	-5,782.93	0.00	0.00	0.00	-5,782.93	0.00	
401K_EERTH	0	0	0	0	0	0	22,473.59	0.00	0.00	0.00	0.00	0.00	0.00	
401K_ER	0	0	0	0	0	0	175,051.55	0.00	0.00	0.00	0.00	0.00	0.00	
401K_LOAN	0	0	0	0	0	0	9,883.88	0.00	0.00	0.00	0.00	0.00	0.00	
ADV_REPAY	0	0	0	0	0	0	400.00	0.00	0.00	0.00	0.00	0.00	0.00	
CHILD_125	-1	-1	-1	-1	-1	-1	1,153.86	-1,153.86	-1,153.86	-1,153.86	-1,153.86	-1,153.86	-1,153.86	
CHILD_SUP1	0	0	0	0	0	0	16,102.98	0.00	0.00	0.00	0.00	0.00	0.00	
CHILD_SUP2	0	0	0	0	0	0	5,355.00	0.00	0.00	0.00	0.00	0.00	0.00	
GARN_FEE	0	0	0	0	0	0	620.00	0.00	0.00	0.00	0.00	0.00	0.00	
GARN_FIX	0	0	0	0	0	0	39,743.86	0.00	0.00	0.00	0.00	0.00	0.00	
GARN_KS_P1	0	0	0	0	0	0	319.88	0.00	0.00	0.00	0.00	0.00	0.00	
GARN_PCT1	0	0	0	0	0	0	160.00	0.00	0.00	0.00	0.00	0.00	0.00	
GENESIS	0	0	0	0	0	0	2,070.00	0.00	0.00	0.00	0.00	0.00	0.00	
HEALTH	0	0	0	0	0	0	15,873.44	0.00	0.00	0.00	0.00	0.00	0.00	
HEALTH_125	-1	-1	-1	-1	-1	-1	261,403.58	-261,403.58	-261,403.58	-261,403.58	-261,403.58	-261,403.58	-261,403.58	
HEALTH_ER	0	0	0	0	0	0	514,087.13	0.00	0.00	0.00	0.00	0.00	0.00	
MEDSAV_125	-1	-1	-1	-1	-1	-1	5,134.66	-5,134.66	-5,134.66	-5,134.66	-5,134.66	-5,134.66	-5,134.66	
YMCA_FAM	0	0	0	0	0	0	9,128.00	0.00	0.00	0.00	0.00	0.00	0.00	
YMCA_SING	0	0	0	0	0	0	1,700.00	0.00	0.00	0.00	0.00	0.00	0.00	
							1,369,461.54	5,379,386.38	5,633,269.17	5,633,269.17	5,633,269.17	5,379,386.38	5,633,269.17	
												SIT	SUI	
												State 1	5,251,581.31	5,500,040.72
												State 2	95,682.52	101,105.90
												State 3	32,122.55	32,122.55
													5,379,386.38	5,633,269.17
												Variance	0.00	0.00

Wage and tax reconciliation

**Compare reconciliation
to W-2s.**

Compare W-2s to all 941s.



Year-end reporting issues

Form W-2 Reference Guide for Box 12 Codes

A	Uncollected social security or RRTA tax on tips	L	Substantiated employee business expense reimbursements	Y	Deferrals under a section 409A nonqualified deferred compensation plan
B	Uncollected Medicare tax on tips (but not Additional Medicare Tax)	M	Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only)	Z	Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
C	Taxable cost of group-term life insurance over \$50,000	N	Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (but not Additional Medicare Tax) (former employees only)	AA	Designated Roth contributions under a section 401(k) plan
D	Elective deferrals under a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)	P	Excludable moving expense reimbursements paid directly to members of the Armed Forces	BB	Designated Roth contributions under a section 403(b) plan
E	Elective deferrals under a section 403(b) salary reduction agreement	Q	Nontaxable combat pay	DD	Cost of employer-sponsored health coverage
F	Elective deferrals under a section 408(k)(6) salary reduction SEP	R	Employer contributions to an Archer MSA	EE	Designated Roth contributions under a governmental section 457(b) plan
G	Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan	S	Employee salary reduction contributions under a section 408(p) SIMPLE plan	FF	Permitted benefits under a qualified small employer health reimbursement arrangement
H	Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan	T	Adoption benefits	GG	Income from qualified equity grants under section 83(i)
J	Nontaxable sick pay	V	Income from exercise of nonstatutory stock option(s)	HH	Aggregate deferrals under section 83(j) elections as of the close of the calendar year
K	20% excise tax on excess golden parachute payments	W	Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)		

See [Box 12 Codes](#).

Year-end reporting issues

Employer-provided health insurance

- Greater than 250 employees
- Excludes Indian tribal governments

Deferred compensation

Third-party sick pay



Summary



Polling question #4

Please answer for continuing education credit

HIGH FIVE



YOU GOT THIS!

Thank you for attending



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