

Advancement | UCF Foundation, Inc.

Club Membership Policy

Policy# 7.12

Effective Date: 06/04/2020

Responsible Department: Accounting

1. PURPOSE

To set forth the policy the University of Central Florida Foundation Inc.'s (Foundation) regarding memberships to clubs and the requirements for reporting these types of memberships as a taxable fringe benefit when the membership is in the employee's name.

2. APPLICABILITY

This is applicable to all Foundation and University of Central Florida (University) employees with new and/or existing club memberships paid using Foundation funds.

3. POLICY

The Foundation will consider all memberships as taxable fringe benefits to be reported to University Payroll **except** for the following:

1. All professional business organization memberships used for business purposes only, such as for education and training related to an individual's expertise applicable to their job responsibilities.
2. All institutional memberships (membership agreements with the University or Foundation) rather than individual memberships which allow participation by several or alternate employees and are used strictly for business purposes. Individual employees may not use the business membership for personal reasons and all business use shall be justified and documented in accordance with the Foundation's policies.

All other types of memberships, hereafter called club memberships, including athletic, country club, luncheon, sporting, airline and hotel clubs, and other social membership clubs will be considered taxable as a fringe benefit to an individual employee.

Club membership may be considered for the University President, Vice Presidents (VP), Deans, and for other individuals who play significant roles in furthering community and donor relations.

In all cases, the benefit to the University must be documented in writing and submitted to the Foundation's Office of Accounting and Financial Management Services (Accounting) on a payment request form. Such memberships shall not be with organizations that maintain unlawful discriminatory membership policies or practices.

Club memberships that are recommended for a Vice President must be approved by the University President (President) or designee since dues payment will be considered additional taxable income or supplemental income to the employee. For memberships considered for the Foundation's Chief Executive Officer (CEO) paid from Foundation funds, approval will be required by the UCF Foundation Finance Committee (Finance Committee) and the UCF Foundation Executive Committee (Executive Committee) or the UCF Foundation Board of Directors (Board of Directors).

For taxable memberships considered for the President paid from Foundation funds, recommendation shall be from an authorized University Board of Trustees Committee and approval will be required by the Finance Committee and the Executive Committee or Board of Directors.

It is the employee's responsibility to obtain appropriate approvals as outlined above in advance to obtaining a club membership in the employee's name since the employee will be considered liable for the payments. The employee may not obligate the Foundation in any way on the membership agreement unless the CEO and Foundation's Legal Counsel (Legal) have approved the membership agreement. If a membership is in the institution's name, it shall be signed by the CEO and approved by Legal.

Tax and Income Reporting

Employees receiving membership dues which are donated to the Foundation will be required to follow the requirements of club membership to be included as taxable income.

If an employee terminates his or her employment with the University or becomes ineligible to use the membership, it is the employee's responsibility to submit notification in writing to Accounting before the employee's termination or ineligibility status becomes final or the entire value of the membership/dues payment will be treated as employee compensation reported to University payroll.

Refundable Equity

If Legal determines that a membership is either refundable directly to the Foundation or transferable to another approved University employee based on the membership contract or other supplemental agreement, the equity membership payment may be excluded from the remaining balance of the dues. This exclusion will require the employee to sign an agreement (approved by Legal) assigning the equity in the club to the Foundation or to another approved University employee.

If it is determined that the club will **not** allow the equity to be transferred, assigned, or redirected to the Foundation, University, or another University employee, then the CEO may recommend to the President that a salary supplement be paid to the employee specifically for the purchase of the equity membership directly in the employee's name. This will ensure proper tax reporting and withholding, and this does not apply to initiation fees or other assessments by the club.

Shared Memberships

Some employees may receive club memberships which allow a sharing arrangement (e.g. one employee is listed as the main contact on the Accounting record and other employees are provided free memberships). Each employee must still follow the requirements outlined in this policy.

The total of the dues payments during the reporting period related to the single membership will be divided equally by the number of employees. It is the responsibility of the department that is assigning employees with these types of memberships and the employee who is listed as the main account holder to notify the accounting office of the list of individuals related to the joint membership. Otherwise, the entire amount of the club's total dues payments may be allocated for tax and income reporting purposes to the main account holder.

For all new memberships, accounting will require the appropriate approvals as outlined in this policy (e.g. the President or designee) to be provided only on the initial membership payment request. Departments shall also attach to the initial payment request a copy of the application for the membership.

For payments processed after this initial approval is received, approval of the authorized signer(s) on the account will be sufficient.

Accounting will report the membership as wages to University payroll.

Required Reporting

Club Membership Annual Reporting is required and provided to University Payroll and University Human Resources to be included as the employee's taxable wages and reflected on the W2 for proper tax reporting of fringe benefit paid from Foundation funds as outlined in the Club Membership Policy.

NOTE: *The information contained in this document is intended to be used for Foundation internal policy guidelines only and cannot be used for the purpose of tax reliance or tax advice related to IRS or any other federal or state regulations.*

Requests for clarification of this policy should be sent to the Associate Vice President and Chief Financial Officer.

Certified as approved by the Executive Committee of the Foundation Board of Directors on June 4, 2020.

Michael Morsberger

Signed: Tuesday, June 23, 2020

Name: Michael J. Morsberger

Title: Vice President for Advancement and Chief Executive Officer

Revision history:

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Revised: 02/18/2014

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