

Advancement | UCF Foundation, Inc.

Fringe Benefit Reporting

Policy# 7.25

Effective Date: 12/15/2020

Responsible Department: Accounting

1. **PURPOSE**

The University of Central Florida Foundation, Inc. (Foundation) may make payments to vendors which relate to a University of Central Florida (University) employee's compensation or are considered fringe benefits according to the IRS. All such payments paid using Foundation funds will be made in accordance with applicable donor restrictions, Internal Revenue Service (IRS) regulations, and Foundation policies.

2. **APPLICABILITY**

All University employees who have been provided with compensation considered to be a fringe benefit by the IRS.

3. **POLICY**

It is Foundation's policy that all nonexcludable fringe benefit payments made on behalf of University employees will be reported to University payroll for appropriate withholding and recordkeeping required by law. These procedures will comply with IRS regulations, Publication 15-B Employer's Tax Guide to Fringe Benefits, and UCF Non-Cash Fringe Benefits reporting process.

Background

IRS section 61(a)(1) provides that gross income includes compensation for services, including fringe benefits. Foundation may provide certain fringe benefit per IRS Publication 15-B Section 2, which may not be reported to University payroll as they fall under the working condition fringe exclusion or the de-minimis fringe exclusion. The following outlines the Foundation's policy relating to these types of payments.

Working Condition Fringe Benefits

General Rules for Working Condition Fringe Benefits

- Benefit must relate to employer's business
- Employee would have been entitled to an income tax deduction
- Business use must be substantiated with records
- Certain benefits have additional requirements, i.e., employer-provided vehicles or clothing

This exclusion applies to property and services provided to an employee so that the employee can perform their job. It applies to the extent the cost of the property or services would be allowable as a business expense or depreciation expense deduction to the employee if they had paid for it. The employee must meet any substantiation requirements that apply to the deduction.

Clothing

A uniform or clothing issued as safety clothing meeting IRS regulation OR if required to be worn by the employee which meets the following criteria may be excluded from wages:

Clothing or uniforms are excluded from wages of an employee if they are:

- Specifically required as a condition of employment, **and**
- Are not worn or adaptable to general usage as ordinary clothing.

Example:

A shirt made specifically for an event which is assigned to identify an employee as a University representative for the event; employee is required to wear the shirt during the event; and it is not appropriate or suitable to wear the shirt outside the event.

Example:

Standard University polo shirts with department name would NOT meet these criteria as they can be worn outside of the office as casual personal clothing; therefore amounts above de-minimis, exceeding \$40 per shirt as outlined below, would be reported to University payroll.

If a department does not want to tax employees on clothing exceeding the de-minimis amount, then the department shall require that the employee return the clothing at the end of the event or function. The department shall track the clothing as University inventory to be redistributed and subsequently collected after each event; thereby eliminating any taxable consequences to the employee.

Achievement Awards

This exclusion applies to the value of any tangible personal property provided to an employee as an award for either length of service or safety achievement. The exclusion doesn't apply to awards of cash, cash equivalents, gift cards, gift coupons, or gift certificates. The exclusion also does not apply to vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items. The award must meet the requirements for employee achievement awards discussed in chapter 2 of Pub. 535. Deduction limit - Your deduction for the cost of employee achievement awards given to any one employee during the tax year is limited to the following:

- It is awarded as part of a meaningful presentation
- Must be infrequent (minimum 5 yrs. employment, once every five years)
- Must be tangible personal property (not cash, or gift certificates, vacations, meals, lodging, ticket to theater or sporting events, stocks, bonds, and other securities)
- Total for employee during the year cannot exceed a maximum of \$400

De-Minimis Fringe Benefits

In determining whether a benefit is de-minimis, both its frequency and its value must be considered. An essential element of a de-minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation.

The value of any fringe benefit that would not be unreasonably or administratively impracticable to account for must be included in the employee's gross income.

Treas. Reg. 1.132-6(c) states the provision of any cash or cash equivalent such as a gift certificate and use of a charge or credit card are never excludable as a de-minimis fringe, thus must be included in the employee's gross income.

Generally, the Foundation and University payroll have determined that the value is not included in taxable compensation if a purchase is infrequent in nature and the individual purchase amount does not exceed \$40 (University clothing, mugs, tickets to athletic or entertainment events provided for staff appreciation or any other non-business purpose). These individual items that qualify as de-minimis will not be reported to University payroll.

Benefits Not Qualifying as De-minimis Fringe Benefits

- Cash
- Cash equivalent (i.e., savings bond, gift certificate for department store or allowing “cash back”)
- Certain transportation passes or costs
- Use of employer's apartment, vacation home, boat
- Commuting use of employer’s vehicle more than once a month. *Reg. §1.132-6(d)(3)*

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.

4. CLARIFICATION

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 December 15, 2020.

Name: Rachel Schaefer
Title: Associate Vice President for Advancement Strategy and Chief Operating Officer

Revision history: 2/24/2014
Adoption Date: 6/3/2008

History: 377