People Payments
Unusual / unfamiliar payroll issues for Tax Exempt Entity Plans

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Fringe Benefit Issues

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Fringe Benefits

- Education
  - 117(d) – Only for tax-exempt educational entities (schools, universities)
    - Free or discounted tuition up to and including college – non-taxable
      - Generally does NOT include graduate level
    - Can have reciprocal agreements among schools
    - Cannot discriminate in favor of highly compensated employees
    - CAN (often does) cover children of employees (day care is not generally education)
  - Section 127 – Any employer
    - Current employees only
    - Up to $5,250 per year per employee tax free (or lower amount, at employer's decision). Can limit to just certain employees (e.g., nurses)
  - Section 132(d) – Any employer
    - Current employees only
    - ONLY classes to hone skills FOR CURRENT JOB
    - NOT available to prepare employee for future promotion
      - NOT classes to get licensed (CPA classes, bar review classes, classes to become a pilot…)

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Fringe Benefits

- Employee discounts
  - Services – 20% discount
  - Property – based on profit margin for the item as sold to customers, cannot just use 20%
  - Only applies to discounts on property or services the employer offers to customers in the ordinary course of business
- Working Condition Fringe Benefits
  - No additional cost fringe benefit – employees allowed to use company facilities otherwise available to customers
    - Museum can let employees in
  - CANNOT allow reservations if would keep customers from using the facilities
    - University has meeting rooms that can be rented out for events
    - Employees can use meeting room for a family party but not if doing so blocks customers from using – so no reservations during busy season
    - CANNOT let employees take graduate classes (for free/non-nontaxable) if doing so blocks paying students from taking the class

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Fringe Benefits

- De Minimis
  - Caps, mugs, t-shirts – generally low value items
  - Provided occasionally, not easily administrable
  - NEVER gift cards
  - Occasional theater tickets or sports tickets – keep track of who gets what tickets – occasional, not every game!
- Uniforms
  - Usually not tax-free if given to employees (that is, they get to keep the clothing)

PTO Issues

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