

Fringe Benefit Issues for Colleges and Universities

*HIGHER EDUCATION TAXATION INSTITUTE
JUNE 5, 2017*

JOEL LEVENSON, UNIVERSITY OF CENTRAL FLORIDA

TOBY RUDA, KPMG LLP

AMY WILLIAMS, DUKE UNIVERSITY

Notice

The following information is not intended to be “written advice concerning one or more Federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

Notice

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

These materials are copyright to the employer of the individual presenting them.

3

Objectives

- Explain the rules regarding the taxability of certain fringe benefits
- Provide real examples of questions from the IRS regarding fringe benefits
- Explain common issues raised

4

New IDR Management Process

- New IRS guidance for use by TE/GE agents on issuing Information Document Requests (IDRs)
 - Involve organization in IDR Process
 - Discuss issue and information needed before issuing IDR
 - IDR must clearly state the issue and requested information
 - Agreement by examiner and organization on response date prior to issuing IDR
 - Focuses on timeline of IDR, complete responses and enforcement process
 - Effective April 1, 2017
- TEGE 04-1116-0028

5

IRS questions on IDRs - General

- Provide a copy of the Employee handbook in effect during the year under exam.
- Identify the benefits that are included on Form W-2 as income in Box 1, and identify the benefits, which are or are not subject to FICA.
- Provide a listing of the top five officers and copies of their Form W-2s and the W-2 earnings data for the year under exam. The requested data should include a breakdown by regular salary, imputed income, and all other forms of compensation.
- Other IRS questions – has the entity paid employee expenses?

6

Gross Income

“[E]xcept as otherwise provided . . . gross income includes compensation for services, including fees, commissions, fringe benefits, and similar items.”

- Benefits provided to family members are taxed to the employee
- Valuation – the fringe benefit is included at the arms-length value as if the employee purchased the benefit (less any amount the employee actually paid for the benefit).

Treas. Reg. § 1.61-21(a)(1)

7

Wages

- “[T]he term ‘wages’ means all remuneration for employment, including the cash value of all remuneration (including benefits) paid in any medium other than cash.” Code § 3121(a); see also § 3401(a).
- The employer must generally withhold taxes by the end of the calendar quarter in which the benefit is provided.
Treas. Reg. § 31.3501(a)-1T(Q/A-1).
 - However, IRS guidance provides that non-cash fringe benefits can be withheld at any time during the calendar year. Also provides a “lag method” for benefits from the last quarter.

8

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Fringe Benefit Issues for Colleges and Universities

Also available as part of the eCourse

[2017 Higher Education Taxation eConference](#)

First appeared as part of the conference materials for the
5th Annual Higher Education Taxation Institute session

"Fringe Benefit Issues for Colleges and Universities"