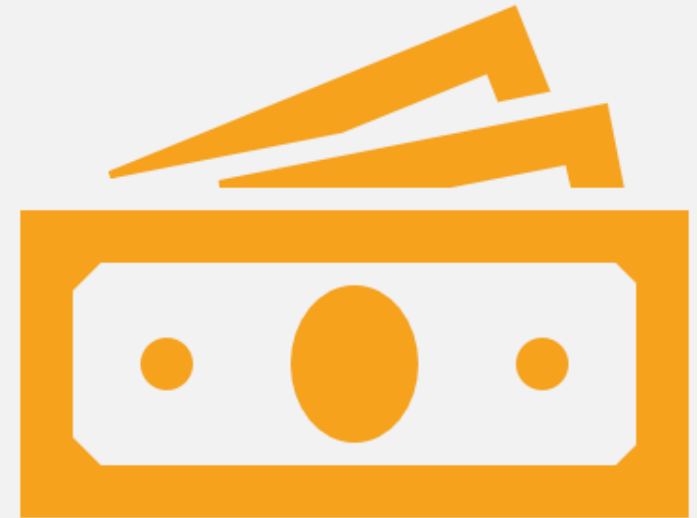



Presented by:
Shari Hale

TAXABLE FRINGE BENEFITS

WHAT IS A FRINGE BENEFIT?

- Fringe benefits are generally cash, goods, property, or services received from the employer in addition to an employee's regular pay.
- Fringe benefits are reportable and taxable income unless expressly excluded by federal and state tax laws, rules, regulations, etc.





EXAMPLES
OF
TAXABLE
FRINGE
BENEFITS

- Discretionary Bonuses (Including Gift Cards)
- Employer-Provided Cell Phone (Non-Business Use)
- Gym Memberships
- Employer-Provided Vehicle or Car Lease
- Moving Expenses
- Reimbursement for Classes or Development Unrelated to Work
- Travel Expenses Not Related to Business
- Group Term Life Insurance (Greater than \$50,000 of Coverage)

INCLUDING TAXABLE BENEFITS IN PAY

- You must include in a recipient's pay the amount by which the value of a fringe benefit is more than the sum of the following amounts:
 - Any amount the law excludes from pay.
 - Any amount the recipient paid for the benefit.

REPORTING FOR IRS

- When the benefit is offered to an employee, the wage and related tax is reported on the W-2 at year end.
- However, if an individual that you provide a fringe benefit to is a contractor or a partner it is reported as follows:
 - An independent contractor – Form 1099-NEC, Nonemployee Compensation
 - Note this situation is not taxable to you and the responsibility of the recipient to pay taxes.
 - A Partner – Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc.



22222	VOID <input type="checkbox"/>	a Employee's social security number	For Official Use Only OMB No.				
b Employer identification number (EIN)			1 Wages, tips, other compensation	2 Federal income tax withheld			
c Employer's name, address, and ZIP code			3 Social security wages	4 Social security tax withheld			
			5 Medicare wages and tips	6 Medicare tax withheld			
			7 Social security tips	8 Allocated tips			
d Control number			9	10 Dependent care benefits			
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans	12a See instructions for box 12		
f Employee's address and ZIP code				13 Statutory employee <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	12b
				14 Other			12c
				12d			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement

2023

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Copy A—For Social Security Administration. Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

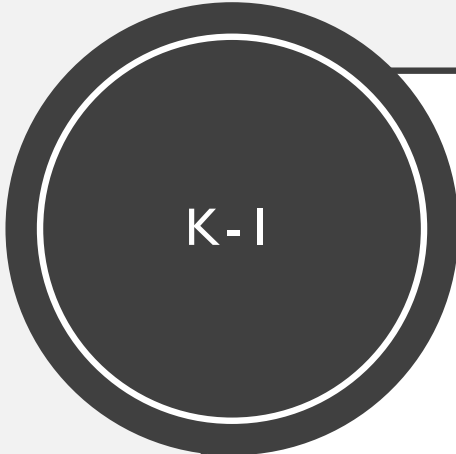
Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page



7171 VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form 1099-NEC (Rev. January 2022) For calendar year 20	Nonemployee Compensation		
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.	
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Street address (including apt. no.)		3			
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld \$			
Account number (see instructions)	2nd TIN not. <input type="checkbox"/>	5 State tax withheld \$	6 State/Payer's state no.		7 State income \$
		\$			\$
		\$			\$



**Schedule K-1
(Form 1065)**

Department of the Treasury
Internal Revenue Service

2022

For calendar year 2022, or tax year

beginning / / 2022 ending / /

**Partner's Share of Income, Deductions,
Credits, etc.**

See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS center where partnership filed return:

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.

G General partner or LLC member-manager Limited partner or other LLC member

H1 Domestic partner Foreign partner

H2 If the partner is a disregarded entity (DE), enter the partner's:
TIN Name

I1 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	<input type="text"/> %	<input type="text"/> %
Loss	<input type="text"/> %	<input type="text"/> %
Capital	<input type="text"/> %	<input type="text"/> %

Final K-1 Amended K-1 OMB No. 1545-0123

**Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items**

1 Ordinary business income (loss)	14 Self-employment earnings (loss)
2 Net rental real estate income (loss)	
3 Other net rental income (loss)	15 Credits
4a Guaranteed payments for service	
4b Guaranteed payments for capital	16 Schedule K-3 is attached if checked <input type="checkbox"/>
4c Total guaranteed payments	17 Alternative minimum tax (AMT) items
5 Interest income	
6a Ordinary dividends	
6b Qualified dividends	18 Tax-exempt income and nondeductible expenses
6c Dividend equivalents	
7 Royalties	
8 Net short-term capital gain (loss)	
9a Net long-term capital gain (loss)	19 Distributions
9b Collectibles (28%) gain (loss)	
9c Unrecaptured section 1250 gain	20 Other information
10 Net section 1231 gain (loss)	
11 Other income (loss)	
12 Section 170 deduction	21 Foreign taxes paid or accrued



RULES FOR
WITHHOLDING,
DEPOSITING
AND
REPORTING

- Valuation
 - You must determine the value of taxable noncash fringe benefits no later than January 31 of the next year. Before January 31, you may reasonably estimate the value of the fringe benefits for purposes of withholding and depositing on time.
- Choice of Period for Withholding, Depositing and Reporting
 - You can treat taxable noncash fringe benefits as paid on a pay period, quarter, semiannual, annual, or other basis. But the benefits must be treated as paid no less frequently than annually.

RULES FOR
WITHHOLDING,
DEPOSITING AND
REPORTING
(CONT.)

- **Withholding and Depositing Taxes**
 - You can add the value of taxable fringe benefits to regular wages for a payroll period and figure income tax withholding on the total. Or you can withhold federal income tax on the value of fringe benefits at the 22% rate that applies to supplemental wages.
 - You must withhold the applicable income (federal, state & local), social security and Medicare taxes on the date or dates you chose to treat the benefits as paid.
- **Amount of the Deposit**
 - To estimate the amount of income tax withholding and employment taxes and to deposit them on time, make a reasonable estimate of the value of the taxable fringe benefits provided on the date or dates you chose to treat the benefits as paid.

Paying your Employee's Share of the Social Security and Medicare Taxes

- If you choose to pay your employee's social security and Medicare taxes on taxable fringe benefits without deducting them from the employee's pay, you must include the amount of the payments in the employee's wages.

Special Accounting Rule

- You can treat the value of taxable noncash benefits as paid on a pay period, quarter, semiannual, annual, or other basis, provided that the benefits are treated as paid no less frequently than annually.

RULES FOR
WITHHOLDING,
DEPOSITING AND
REPORTING (CONT.)

QUESTIONS ON TAXABLE BENEFITS?

ITEMS THAT ARE EXCLUDED FROM TAX

Cafeteria
Plans

Achievement
Awards

De Minimis
(Minimal)
Benefits


Educational
Assistance

Employer-
Provided Cell
Phones

Group-Term
Life Insurance
Coverage

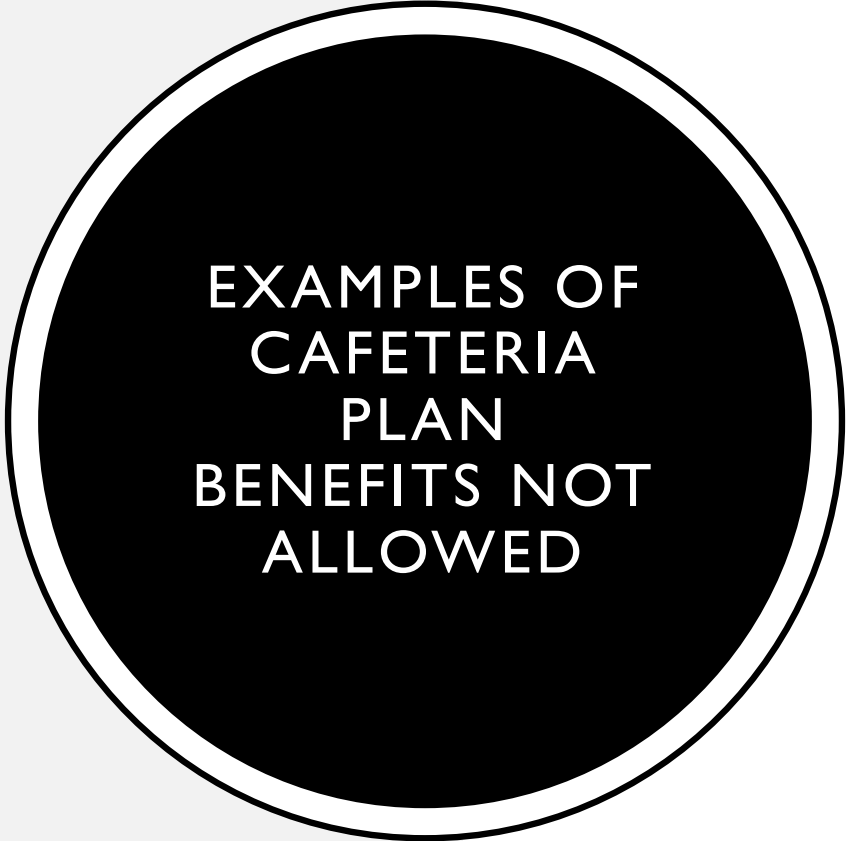
Health
Savings
Accounts

Meals



EXAMPLES
OF
CAFETERIA
PLAN
QUALIFIED
BENEFITS

- Accident and Health Benefits
- Adoption Assistance
- Dependent Care Assistance
- Group-Term Life Insurance Coverage (including costs that can't be excluded from wages)
- HSAs. Distributions from an HSA may be used to pay eligible long-term care insurance premiums or to pay for qualified long-term care services.



EXAMPLES OF
CAFETERIA
PLAN
BENEFITS NOT
ALLOWED

- Athletic Facilities
- De Minimis (Minimal) Benefits
- Educational Assistance
- Employee Discounts
- Employer-Provided Cell Phones
- Meals
- Transportation (Commuting) Benefits
- Tuition Reduction
- Working Condition Benefits

ACHIEVEMENT AWARDS

- This exclusion applies to the value of any tangible personal property you give 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.
 - Other than arrangements granting only the right to select and receive tangible personal property from a limited assortment of items preselected or preapproved by you

ACHIEVEMENT AWARDS (CONT.)

- You can generally exclude the value of achievement awards you give to an employee from the employee's wages if their cost isn't more than the amount you can deduct as a business expense for the year. The excludable annual amount is \$1,600 (\$400 for awards that aren't "qualified plan awards").
- If the cost of awards given to an employee is more than your allowable deduction, include in the employee's wages the larger of the following amounts.
 - The part of the cost that is more than your allowable deduction (up to the value of the awards).
 - The amount by which the value of the awards exceeds your allowable deduction.
- Exclude the remaining value of the awards from the employee's wages.



DE MINIMIS (MINIMAL) BENEFITS

- You can exclude the value of a de minimis benefit you provide to an employee from the employee's wages. A de minimis benefit is any property or service you provide to an employee that has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable.

EXAMPLES OF DE MINIMIS
BENEFITS INCLUDE THE
FOLLOWING.

- Personal use of an employer-provided cell phone provided primarily for noncompensatory business purposes.
- Occasional personal use of a company copying machine if you sufficiently control its use so that at least 85% of its use is for business purposes.
- Holiday or birthday gifts, other than cash, with a low fair market value. Also, flowers or fruit or similar items provided to employees under special circumstances (for example, on account of illness, a family crisis, or outstanding performance).
- Group-term life insurance payable on the death of an employee's spouse or dependent if the face amount isn't more than \$2,000.
- Certain meals.
- Occasional parties or picnics for employees and their guests.
- Occasional tickets for theater or sporting events.
- Certain transportation fare.

EDUCATIONAL ASSISTANCE

- This exclusion applies to educational assistance you provide to employees under an educational assistance program. The exclusion also applies to graduate-level courses.
- Educational assistance means amounts you pay or incur for your employees' education expenses. These expenses generally include the cost of books, equipment, fees, supplies, and tuition. However, these expenses don't include the cost of a course or other education involving sports, games, or hobbies, unless the education:
 - Has a reasonable relationship to your business, or
 - Is required as part of a degree program.



EDUCATIONAL ASSISTANCE (ETC.)

You can exclude up to \$5,250 of educational assistance you provide to an employee under an educational assistance program from the employee's wages each year.

If you don't have an educational assistance plan, or you provide an employee with assistance exceeding \$5,250, you must include the value of these benefits as wages, unless the benefits are working condition benefits. Working condition benefits may be excluded from wages.

EMPLOYER- PROVIDED CELL PHONES

- The value of the business use of an employer-provided cell phone, provided primarily for noncompensatory business reasons, is excludable from an employee's income as a working condition fringe benefit.
- Personal use of an employer-provided cell phone, provided primarily for noncompensatory business reasons, is excludable from an employee's income as a de minimis fringe benefit.
- You provide a cell phone primarily for noncompensatory business purposes if there are substantial business reasons for providing the cell phone. Examples of substantial business reasons include the employer's:
 - Need to contact the employee at all times for work-related emergencies,
 - Requirement that the employee be available to speak with clients at times when the employee is away from the office, and
 - Need to speak with clients located in other time zones at times outside the employee's normal workday.

GROUP-TERM LIFE INSURANCE COVERAGE

- This exclusion applies to life insurance coverage that meets all the following conditions.
 - It provides a general death benefit that isn't included in income.
 - You provide it to a group of employees.
 - It provides an amount of insurance to each employee based on a formula that prevents individual selection. This formula must use factors such as the employee's age, years of service, pay, or position.
 - You provide it under a policy you directly or indirectly carry. Even if you don't pay any of the policy's cost, you're considered to carry it if you arrange for payment of its cost by your employees and charge at least one employee less than, and at least one other employee more than, the cost of their insurance.

GROUP-TERM LIFE INSURANCE COVERAGE (CONT.)

- Even if you don't meet the 10-employee rule, two exceptions allow you to treat insurance as group-term life insurance.
- Under the first exception, you don't have to meet the 10-employee rule if all the following conditions are met.
 - If evidence that the employee is insurable is required, it is limited to a medical questionnaire (completed by the employee) that doesn't require a physical.
 - You provide the insurance to all your full-time employees or, if the insurer requires the evidence mentioned in (1), to all full-time employees who provide evidence the insurer accepts.
 - You figure the coverage based on either a uniform percentage of pay or the insurer's coverage brackets that meet certain requirements.

GROUP-TERM LIFE INSURANCE COVERAGE (CONT.)

- Under the second exception, you don't have to meet the 10-employee rule if all the following conditions are met.
 - You provide the insurance under a common plan covering your employees and the employees of at least one other employer who isn't related to you.
 - The insurance is restricted to, but mandatory for, all your employees who belong to, or are represented by, an organization (such as a union) that carries on substantial activities besides obtaining insurance.
 - Evidence of whether an employee is insurable doesn't affect an employee's eligibility for insurance or the amount of insurance that employee gets.

GROUP-TERM LIFE INSURANCE COVERAGE (CONT.)

- To apply either exception, don't consider employees who were denied insurance for any of the following reasons.
 - They were 65 or older.
 - They customarily work 20 hours or less a week or 5 months or less in a calendar year.
 - They haven't been employed for the waiting period given in the policy. This waiting period can't be more than 6 months.



GROUP-TERM
LIFE
INSURANCE
COVERAGE –
EXCLUSION
FROM WAGES

- You can generally exclude the cost of up to \$50,000 of group-term life insurance coverage from the wages of an insured employee. You can exclude the same amount from the employee's wages when figuring social security and Medicare taxes. In addition, you don't have to withhold federal income tax or pay FUTA tax on any group-term life insurance you provide to an employee.



GROUP-TERM
LIFE
INSURANCE
COVERAGE –
COVERAGE
OVER THE
LIMIT

- You must include in your employee's wages the cost of group-term life insurance beyond \$50,000 worth of coverage, reduced by the amount the employee paid toward the insurance. Report it as wages in boxes 1, 3, and 5 of the employee's Form W-2. Also, show it in box 12 with code "C." The amount is subject to social security and Medicare taxes, and you may, at your option, withhold federal income tax.

HEALTH SAVINGS ACCOUNTS

A health savings account (HSA) is an account owned by a qualified individual who is generally your employee or former employee.

Any contributions that you make to an HSA become the employee's property and can't be withdrawn by you.

Contributions to the account are used to pay current or future medical expenses of the account owner, their spouse, and any qualified dependent.

The medical expenses must not be reimbursable by insurance or other sources and their payment from HSA funds (distribution) won't give rise to a medical expense deduction on the individual's federal income tax return.

HEALTH SAVINGS ACCOUNTS – EMPLOYER CONTRIBUTIONS

- Up to specified dollar limits, cash contributions to the HSA of a qualified individual (determined monthly) are exempt from federal income tax withholding, social security tax, Medicare tax, and FUTA tax if you reasonably believe that the employee can exclude the benefits from gross income.
- For 2023, you can contribute up to \$3,850 for self-only coverage under an HDHP or \$7,750 for family coverage under an HDHP to a qualified individual's HSA.
- The contribution amounts listed above are increased by \$1,000 for a qualified individual who is age 55 or older at any time during the year.
- For two qualified individuals who are married to each other and who are each age 55 or older at any time during the year, each spouse's contribution limit is increased by \$1,000, provided each spouse has a separate HSA.
- No contributions can be made to an individual's HSA after he or she becomes enrolled in Medicare Part A or Part B.

- You can exclude any occasional meal you provide to an employee if it has so little value (taking into account how frequently you provide meals to your employees) that accounting for it would be unreasonable or administratively impracticable.
- The exclusion applies, for example, to the following items.
 - Coffee, doughnuts, or soft drinks.
 - Occasional meals or meal money provided to enable an employee to work overtime. However, the exclusion doesn't apply to meal money figured on the basis of hours worked (for example, \$2.00 per hour for each hour over 8 hours), or meals or meal money provided on a regular or routine basis.
 - Occasional parties or picnics for employees and their guests.



MEALS

- You can exclude the value of meals you furnish to an employee from the employee's wages if they meet the following tests.
 - They are furnished on your business premises.
 - They are furnished for your convenience.
- If you allow your employee to choose to receive additional pay instead of meals, then the meals, if chosen, aren't excluded. The exclusion also doesn't apply to cash allowances for meals.



MEALS (CONT.)

QUESTIONS?