

Special Rules for Various Types of Fringe Benefits (From Table 2-1, 2012 IRS Pub. 15-B)

Treatment Under Employment Taxes			
Type of Fringe Benefit	Income Tax Withholding	Social Security and Medicare	Federal Unemployment (FUTA)
Accident and health benefits	Exempt 1,2 except for long-term care benefits provided through a flexible spending or similar arrangement.	Exempt, except for certain payments to S corporation employees who are 2% shareholders.	Exempt
Achievement awards	Exempt ¹ up to \$1,600 for qualified plan awards (\$400 for nonqualified awards).		
Adoption assistance	Exempt ^{1,3}	Taxable	Taxable
Athletic facilities	Exempt if substantially all use during the calendar year is by employees, their spouses, and their dependent children and the facility is operated by the employer on premises owned or leased by the employer.		
<i>De minimis</i> (minimal) benefits	Exempt	Exempt	Exempt
Dependent care assistance	Exempt ³ up to certain limits, \$5,000 (\$2,500 for married employee filing separate return).		
Educational assistance	Exempt up to \$5,250 of benefits each year.		
Employee discounts	Exempt ³ up to certain limits.		
Employee stock options	See Employee Stock Options , IRS Pub 15-B		
Employer-provided cell phones	Exempt if provided primarily for noncompensatory business purposes.		
Group-term life insurance coverage	Exempt	Exempt 1, 4, and 7 up to cost of \$50,000 of coverage. (Special rules apply to former Employees.)	Exempt
Health savings accounts (HSAs)	Exempt for qualified individuals up to the HSA contribution limits.		
Lodging on your business premises	Exempt ¹ if furnished for your convenience as a condition of employment.		
Meals	Exempt if furnished on your business premises for your convenience.		
	Exempt if <i>de minimis</i> .		

Moving expense reimbursements	Exempt ¹ if expenses would be deductible if the employee had paid them.		
No-additional-cost services	Exempt ³	Exempt ³	Exempt ³
Retirement planning services	Exempt ⁵	Exempt ⁵	Exempt ⁵
Transportation (commuting) benefits	Exempt ¹ up to certain limits if for rides in a commuter highway vehicle and/or transit passes (\$125), qualified parking (\$240), or qualified bicycle commuting reimbursement ⁶ (\$20).		
Tuition reduction	Exempt if de minimis. Exempt ³ if for undergraduate education (or graduate education if the employee performs teaching or research activities).		
Working condition benefits	Exempt	Exempt	Exempt

1. Exemption does not apply to S corporation employees who are 2% shareholders.
2. Exemption does not apply to certain highly compensated employees under a self-insured plan that favors those employees.
3. Exemption does not apply to certain highly compensated employees under a program that favors those employees.
4. Exemption does not apply to certain key employees under a plan that favors those employees.
5. Exemption does not apply to services for tax preparation, accounting, legal, or brokerage services.
6. If the employee receives a qualified bicycle commuting reimbursement in a qualified bicycle commuting month, the employee cannot receive commuter highway vehicle, transit pass, or qualified parking benefits in that same month.
7. 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.

***Refer to full publication 2012 IRS 15-B for complete discussion