



Policy Approval/Review Form

This form is used for the approval, amendment, removal or review of a Gordon State College policy. Once authorized with the President's Signature, the policy will be posted to the Gordon State Website. This approval form will be filed in the Office of the President with Cabinet minutes noting approval.

Policy Title *	Taxable Fringe Benefits
Department/Organization	Human Resources
Policy Editor	Madelyn Brown
Request Type	New <input type="checkbox"/> Amended/Edited <input checked="" type="checkbox"/> Removed <input type="checkbox"/> Reviewed Only <input type="checkbox"/>

OBJECTIVE (Briefly state your purpose.)

Revise policy to align with State of Georgia and USG policy and procedures

RESOURCES AND CONSULTATION (Briefly describe the resources (i.e. website, link) used in developing, amending, removing, or reviewing the policy. Include names of other individuals who assisted with this change.)

USG Business Procedures Manual 5.3.1.7
State of Georgia Travel Regulations

COMMUNICATION PLAN (Identify how information about how the policy will be communicated to the college as well as training plans if applicable.)

Update policy on website

Authorizations

Chair/Dean/or Supervisor Signature and Date: _____

Cabinet Sponsor (VP) Signature and Date: _____

President Signature and Date: _____

Madelyn Brown
Digitally signed by Madelyn Brown
Date: 2023.04.13 14:57:31 -04'00'

Kirk A. Nooks
Digitally signed by Kirk A. Nooks
Date: 2023.04.13 15:44:52 -04'00'

***Policy Template must be submitted with this form.**



Policy Name:	Taxable Fringe Benefits			
Responsible Cabinet Member:	Madelyn Brown	New		
Responsible Office:	Human Resources	Amendment/Revision	X	
Contact:	Madelyn Brown	Review Only		

1. Policy Statement

Gordon State College follows the Internal Revenue Code (IRC) and Treasury Regulations (Reg), along with other IRS guidance regarding the taxing of fringe benefits. The Internal Revenue Services (IRS) requires that all fringe benefits are taxable, unless specifically excluded by law. If the fringe benefit does not meet the requirements to be non-taxable, then the cost will be added as taxable wages to the employee's paycheck following the receipt, purchase or reimbursement of the benefit.

2. Reason for Policy

To establish guidelines and policy governing the Taxable Fringe Benefits from the Internal Revenue Services (IRS) requires all fringe benefits that are taxable.

3. Who Should Read this Policy

All current employees of Gordon State College.

4. Resources

[IRS Publication 15-B - Employer's Guide to Fringe Benefits](#)
[IRS Publication 5137 - Fringe Benefit Guide](#)
[5.3.17 Taxable Fringe Benefits - USG Business Procedures Manual](#)
[8.2.18.4 Gratuities - USG Policy Manual](#)

5. Definitions

Fringe Benefit: Any property or service that an employee (including certain independent contractors) receives in lieu of, or in addition to, regular compensation. Examples include, but are not limited to, gift certificates, athletic tickets, certain club memberships, spouse/companion travel, housing, meals, awards, clothing or prizes.

Valuation Rule: The general valuation rule applies to most fringe benefits. Under this rule, the value of a fringe benefit is its fair market value (FMV). This is the amount an individual would have to pay a third party in an arm's-length transaction to buy or lease the benefit. Neither the employee's subjective perception of the value, nor the employer's cost, determines the FMV of the benefit. In many cases, the cost and FMV are the same; however, there are also situations in which FMV and cost differ, such as when the employer incurs a cost less than the value to provide the benefit.

De Minimis Exclusion: Benefits in which the value is so small in relation to the frequency **in which** it is provided, that accounting for it is unreasonable or administratively impracticable. For purposes of the de minimis exclusion, the term "employee" means any recipient of a fringe benefit.

Working Condition Fringe Exclusion: Working condition fringes are generally defined as any property or services provided by an employer that, if paid by the employee, would be deductible as ordinary and necessary business expense under IRC 162 or 167. For clothing/uniform to be considered “ordinary and necessary business expense”, it must be required or essential to employment, not suitable for general or personal wear, and not worn for general or personal wear.

Gift: A gift, for the purposes of the USG Gratuities policy, is defined as lodging, transportation, personal services, a gratuity, subscription membership, trip, loan, extension of credit, forgiveness of a debt, advance or deposit of money, or anything of value. A gift shall not include promotional items generally distributed to the general public, gifts from USG foundations or other separately incorporated, charitable entities.

6. The Policy (or “See Attached”)

Uniforms and Clothing

Uniforms and/or clothing expenses and allowances are taxable fringe benefits unless an exclusion applies as defined in this policy. Please note that there must be a specific business purpose for all clothing purchases, such as job requirement, safety, recruitment, athletic coaches, IT safety, etc., in order for it to be purchased using institutional funds. Allowability of clothing other than shirts and t-shirts will be considered on a case-by-case basis.

For Gordon State College Facilities personnel, uniforms (shirt and pants) are leased by the College and issued to the employee at time of employment. Uniforms issued to GSC Facilities employees are not considered taxable as wages to the employee. Gordon State College Facilities employees must surrender all uniforms to Gordon State College at the time of the employee’s termination or transfer from the Facilities Department.

For Gordon State College Public Safety personnel, standard uniforms are issued to the Public Safety employee at the time of employment. The issued standard uniform for Gordon State College is not considered taxable as wages to the employee. Uniforms must be surrendered to Gordon State College at the time of the employee’s termination or transfer from the Public Safety Department.

Other examples of clothing items that may be excluded as working condition fringes include safety glasses, hard-hats, work gloves, steel-toed work boots, and other clothing required for safety purposes. For USG’s purposes, clothing items of a nominal value - \$75 or less cumulative annually on a calendar year – and provided infrequently – no more than two times per calendar year – may be excluded from taxation as a de minimis fringe benefit. If either the value or frequency limits are exceeded in the calendar year by employee, the entire value of the benefit (not just the excess amount) is taxable to the employee per Reg 1.123-6(d)(4).

All other uniforms/clothing purchased and given to all other Gordon State College employees are considered taxable as wages to the employee. Any exceptions to this policy, must be approved in writing by the Vice President of Finance and Administration.

Meal and Travel Reimbursements

Employees of Gordon State College are to abide by the policies and guidelines set forth by Gordon State College and the State of Georgia State Travel Policy. Expenses submitted in excess of 60 calendar days after completion of the trip or event, if reimbursed, should be included as taxable income.

Housing

If the College provides housing for an employee, the FMV of the housing will be considered a taxable fringe benefit unless such housing is a condition of employment, is located on the Gordon campus, and is for the convenience of the College per Reg. 1.119-1.

Gifts, Prizes, and Awards

Cash and cash equivalents, including gift cards, gift certificates, credit/debit cards, etc., are considered taxable income to the employee, regardless of the value, and must be included on the employees' W-2, regardless of value.

Non-cash gifts, prizes, and awards are generally considered taxable income to the employee unless they qualify to be excluded as either employee achievement awards or de minimis. Please note that all such awards must comply with the State of Georgia defined de minimis amount of \$75 or less.

For non-cash gifts, prizes, and awards above \$75 that are a part of a qualified plan award program and are funded with non-institutional resources, Gordon State College will follow IRS taxable fringe benefits guidelines referenced in this policy.

Example of Tax Withholding for Fringe Benefits

Bi-Weekly Paid Employee with gross wages of \$900.00

Gross Wages	\$900.00	Taxable Wages \$900.00
SS Taxes (6.2%)	(\$55.80)	
Medicare Taxes (1.45%)	(\$13.05)	
Federal Taxes (10%)	(\$90.00)	
State Taxes (%6)	(\$54.00)	
Net Pay	\$687.15	

Adding in a clothing allowance (or any taxable fringe benefit) of \$100.00

Gross Wages	\$900.00	Taxable Wages \$1000.00
SS Taxes (6.2%)	(\$62.80)	
Medicare Taxes (1.45%)	(\$14.50)	
Federal Taxes (10%)	(\$100.00)	
State Taxes (%6)	(\$60.00)	
Net Pay	\$662.70	

Difference in pay is \$24.45