

The following is a summary of the filing requirements for employee fringe benefits as of December 31, 2020. **Please read this carefully and in its entirety. If you carry company owned vehicles on your books, this letter requires your immediate attention.**

FRINGE BENEFITS

A fringe benefit is a form of pay for the performance of services. For example, you provide an employee with a fringe benefit when you allow the employee to use a business vehicle to commute to and from work. Employers are required to include the value of certain fringe benefits as income on an employee's Form W-2 (Wage and Tax Statement).

The fringe benefit income inclusion items may be aggregated with the employee's salary and included in one Form W-2, or may be included in a separate Form W-2. **The fringe benefit income inclusion amount is subject to payroll withholdings and the amount must be included in a payroll processed prior to the end of the year.**

We have provided a partial list of reportable fringe benefits on page 2. Please refer to IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, for a more comprehensive list and the latest information related to fringe benefits.

Fringe Benefits Which Must Be Included in an Employee's W-2 Gross Wages And Are Subject to Employment Taxes (Not All Inclusive)

Most Common:

1. Personal use of company automobile.
2. Employer paid group-term life insurance for coverage exceeding \$50,000.
3. All moving expense reimbursements were suspended until 2026, except for members of U.S. Armed Forces on active duty who move because of a permanent change of station due to a military order.
4. Transit passes, commuter highway vehicle transportation, and qualified parking exceeding \$270 per month.
5. Qualified bicycle commuting reimbursements were suspended until 2026.
6. Meals, except if furnished on the employer's business premise for employer's convenience.
7. Lodging, except if furnished on the employer's business premise, for employer's convenience and as a condition of employment.
8. Employee Achievement Awards exceeding \$1,600 for qualified plan awards (\$400 for nonqualified awards).

Less Common:

9. Personal use of employer provided aircraft.
10. Interest on below market employee loans (Sec. 7872).
11. Employer paid IRA contributions.
12. Profit realized on premature sale of stock acquired under an incentive stock option plan.
13. Discriminatory employer provided group health insurance that does not qualify for exclusion from gross income.
14. Excess medical reimbursement for discriminating self-insured plans.
15. Employer-provided educational assistance exceeding \$5,250.
16. Dependent care assistance exceeding \$5,000 (\$2,500 for married employee filing separate return).
17. Adoption assistance.
18. Contribution on a health FSA in excess of \$2,750; or HSA family coverage of \$7,100 (self-coverage of \$3,550).

In addition to the above items, the following must be included in a >2% S Corporation shareholder's W-2:

Most Common:

19. Employer paid accident and health plan premiums.
20. All employer paid life insurance premiums.

Less Common:

21. Sec. 125 Cafeteria benefit plan amounts.
22. Employee Achievement Awards
23. Adoption assistance