

HUMAN RESOURCES MEMORANDUM 06-014		DATE ISSUED: 10/19/2006
SUBJECT: FRINGE BENEFIT/EMPLOYEE BUSINESS EXPENSE REPORTING		REFERENCE: None
TO: PERSONNEL LIAISONS; Attendance Clerks		SUPERCEDES: None

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose

This document will provide information and reporting reminders regarding Fringe Benefit/Employee Business Expense (FB/EBE).

Fringe Benefit/Employee Business Expense Reporting

FB/EBE's generally represent taxable and reportable income. Unless FB/EBEs are fully or partially excluded by the Internal Revenue Code (IRC), they are taxable when received by the employee. The department authorizing and providing these FB/EBEs is responsible for insuring that all requirements, including reporting of FB/EBEs are followed.

- Fringe Benefits, (FBs), are "something in addition to regular pay, which an employee receives from an employer." Examples include cash, cash equivalents, goods, property, and services. FBs provide immediate economic and financial benefits to employees. Taxable FBs are subject to: Federal income tax (FIT) and Social Security/Medicare (SS/MED) taxes; usually subject to State income tax (SIT) as most State tax laws mirror Federal law. Taxes are due, payable, and income reportable when an employee receives the FB.

Example: A department paid an employee \$20 for commute mileage (personal vs. business expense), incurred on a weekend the employee worked overtime, taxes must be withheld and reported.

- Employee Business Expenses (EBE) are costs for conducting business and when paid by the employee vs. the Department, can be claimed as a legitimate business deduction when the employee files a tax return. An EBE can be cash, goods, property, training, and services. An EBE may/may not represent taxable, reportable income. Generally, EBE reimbursements are non-taxable and non-reportable when the two conditions are satisfied.

EBE non-taxable non-reportable conditions

1. An expense reimbursement or an advance issued by a department, must be under an IRS defined reimbursement or related allowance plan that qualifies an "accountable plan."
2. The IRS also requires, as an administrative requirement, that EBE reimbursements or allowances be paid separately from regular wages or, if combined with regular wage payments, separately identified as a reimbursement for expenses. The EBE must satisfy all regulatory criteria tied to that expense. Many expenses, such as uniforms,

have unique criteria that determine if all, or a portion, of the uniform qualifies as a legitimate business expense. Other expenses, such as relocation, specifically detail what costs are/are not taxable. Taxable EBEs are subject to: FIT and SS/MED taxes and are usually subject to SIT.

Resources

The following websites provide additional information on FB/EBE reporting rules.

- [California Employment Development Department](http://www.edd.ca.gov/)
www.edd.ca.gov/
- Forms
[Non-USPS Adjustment Request - Payments \(STD 676P\)](#)
[Non-USPS Adjustment Request - Values \(STD 676V\)](#)
- [Internal Revenue Service Federal and Local Government](http://www.irs.gov/)
www.irs.gov/
- [Social Security Administration](http://www.ssa.gov/slge)
www.ssa.gov/slge

FB/EBE'S that are reportable

See attachment for a current list of State of California reportable FB/EBE'S.

Questions

Questions regarding this memorandum should be directed to your assigned Personnel Specialist or Personnel Supervisor.

/S/ MARIA LOPEZ, Manager

Personnel Operations Section

Attachment

Attachment: FB/EBE's that are reportable

Fringe Benefit/Employee Business Expense Type	Cash	Non Cash	Civil Service Only	CSU Only
Aircraft Reimbursement Plans	x			
Bicycle Mileage/Miscellaneous Bicycle Fees	x			
Call Back Mileage for Cars	x			
Car/Van Pool Transportation Subsidies		x		x
Commuter Highway Vehicles Program		x		x
Commuter Mileage for Cars	x			
Discount Travel/Transit Passes	x	x		
Educational Assistance/Allowance	x	x		
Electronic Devices	x	x		
Employee Recognition and Morale Program	x		x	
Employer Provided Parking		x		
Entertainment Expenses	x			
Executive Housing Expense	x	x		x
Fee Waiver Program – Scholarships		x		x
Forgivable Loan/Doctoral Incentive Program		x		x
Gratuities	x			
Group Term Life Insurance (Legislators)		x		
Group Term Life Insurance (Non Legislators)		x		
Health and Safety Incentive Award	x		x	
Housing/Lodging – Reimbursement Plans	x	x		
Incentives Provided by Third Parties	x	x		
Loan Assumption Program		x	x	
Loan Forgiveness Program		x	x	
Long Term Travel – Meals and Lodging	x			
Lottery Sales Recognition Program		x	x	
Meals & Lodging – Meals less than 24 hour travel, Medical Office of the day, Non-receipted Lodging, State per diem	x	x		
Merit Award Program		x		
Miscellaneous Incentive Programs	x	x		
Moving Relocation Expenses	x			
Moving Relocation Mileage Reimbursement	x			
Out-Placement		x		
Overtime Meal Compensation	x	x		
Personal Use of State Aircraft		x		
Personal Use of State Vehicle		x		
Professional/Nonprofessional Dues/Memberships	x	x		
Remote Headquarters Mileage for Vehicles	x			
Rideshare Incentive Award Program		x		x
Safety Incentive Award Program	x		x	
Standard Mileage Allowance for Cars	x			
Tickets		x		
Tips	x			
Tool Allowances	x		x	
Uniform Allowances	x	x		
Value of State Housing		x		
Van Pool Driver	x		x	
Vehicles Provided by Third Parties		x		