1040.40 Taxable Fringe Benefits - Imputed Income

It is important to closely monitor any situations where UMS may be providing non-cash compensation/benefits to an employee and to adhere to Internal Revenue Service (IRS) rules and regulations with regard to reporting these items as income. Generally, all non-cash income such as taxable meal expenses, room and board, non-standard tuition benefits, country club dues, cars and all moving expenses must be reported as income and appropriate taxes withheld unless specifically excluded per IRS.

The Chief Human Resources Officer should be consulted prior to any commitment being made about the payment of any non-standard benefits and approval must be made by the Chancellor at the time of the appointment. When any non-standard benefits are approved, the university is then responsible for appropriate reporting and tax withholding occur.

Send inquiries and payment information to payroll@maine.edu for response and processing.

- Automobile - University provided vehicles
- Meal Expenses
- Moving or Relocation Expense Reimbursements and Vendor Payments
- Moving/Relocation Allowance
- Tuition Waivers

Automobile - University provided vehicles

Per Internal Revenue Service (IRS) code section 61, personal use of an employer provided vehicle is a taxable fringe benefit and must be included in an employee’s gross income and is subject to income and FICA tax withholding. Consistent with IRS guidelines, the university uses the annual lease valuation rule. UMS has an Administrative Practice Letter available for reference at http://www.maine.edu/about-the-system/system-office/finances/administrative-practice-letters/: APL II-C Withholding And Reporting For Personal Use of Employer Provided Vehicle.

Meal Expenses

Reimbursement is allowed only for overnight travel or other travel, away from the normal place of employment, for four hours or more. Meal reimbursements that do not involve “overnight lodging” are reported as taxable gross income on the employee’s W-2 and are subject to withholding and employment taxes. Taxable meal expenses via Concur will be reported to payroll for taxation purposes. See UMS Administrative Practice Letter for reference at http://www.maine.edu/about-the-system/system-office/finances/administrative-practice-letters/: APL IV-B Travel and Expense Procedures for details.

An additional meal type is allowed:

- Under certain limited circumstances, an employee working an extended day may be reimbursed up to $20 for the actual cost of a Single Extended Day Travel Meal
- The IRS classifies this reimbursement as a taxable benefit to the employee and therefore it will appear in the Earnings portion of the employee’s paycheck and will be reported on the employee’s IRS Form W-2

Instructions for travelers and manager approvers regarding this new expense type in Concur:

- Instructional video describing the revision to the APL (2:04 minutes)
- Instructional ‘How-to’ video (3:52 minutes)
- Instructional ‘How-to’ document

Questions? For assistance contact: Strategic Procurement: (207) 581-9101 or procurementservices@maine.edu

Moving or Relocation Expense Reimbursements and Vendor Payments

Under the Tax Cuts and Jobs Act of 2017, the personal deduction for moving expenses and the exclusion from income of employer-paid moving expenses are suspended from January 1, 2018 through December 31, 2025. As a result, all moving expenses incurred and paid on or after January 1, 2018, whether reimbursed to an individual or paid to a vendor on behalf of an individual, are taxable income to the individual and as such, reimbursements will be considered taxable income, appropriately reported to the Internal Revenue Service, and taxed accordingly. See UMS Administrative Practice Letter for reference at http://www.maine.edu/about-the-system/system-office/finances/administrative-practice-letters/: APL IV-H Moving Expenses for details. Reimbursements must be substantiated with receipts/invoices.

- Moving-Expense-Reimbursement Form.pdf

Moving/Relocation Allowance

Employees may be paid a moving/relocation allowance via Additional Compensation form. The allowance that is provided is considered taxable income and no receipts are required to be submitted.

Tuition Waivers

The following employee tuition waivers are considered taxable per IRS:

- Dependent Waiver:
  - All Domestic Partner Waivers - Undergraduate and Graduate
  - All Graduate level courses
- Employee Waiver:
• Graduate level courses exceeding $5,250 annually

Additional Resources:

• UMS Administrative Practice Letters
• irs.gov
• IRS Publication 15-B Employer's Tax Guide to Fringe Benefits