STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION

TOPIC	PAYROLL	SUB-SECTION 20.20.30
SECTION	PROCESSING	ISSUANCE DATE May 30, 2008
SUB-SECTION	FRINGE BENEFITS	REVISED - 2018

FRINGE BENEFITS

All fringe benefits are considered wages unless specifically excluded by the Internal Revenue Code (IRC) and listed in IRS publication 15-B, Employer's Tax Guide to Fringe Benefits. The most common taxable benefits provided by agencies include life insurance benefits, taxable meals, vehicle usage, and housing.

A benefit provided so that an employee can perform their job is considered a "working condition benefit". This is defined as any property or services provided to an employee that would be allowable as a business expense if paid by the employee. Job-related education or professional dues are not considered a taxable benefit to the employee.

If the provided benefit is negligible or administratively impractical, the benefit is considered a "de minimis (minimal) benefit" and is excluded from the taxable wage base.

LIFE INSURANCE

If an employee's group life insurance benefit exceeds $50,000 of coverage, the value of the excess must be included in gross wages. SPAHRS calculates this amount and reports the taxable benefit in the LIFEI earnings code. The earnings associated with this benefit are included in the employee's W-2 wages but excluded from the employee's retirement wage base.

TAXABLE MEALS

The IRS ruled that any reimbursement of meal expenses for travel that does not include an overnight stay is nondeductible compensation. All reimbursements of taxable meal expenses are subject to tax withholdings and matching amounts and Federal Unemployment Tax (FUTA). When the Travel Voucher (TV) is processed through SPAHRS, any taxable benefit to the individual is calculated and included in the reportable wages on the W-2.

VEHICLES

Certain types of state owned vehicles used by the employee for personal use or commuting to and from work can constitute a taxable benefit to the employee. If the vehicle is a qualified non-personal use vehicle (such as a clearly marked police car, school bus, any vehicle designed to carry cargo with a loaded gross weight in excess of 14,000 pounds, etc.) its use is not included in the employee's gross wage calculation. The value of employer-provided vehicles used by state employees for commuting and personal use must be included in social security, federal and state income tax and retirement wage bases.

One of four rules determines the value of the vehicle: General Valuation, Cents-Per-Mile, Commuting or Lease Value. These rules are described in detail (when the rule can be used, how to calculate the benefit, what is included/excluded, etc.) in IRS Publication 15-B Employer's Tax Guide to Fringe Benefits.

Elected officials of the State may not use the Commuting Rule for determining the value of the vehicle they use.

Once the benefit is calculated, it must be added to the employee's annual gross wages. The VEHIC earnings code is entered using the daily-calculated dollar amount on days for which the employee took the state vehicle home.

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HOUSING

An agency that requires an employee to live on the premises for the agency's convenience, and as a condition of employment, may exclude the value of the housing from the employee's gross wages. However, the value of the housing should be used in calculating the employee and employer's contribution for retirement. The Retirement System establishes a maximum monthly housing (emolument) allowance at differing rates for heads of state institutions and other personnel. A housing allowance meeting these conditions must be added to the employee's SPAHRS Position record with a HOUSE earnings code entered in the emolument type field.

If the agency or institution provides housing to an employee that is not a condition of employment, the employee's gross wages must reflect the value of the housing. Enter the HOSTX earnings code on the position record in the emolument type field. The value of the housing increases the employee's wages.

REPORTING AND WITHHOLDING

Period of Withholding

Employers may elect, for employment tax and withholding purposes, to treat fringe benefits as paid on a pay period, quarterly, semi-annually, annual or other basis. A formal election of payment dates is not required.

Withholding

The employer may add the value of the fringe benefits to the regular wages for a payroll period and compute withholding taxes on the total. The employer must withhold state and federal income, social security and retirement taxes on the date paid or date it elects to treat the benefits as paid and must deposit the withheld taxes and the employer taxes under the regular rules for tax deposits.

SPAHRS calculates the required withholdings based on the earnings code. The taxes are withheld in the pay period the earnings code is entered on the timesheet.

REFERENCES

The Employer's Tax Guide to Fringe Benefits, IRS Publication 15-B is found at http://www.irs.gov/pub/irs-pdf/p15b.pdf.