

What is Considered Employee Compensation?

According to the IRS, compensation is any property or service (or cash) that an **employee** receives from the University instead of, or in addition to, regular taxable wages. Such compensation is a benefit that is subject to taxation unless ***specifically excluded***. Noncash benefits are valued at fair market value.

Determination of **employee** status for employment tax purposes:

- Is the person providing services to the University?
- Are they a volunteer? (No direct or indirect compensation except reimbursement of “business expense”)
- Are they an employee or independent contractor? (See “Guidelines for Determining Employee vs Independent Contractor”)

If the payment is subject to employee taxation, it must be reported to the Payroll Office so that the taxes owed by the University and the employee can be paid, and the value of the benefit included on the employee’s W-2.

Examples of what could be taxable fringe benefits

- Awards or prizes
- Bonuses (cash or noncash)
- Club memberships
- Certain tuition assistance
- Holiday gifts
- Personal meals (when not overnight travel)
- Certain moving expense reimbursements
- Scholarships and fellowships
- Spousal travel
- Personal use of University vehicles
- Personal use of University cell phone

What is specifically excluded from taxable wages/fringe benefits:

- Awards for length of service or safety
- Accident and health plans
- Qualified tuition plans
- Meals or lodging for the convenience of employer (ex: Gryphons)
- Certain qualified “no additional cost” services (ex: staff admission to LU athletic events)
- Reimbursement of job-related expense (ex: business travel)
- Athletic facilities
- Qualified Moving Expense Reimbursements
- Student academic awards (unless student is nonresident alien)
- De-minimus fringe benefits (so small and infrequent that they are administratively impractical to record, such as coffee and doughnuts at meetings)

***The following are never excludable as de-minimus:*

- ♦ *Cash, gift certificates and savings bonds*
- ♦ *Season tickets to sporting or theatrical events*

Issues that Arise from Time to Time at Lehigh:

- Paying Students with Scholarships
- “Working” fellowships
- Using Department funds to purchase gifts/gift certificates for employees or working students
- Using University cell phones or vehicles for personal use
- Using Department Funds to make deposit on Gold Card accounts
- Using Department Funds to purchase individual Sam’s Club memberships
- Requesting reimbursement for meals when not overnight travel
- Moving expense reimbursement for unallowable or taxable uses
- Spousal travel reimbursement (without demonstrated business purpose)
- Reimbursement of personal expense