

Athens County Accountable Plan

Introduction

In order to be in compliance with IRS Publication 15-B the Board of Athens County Commissioners has adopted an Accountable Plan for Taxable Fringe Benefits. This Plan covers which fringe benefits commonly provided by employers are taxable and which taxes must be withheld from employees' payroll, general procedures for computing the taxable value for those fringe benefits discussed, and additional federal reporting requirements that are in effect for certain fringe benefits. A fringe benefit report must be included with request for payment of all vouchers that contain payments to vendors of items included in the accountable plan.

Accountable Plan

The following elements make Athens County's allowance and reimbursements nontaxable to the employee:

- There must be a business connection to the expenditure. Business connection means that the expense must be a deductible business expense incurred in connection with services performed as an employee. If not reimbursed by the employer, the expense would be deductible by the employee on the employee's 1040 income tax return as a business expense.
- There must be adequate accounting by the recipient within a reasonable period of time. The employee must verify the date, time, place, amount and business purpose of expenses. Receipts are required. This means advances are made within 2 weeks of travel and substantiation is returned within 2 weeks after travel unless there are unusual circumstances.
- Excess reimbursements or advances must be returned within a reasonable period of time. Any excess amount is returned to the employer within 30 days after the expense is paid or incurred.

Definition of a Fringe Benefit

A fringe benefit is a form of pay for the performance of services (including property, services, cash or cash equivalent) in addition to stated pay. These are defined as:

Taxable – Includible in gross income unless excluded under an IRC section. If the recipient is an employee, this amount is includible as a wage. Bonuses are always taxable because no IRC section excludes them from taxation.

Nontaxable – Excluded from wages by a specific IRC section; for example, qualified health plan benefits excludable under section 105.

Partially taxable - Part is excluded by IRC section and part is taxable. Benefits may be excludable up to dollar limits, such as public transportation subsidy or parking under IRC §132.

Deferred taxation – Employer's contributions to an employee's pension plan may not be taxable when made, but retirement distributions may be taxed when made to the employee.

More than one IRC section may apply to the same benefit. For example, education expenses up to \$5,250 may be excluded from tax under IRC §127. Amounts exceeding \$5,250 may be excluded from tax under IRC §132.

A benefit provided on behalf of an employee is taxable to an employee even if the benefit is received to someone other than the employee, such as a spouse or a child.

“Taxable” means the benefit is included in the employees' wages and reported on Form W-2, subject to Federal income tax withholding, social security, (unless the employee has already reached the current year wage base limit) and Medicare. An employer's matching contribution is required for social security and Medicare.

If an employee's wages are not normally subject to social security or Medicare taxes (for example, because qualifying retirement coverage is provided by another retirement system), any taxable fringe benefits would also not be subject to social security or Medicare taxes.

General Valuation Rule

Generally, taxable fringe benefits are valued at the fair market value (FMV). FMV is the amount a willing buyer would pay an unrelated willing seller, neither one forced to conduct the transaction and both having reasonable knowledge of the facts. In many cases, the cost and FMV are the same; however, there are many exceptions, such as when the employer incurs a cost less than the value to provide the benefit. FMV of a benefit is reduced by any amount paid by or for the employee. For example, an employee has a taxable fringe benefit with a fair market value of \$3.00 per day. If the employee pays \$1.00 per day for the benefit, the taxable fringe benefit is \$2.00 per day.

IRC Sections That Exclude Fringe Benefits from Wages

The following Code sections address specific benefits.

IRC §117(d) - Qualified tuition reductions

IRC §119 - Meals or lodging for employer's convenience

IRC §125 - Cafeteria plans

IRC §127 - Educational assistance program

IRC §129 - Dependent care assistance program

IRC §132 – Specifies certain fringe benefits, if not covered by another Code section.

These include:

IRC §132(b) - No additional-cost service

IRC §132(c) - Qualified employee discounts

IRC §132(d) - Working condition fringe

IRC §132(e) - De minimis benefit

IRC §132(f) - Qualified transportation expenses

IRC §132(g) - Qualified moving expense reimbursements

IRC §132(m) - Qualified retirement planning services

IRC §132(n) – Qualified military base realignment and closure fringe

Athens County will deduct taxable fringe benefits as paid on a monthly basis.

Travel Advances

To prevent a financial hardship to employees who will be traveling away from home on business, Athens County may provide advance payments to cover the costs incurred while traveling. There must be a reasonable timing relationship from when the advance is given to the employee, when the travel occurs and when it is substantiated. There must also be a relationship between the size of the advance and the estimated expenses to be incurred.

Travel advances are not treated as wages and are not subject to income and employment taxes when they are paid under this plan. If an employee does not timely substantiate expenses or return excess advances, the advance is includible in wages and subject to income and employment taxes no later than the first payroll period following the end of the reasonable period.

DE MINIMIS FRINGE BENEFITS

Working condition fringe benefits include property or service which, if the employee had paid for, he or she could have deducted the cost as a business expense on his or her individual income

tax return. Therefore, if the cost of an item is deductible by an employee as a business expense, it may be excludable from the employee's wages if provided by the employer. *IRC § 132(d)*

General Rules for Working Condition Fringe Benefits

- Benefit must relate to employer's business
- Employee would have been entitled to an income tax deduction
- Business use must be substantiated with records
- Certain benefits have additional requirements, i.e., employer-provided vehicles or clothing

De minimis fringe benefits include property or services provided by an employer for an employee that has small value and accounting for it is unreasonable or administratively impractical. The value of the benefit is determined by the frequency provided to each individual employee, or if this is not administratively practical, by the frequency provided to the whole workforce. *IRC § 132(e)*

Example: An employer gives employees snacks each day valued at 75 cents. Even though small in amount, the benefit is provided on a regular basis and is, therefore, taxable as a wage.

Examples of Excludable De Minimis Fringe Benefits:

Occasional (infrequent), *not routine*

- Personal use of photocopier (with restrictions)
- Group meals, employee picnics
- Theater or sporting event tickets
- Coffee, doughnuts, or soft drinks
- Flowers, fruit for special circumstances
- Local telephone calls
- Traditional birthday or holiday gifts (not cash) with a low FMV
- Commuting use of employer's car if no more than once per month

Benefits Not Qualifying as De Minimis Fringe Benefits

- Cash - except for occasional and infrequent meal money to allow overtime work
- Cash equivalent (i.e., savings bond, gift certificate for department store or allowing "cash back")
- Certain transportation passes or costs
- Use of employer's apartment, vacation home, boat
- Commuting use of employer's vehicle more than once a month.

Definition of Employee for De Minimis Fringe Benefits

Any individual receiving a de minimis fringe benefit is an employee for this purpose.

If a benefit does not qualify as a de minimis fringe benefit, the entire benefit is taxable, not just the portion that exceeds the de minimis limits.

Travel and Transportation Expenses

Qualifying expenses for travel are excludable if they are incurred for temporary travel on business away from the general area of the employee's tax home. In order to have excludable reimbursements, the travel must be temporary and be substantially longer than an ordinary day's work, requiring an overnight stay or substantial sleep or rest.

Travel expense reimbursements include:

- Costs to travel to and from the business destination
- Transportation costs while at the business destination
- Lodging, meals and incidental expenses
- Cleaning, laundry and other miscellaneous expenses

Reimbursements for Travel Expenses

Generally, Athens County will reimburse employees for ordinary and necessary business expenses incurred **while traveling away from home overnight**. Athens County may reimburse the actual expenses, in which case, the employees will have to substantiate the expenses with receipts to qualify for tax-free treatment.

Transportation Expenses

Transportation expenses are costs for local business travel that is *not* away from the home area overnight and is in the general vicinity of the principal place of business. Transportation expenses must be distinguished from commuting costs, which are not excludable from employee income. Travel expenses are expenses for travel away from home overnight. Reimbursements of expenses for local transportation for “temporary” assignments are generally not taxable to the employee.

Transportation expenses may include:

- Air, train, bus, shuttle and taxi fares
- Mileage expenses or costs of operating a vehicle
- Tolls and parking fees

Transportation expenses do not include:

- Meal and lodging costs
- Commuting to regular or principal place of business

Meals and Lodging

The fair market value (FMV) of meals or lodging furnished to an employee by an employer may be nontaxable to the employee if the rules of IRC § 119 are met. If a benefit is deductible by an employee under IRC § 119, it may be excludable from wages.

Federal law takes precedence over a state statute or an employment or union contract that indicates that a meal or lodging is taxable or not taxable.

Meals While Traveling

Athens County may reimburse employees for meals while traveling away from home overnight or while attending meetings. The taxability of these reimbursements or allowances depends on whether there is a valid business reason for the meals and whether the expenses are substantiated.

Overnight Travel

In order for travel meal reimbursements to be excludable from wages, employees must be traveling away from their tax home on their employer’s business. As with other travel-related expenses, the general area of work, not the employees’ residence, determines the tax home.

Traveling “away from home” means:

- Employee must be traveling away from the general tax home area substantially longer than an ordinary day’s work, and
- Employee needs to obtain substantial sleep or rest to meet the demands of the work while away from home. *IRC §162(a)(2) Rev. Rul. 75-170 Rev. Rul. 75-432*

Meals Away From Tax Home But Not Overnight

Generally, these meals are taxable as wages to the employee because travel must be away from home overnight to be excludable. Meals that are part of meeting registration costs are not considered taxable.

De Minimis Exclusion for Occasional Meal Reimbursements

Regularly-provided meal money does not qualify for the exclusion for de minimis fringe benefits provided by an employer. Occasional meal money can meet an exception and be excludable, if the following three conditions are met:

- **Occasional Basis** - Meal is reasonable in value, and is not provided regularly or frequently, **and**
- **Provided for Overtime Work** - Overtime work necessitates an extension of the employee's normal work schedule, **and**
- **Enables Overtime Work** - Provided to enable the employee to work overtime. Meals provided on the employer's premises that are consumed during the overtime period, or meal money expended for meals consumed during that period, satisfy this condition.

If meal reimbursements are provided as part of a company policy or union contract may not qualify as an excludable de minimis benefit, they may be not excludable as de minimis benefit, because the benefit is required and is not occasional. The employer would normally have the opportunity to set up the administrative procedures for reporting the benefit, so accounting for it does not meet the "administratively impracticable" standard for de minimis benefits.

Substantiating Employee Meal Expense Reimbursements

Meal expense reimbursement/allowance must meet the accountable plan rules in order to be excludable from wages. Athens County will reimburse employees using an actual expense. Reimbursements for allowable business travel meals **while traveling away from home overnight** must be substantiated using the actual expense method. Meals **while not traveling**, such as meals with meetings or overtime meals, must be substantiated using the actual expense method.

Use of Employee-Owned Vehicle

County employees often use their personal automobiles for official use. An employee's reimbursement of actual business automobile expenses is or the IRS Standard Federal Mileage Rate is excluded from the employee's income. Athens County does not reimburse for non-business travel and personal commuting expenses. The employee is required to provide substantiation to the employer. Substantiation rules require the employee to record the date, business purpose, and place of each trip. As required by IRC Reg. §1.274-5T(c)(1)-(2); Reg. §1.274-5A (f)(3) Mileage should be recorded "at or near the time" incurred. Monthly expense reports generally qualify as "at or near the time." Reg. §1.274-5T(c)(2)(ii)

Employer-Provided Vehicles

An employer-provided vehicle which is used 100% for business purposes (except for allowable de minimis use, discussed later) has no tax consequences or reporting. Business use does not include commuting (except as discussed later). Records should be maintained to substantiate that all vehicle use was for business.

Employer Vehicle Used for Both Business and Personal Use

If an employer-provide vehicle is used for both business and personal purposes, substantiated (see Substantiation Requirements, below) business use is not taxable to the employee. Personal use is taxable to the employee as wages. The employer can opt to include all use as wages; however, the employee can pay the employer for personal use rather than having it treated as wages.

What is Personal Use?

The following are examples of taxable personal use of an employer-provided vehicle:

- Commuting between residence and work station, and vacation, weekend use, or use by spouse or dependents. Reg. §1.162-2(e)

- The employee goes into his office on the weekend. This is personal commuting, regardless of whether it is required by the employer.

Examples of De Minimis Nontaxable Personal Use

- Small personal detour while on business, such as driving to lunch while out of the office on business.
- Infrequent (not more than one day per month) commuting in employer vehicle. This does not mean that an employee can receive excludable reimbursements for commuting 12 days a year. The rule is available to cover infrequent, occasional situations. *Reg. § 1.132-6(d)(3)*

Substantiation Requirements

Separate records of business and personal mileage are required.

If records are not provided by the employee, the value of **all** use of the automobile is wages to the employee, and the employee can then deduct any substantiated business use on Form 1040. *Reg. § 1.132-5(b)*

If records are provided by the employee to the employer, only the personal use of the automobile is wages to the employee.

Valuing Personal Use of Employer-Provided Vehicle

Personal use of an employer's vehicle is a taxable wage to the employee. Either the General Valuation Rule or the Commuting Valuation Rule will apply depending the specific situation.

Commuting Rule Not Available for "Control Employee"

Personal use of a vehicle by a "control employee" cannot be valued using the commuting valuation rule (\$1.50 rule). A control employee in a governmental organization is either an Elected official or an employee whose compensation is at least as great as a Federal government employee at Executive Level V (2008 - \$139,600) *Reg. § 1.61-21(f)(6) ; EO 1/4/08*

Qualified Nonpersonal Use Vehicle

Use of a qualified nonpersonal-use vehicle, including commuting, is excludable to the employee; and recordkeeping and substantiation by the employee are not required by the IRS. A qualified nonpersonal use vehicle is any vehicle that the employee is not likely to use more than minimally for personal purposes because of its design. Qualified nonpersonal use vehicles generally include all of the following vehicles.

- Clearly marked police and fire vehicles*
- Unmarked vehicles used by law enforcement officers if the use is officially authorized*
- Qualified specialized utility repair truck*
- An ambulance or hearse used for its specific purpose
- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds
- Delivery trucks with seating for the driver only, or the driver plus a folding jump seat
- A passenger bus with a capacity of at least 20 passengers used for its specific purpose
- Construction or specially designed work vehicles, (i.e., bucket trucks, dump trucks, cement mixers, forklifts, garbage trucks)
- School buses
- Tractors, combines and other special-purpose farm vehicles. *Reg. § 1.274-(k)(2)*

* These vehicles are discussed in greater detail below.

Clearly Marked Police or Fire Vehicles

A clearly marked police or fire vehicle qualifies only if the following apply:

- Employee must always be on call.
- Employee must be required by the employer to use the vehicle for commuting.
- Employer must prohibit personal use (other than commuting) for travel outside of the officer or firefighter's jurisdiction. *Reg. § 1.274-5T(k)(3)*

Note: Marking on a license plate is NOT considered a 'clear mark'

Unmarked Law Enforcement Vehicles

Unmarked law enforcement vehicles are qualified nonpersonal use vehicles only if the following apply:

- The employer must officially authorize personal use
- Personal use must be incident to use for law-enforcement purposes; i.e., no vacation use.
- The employer must be a governmental unit responsible for prevention or investigation of crime. The vehicle must be used by a full-time *law enforcement* officer; i.e. officer authorized to carry firearms, execute warrants, and make arrests. The officer must regularly carry firearms, except when it is not possible to do so because of the requirements of undercover work. *Reg. § 1.274-5T(k)(6)*

Qualified Specialized Utility Repair Truck

- Truck (not van or pickup) is designed to carry tools, equipment, etc.
- Permanent interior construction, shelves, racks are included.
- Employer must require employee to commute for emergency call-outs to restore or maintain power services, i.e., gas, water, sewer. *Reg. § 1.274-5T(k)(5)*

Vans and pickup trucks do not qualify as qualified nonpersonal use vehicles unless specifically modified to be unlikely to have more than minimal personal use. For a van or pickup truck with a loaded gross vehicle weight of 14,000 pounds or less the vehicle must be clearly marked with permanently affixed decals, special painting, or other advertising associated with your trade, business, or function and:

Vans must have a seat for the driver only (or the driver and one other person) and either of the following items:

- Permanent shelving that fills most of the cargo area, or
- An open cargo area and the van always carries merchandise, material, or equipment used in your trade, business, or function. *Rev. Rul. 86-97PLR 200236022*

Pickup trucks must meet either of the following requirements:

1. Equipped with **at least one** of the following items:
 - a. A hydraulic lift gate.
 - b. Permanent tanks or drums.
 - c. Permanent side boards or panels that materially raise the level of the sides of the truck bed.
2. Used primarily to transport a particular type of load (other than over the public highways) in a construction, manufacturing, processing, arming, mining, drilling, timbering, or other similar operation for which it was specially designed or significantly modified.

Safe-Harbor Substantiation Rules for Employer-Provided Vehicles

Employees using Athens County vehicles are **not** required to keep detailed records of vehicle use, if all of the following tests are met:

For vehicles not used for personal purposes:

- Vehicle is owned or leased by the employer
- Vehicle is provided to the employee for use in the employer's business
- When not in use, the vehicle is kept on employer's premises (i.e., motor pool cars)
- No employee using the vehicle lives at the employer's business premises
- Employer has a written policy prohibiting personal use, except de minimis use, such as driving to lunch while away from the office
- Employer believes the vehicle is not used for any personal use (other than de minimis) *Reg. § 1.132-(5)(e) and (f); Reg. § 1.274-6T(a)(2)*

For vehicles not used for personal purposes other than commuting (\$1.50 each way):

- For bona fide noncompensatory reasons, the employer requires the employee to

- commute to and/or from work in the vehicle
- Vehicle is owned or leased by the employer
- Vehicle is provided to the employee for business use
- Employer requires the employee to commute in the vehicle for valid business reasons
- Employer has a written policy prohibiting personal use other than commuting Employee does not use the vehicle for personal use

Employer Monitoring Required

Although detailed recordkeeping is not required, the employer must have some way to prove that the vehicles are being used in accordance with the rules. For example, internal controls such as requiring employees using motor pools to sign the vehicle out, and signed statements by the employees agreeing to no personal use, or (if applicable) no personal use other than commuting.

Work Clothes and Uniform Allowances and Reimbursements

Uniforms are excluded from wages of an employee, if they are: specifically required as a condition of employment, and are not worn outside of work. All other clothing is considered general usage as ordinary clothing and becomes a taxable benefit.

Note: If the clothing qualifies as excludable, then the cleaning costs are also excludable.

Safety Equipment

Safety equipment is excludable from employee wages if:

- The equipment helps the employee to perform his/her job in a safer environment, and
- The equipment does not have to be required by the employer.

The accountable plan rules must be met. *IRC § 162; Reg. §1.62-2(c)(1)*

Common examples include hardhat, anti-glare screen for computer, safety shoes

Example: Paying employees on an annual basis for part of the cost of safety equipment not required by employer. The payments may be excludable even though the safety equipment is not required by the employer. If the equipment helps the employee perform his/her job in a safer environment, it may qualify as an employee business expense. If the expenses are substantiated, the reimbursement would be excludable to the employee.

Cell Phones /Electronic Devices/Computer

Athens County often provides employees with certain electronic and telecommunication equipment for use in the performance of their duties. These items (and other items listed in *IRC § 280F*) are considered "listed property." Because the nature of the property lends itself to personal use, strict substantiation requirements are in place. Employees are required to account for business and personal use. *IRC § 274(d); IRC § 280F(d)(4); IRC § 132(d)*

Examples: Cell phones, automobiles, computers, internet provider allowances

"Listed Property" *IRC § 280F(d)(4)*

- Business use is excludable from the wages of the employee as a working condition fringe benefit.
- Personal use is included in the wages of the employee.
- If substantiation requirements are not met, all use is included in the wages of the employee.

Substantiation Requirements

Records of business and personal use must be kept by the employee in order to determine whether the value of any of the use is included in the employee's wages. *IRC § 274(d)*

Employees using a county cell phone must reimburse the county for personal calls as required by IRS Publication 15-B. Employees not having any personal calls shall mark the bill accordingly.

Cell phone allowances paid to employees

Because they are considered "listed property," cell phones are subject to the special substantiation rules. Employees are required to keep records of business and personal calls. Reimbursement for *personal* usage will be included as wages to the employee. If records are not kept of business and personal use, the value of all use is included in the wages of the employee. Employees when required to be on-call, available on an after-hours or 24/7 basis may elect to receive compensation of 15 cents per hour worked for using their personal cell phones instead of using a county provided phone.

Other Types of Compensation

Any compensation for services, including fees, bonuses, commissions, taxable fringe benefits, and similar items are taxable as "wages" or regular pay. All income is taxable unless it is specifically excluded by the Internal Revenue Code. Some types of payments are considered 'supplemental' wages and are subject to specific withholding rules. Supplemental wages are compensation paid in addition to the employee's regular wages.

Awards and Prizes

Generally, the value of an award or prize given by Athens County is taxable to an employee as a wage, included on the Form W-2, and subject to Federal income tax withholding, social security (6.2%) and Medicare (1.45%). An employer's matching contribution is required for social security and Medicare (7.65%), unless the employee has already reached the current calendar year's social security wage base. If Athens County pays the employee's share of taxes, these amounts are additional wages to the employee (except for agricultural and domestic services) and are subject to all payroll taxes.

Three Categories of Nontaxable Awards

Nontaxable awards are limited to three categories. Each category has specific requirements that have to be met in order to be excludable.

- Certain prizes or awards transferred to charities
- De minimis awards and prizes
- Certain employee achievement awards

Any other awards, such as recognition rewards (unless qualifying de minimis fringe benefits), are taxable. A worksheet to compute the taxability of an award to an employee is provided in IRS Publication 535, Business Expenses.

Nontaxable De Minimis Awards and Prizes

A prize or award that is not cash or cash equivalent, of *nominal value* and is provided *infrequently* is excludable from an employee's wages. Prizes or awards that are given frequently to an employee do not qualify as an excludable de minimis award, even if each award is small in value. *IRC §132(e)*

Examples of Excludable De Minimis Awards

- Nominal gifts for birthdays, holidays
- Holiday turkey and hams
- Flowers, plaques, coffee mugs for special occasions
- Gold watch on retirement
- Parking for employee of the month, if value is less than QTFB limit

Nominal for this purpose means small in value, relative to the value of total compensation. There is no set dollar amount in the law for nominal prizes or awards. A \$25 limit is imposed on business gifts. The IRS has given advice at least once that a benefit of \$100 did not qualify as de minimis. *ILM 200108042*

Cash equivalent means readily convertible to cash, such as a savings bond or gift certificate.

General Rules for Employee Achievement Awards

An employee achievement award is an item of tangible personal property for **length-of-service or safety**. In order to be excludable from wages, special requirements and dollar limitations must be met. A qualifying award:

- Must be given for length-of-service or safety
- Cannot be a disguised wage
- Must be awarded as part of a meaningful presentation
Must be an item of tangible personal property (Cannot be cash, cash equivalent, vacations, meals, lodging, theater or sports tickets, stocks, bonds.)
 - Must meet other special requirements and limitations, discussed below. *Reg. §1.274-8(c)*

Note: Taxable if cash or cash equivalent, or if over certain dollar limits

Length-of-Service Awards

An award will not qualify as a length-of-service award if either of the following applies.

- The employee received the award during his or her first 5 years of employment.
- The employee received another length-of-service award (other than one of very small value) during the same year or in any of the prior 4 years.

Note: A traditional retirement award is an exception to the 5-year rule. *Reg. §1.274-8(d)(2)*

Safety Achievement Awards

An award will not qualify as a safety achievement award if either of the following applies.

1. It is given to a manager, administrator, clerical employee, or other professional employee.
2. During the tax year, more than 10% of the employees, excluding those listed in (1), have already received a safety achievement award (other than one of very small value).

Eligible employees must have worked full-time for a minimum of one year prior to the award.

Reg. § 1.274-8(d)(3)

Taxability of Employee Achievement Awards

Generally, if an award is taxable to an employee, it is valued at the fair market value (FMV).

The taxable amount of an award to an employee depends on whether the award is made under a qualified or nonqualified plan, whether the cost of the award to the employer exceeds the dollar limitations, and the FMV of the award. *IRC § 274(j)(2)*

Qualified Plan Award

A plan is a qualified plan award if it is:

- Made under an established written plan, *and*
- Does not discriminate in favor of highly paid employees, *and*
- The **average cost** of **all** employee achievement awards (both qualified and nonqualified awards for length of service and safety) made by the employer during a single year does not exceed \$400. Awards of \$50 or less are not included in computing the average. A nonqualified plan award is one **not** made under a qualified plan. Nonqualified awards can discriminate in favor of highly paid employees. *Reg. §1.274-8(c)(5)(ii)*

Dollar Limitation

The maximum amount of excludable awards to a single employee during a calendar year is limited to:

- \$400 for awards made under a nonqualified plan, or
- \$1600 in total for awards made under both qualified and nonqualified plans

Source-of-Funds Implications

If funds for awards or prizes are provided by an outside party, the award is taxable in the same way as if provided directly by the Athens County. If the funds are turned over to the Athens

County to select and distribute the awards, the Athens County is responsible for all applicable payroll taxes and withholding.

Professional Licenses and Dues

Athens County may reimburse employees for the cost of their professional licenses and professional organization dues and exclude these amounts from wages, when those licenses or professional organization dues are directly related in the employee's job.

General Rules

- Fees paid to maintain a professional license are considered ordinary business expenses. *IRC § 162; Reg. §1.162-6*
- **Examples:** Notary, Engineering, Law, CPA
- If paid by **an individual**, the fees are deductible as a business expense on the individual's Federal income tax return. *IRC §162 Reg. §1.62-1T(e)*
- If paid or reimbursed by **an employer for an employee**, the fees are a working condition fringe benefit, and *IRC § 132(d); Reg. §1.132-5(a)(1)(v)*
- If paid: **under an accountable plan**, it is excludable from the income of the employee; *IRC §62(a)(2)(A); Reg. §1.62-2(c)(2)*