

Tax Law Changes to Employee Fringe Benefits

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The Tax Cuts and Jobs Act makes several changes to the taxability and deductibility of employee fringe benefits beginning January 1, 2018.

The following is a summary of the employee fringe benefits affected by the Act

Employees Can No Longer Deduct Unreimbursed Business Expenses

Prior to the Act, an employee who itemized tax deductions could deduct unreimbursed employee business expenses as a miscellaneous itemized deduction (to the extent that the aggregate miscellaneous itemized deductions exceeded 2% of the employee's adjusted gross income). However, beginning January 1, 2018 miscellaneous itemized deductions are no longer allowed. That means that if an employer reimburses an employee for a business expense, the reimbursement is tax-free to the employee. However, if the employer does not reimburse the employee's business expense, the employee no longer will be able to claim a tax deduction for the expense.

Moving Expenses

Prior to the Act, an individual could claim an above-the-line deduction (a non-itemized deduction) for moving expenses paid in connection with commencement of work at a new principal place of work. Alternatively, an employer could pay or reimburse an employee for moving expenses as a tax-free fringe benefit.

Beginning in 2018, an employee can no longer deduct moving expenses nor can an employer pay or reimburse an employee's moving expenses on a tax-free basis. On the other hand, if an employer treats payment or reimbursement of an employee's moving expenses as W-2 wages, the employer can deduct the payment as a compensation expense.

Other Changes that don't directly affect SUU

Qualified Transportation Benefits,
Commuting Benefits,
Entertainment Expenses,
Expenses for Employer-Operated Eating Facilities Only 50% Deductible,
Definition of Tangible Personal Property for Tax-Free Employee Achievement Awards.

According to the second of the SUU Relocation Assistance Guidelines (available in full at <https://www.suu.edu/academics/provost/relocate.html>), “The hiring dean will negotiate with the new employee and determine an agreeable reimbursement plan **in writing prior to the time the move takes place.**” This negotiation must include informing the employee that this payment is considered compensation and must be taxed (thus avoiding an unpleasant surprise later).

Because of recent tax law changes introduced, Relocation Assistance Payments are no longer allowed to be paid to employees as a non-taxable benefit. To help insure accurate and prompt payment to employees the following adjustments have been made in the request process.

Options for Relocation Assistance Payments

Reimbursements may be requested by completing a check requisition, signed by the Provost and submitted to the Payroll Office (not the Accounts Payable Office) within Accounting Services.

Moving Assistance Advance

The check requisition must be clearly marked as an ADVANCE payment. The payroll office will then calculate the estimated tax and reduce the payment by this amount and will forward the requisition to Accounts Payable for payment. The full amount of the payment will be captured as W-2 compensation and the actual tax withholding will be submitted to the IRS on behalf of the employee.

Moving Assistance Payment With First Paycheck

Reimbursements may be made with the employee’s first paycheck (or second depending on timing). This amount will be included and taxed as W-2 compensation on the employee’s paycheck and the tax withholding will be submitted to the IRS on behalf of the employee. Check Requisitions not marked as an advance will be processed by default with the paycheck.

Under both options, the check requisition must be completed in full, including the proper signatures and FOAPAL information. All other listed guidelines will remain in effect.