



To: Utah County Commission
From: Robert Baxter, Utah County Purchasing Manager
Date: August 31, 2016
Re: Utah County Policy for Taxable Fringe Benefits

IRS code requires that employees be taxed for fringe benefits received unless certain criteria are met, per IRC §132(a). A prize or award that is not cash or cash equivalent, of nominal value and provided infrequently is excludable from an employee's wages. Clothing or uniforms are excluded from wages of an employee if they are specifically required as a condition of employment and are not worn or adaptable to general usage as ordinary clothing.

According to IRS guidance:

"*De minimis* fringe benefits include any property or service, provided by an employer for an employee, the value of which is so small in relation to the frequency with which it is provided, that accounting for it is unreasonable or administratively impracticable. The law does not specify a value threshold for benefits to qualify as *de minimis*. The determination will always depend on facts and circumstances."

Since the IRS does not specify a threshold for *de minimis* benefits, it shall be Utah County policy that non cash or cash equivalent fringe benefits will be considered *de minimis* if the value is under \$75 and if the benefit is given no more than twice in one year. Since such benefits are of nominal value, are infrequently given, and the accounting for such is unreasonable and administratively impracticable, these amounts will not be taxable to the employee.

A handwritten signature in black ink, appearing to read "Robert Baxter", written over a horizontal line.

Robert Baxter
Utah County Purchasing Manager