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# Fringe Benefits - Manufacturing Tax Tips

MANUFACTURING, TAX  
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A fringe benefit is a form of pay for the performance of services given by the provider of the benefit to the recipient of the benefit. An example would be when an employer allows an employee to use a business vehicle to commute to and from work. Any fringe benefit provided by an employer is taxable and must be included in the recipient's pay, unless the law specifically excludes it.

There are three basic elements to a fringe benefit:

- Performance of Services – a person who performs services for you does not have to be your employee. A person may perform services for you as an independent contractor, partner or director. Also, in the event that a person agrees not to perform services ( e.g., under a covenant not to compete), you would still classify them as someone who is performing services.
- Provider of benefit – you, the employer, are the provider of a fringe benefit if it is provided for services performed for you. You may be the provider of the benefit even if it was provided by another person. For example, you are the provider of a fringe benefit if your client or customer provides to your employee for services the employee performs for you.
- Recipient of benefit – the person who performs services for you is the recipient of a fringe benefit provided for those services. That person may be the recipient even if the benefit is provided to someone who did not perform services for you. An example would include, your employee being the recipient of a fringe benefit you provided to a member of the employee's family.

Fringe benefits must be included in a recipient's pay, the amount by which the value of the fringe benefit is more than the sum of either any amount the law excludes from pay or any amount the recipient paid for the benefit. For most fringe benefits, you must use the general valuation rule to determine the value. Under this rule, the value of a fringe benefit is its fair market value or the amount an employee would have to pay a third-party in an arm's length transaction to buy or lease the benefit. Determination of this amount is based on facts and circumstances.

There are certain fringe benefits that are not subject to federal income tax withholding. Exclusion rules apply to the following fringe benefits: accident and health benefits, achievement awards, athletic facilities, minimal benefits, dependent care benefits, educational assistance, employee discounts, employee stock options, lodging on the business premises, meals, moving expense reimbursements, transportation benefits and working condition benefits.

If you have any questions or concerns about what services would classify as a fringe benefit please [contact us](#) at Schneider Downs.

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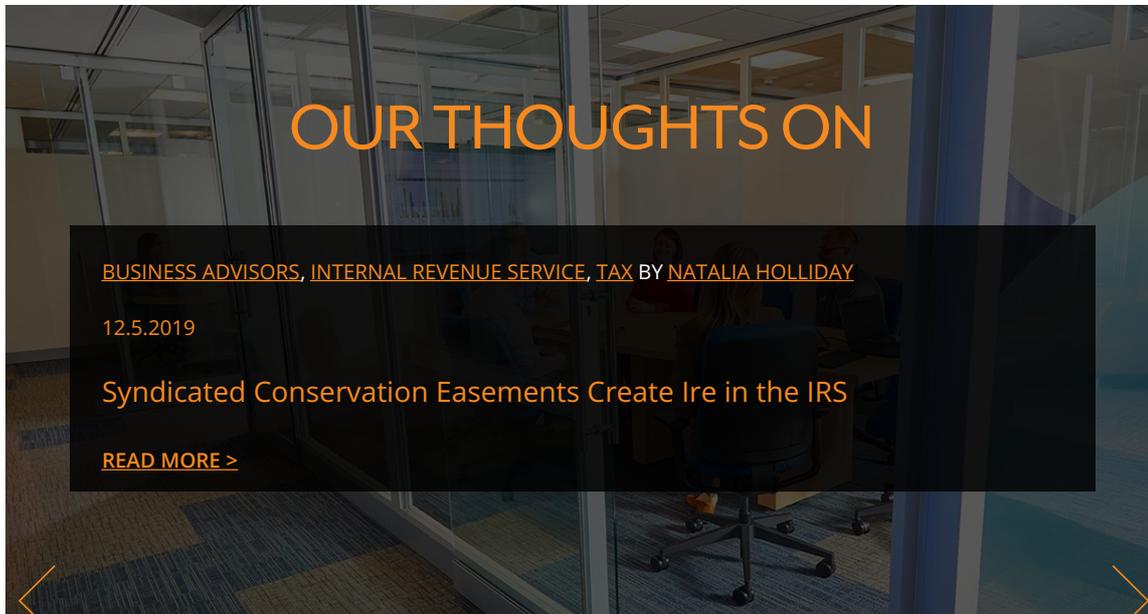


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