
I. POLICY STATEMENT

Texas Southern University (“the University”) shall administer and report taxable fringe benefits in accordance with applicable federal tax laws, including the Internal Revenue Code, and University policies and procedures. The University shall ensure that all taxable fringe benefits are properly identified, valued, reported, and taxed in a timely and accurate manner.

II. PURPOSE AND SCOPE

The University provides a variety of fringe benefits to employees in the course of its business. Such benefits not directly related to business may be taxable unless otherwise excluded under applicable law.

- **Guidelines:** This policy provides basic guidelines for identifying taxable fringe benefits in accordance with Internal Revenue Code Section 132.
- **Extension:** This document may extend to non-employees who receive taxable awards, prizes, gifts, or scholarships.
- **Scope:** The income tax implications for common fringe benefits are set forth here, but this is not an exhaustive list of all possible benefits.
- **Applicability:** Applies to all University departments, employees, and individuals involved in the provision or receipt of fringe benefits.

III. POLICY PROVISIONS

A. General Definitions

Fringe benefits are supplemental economic gains provided by an employer to employees or third parties. They are included in gross income unless specifically excluded by law.

Exclusions under Section 132(a):

- Services provided at no additional cost to the employee.
- Qualified employee discounts.
- Working condition fringes.
- De minimis fringe: Property or service (not cash) so small that accounting for it is unreasonable or administratively impracticable, taking into account the frequency with which similar fringe benefits are provided.

B. Specific Definitions and Accountable Plans

- **De minimis threshold:** Defined by the University as noncash awards, prizes, or gifts that are nominal in value, typically not exceeding \$50, and provided infrequently, consistent with IRS guidance.
- **Other Exclusions:** Qualified pension plans, group term life insurance, health benefits, educational assistance, and dependent care assistance. Individual facts and circumstances will be considered in determining whether a benefit qualifies under the above categories as defined by law.
- **Accountable Plan:** Per Internal Revenue Code Section 62(c), business expense advances or reimbursements, including travel and entertainment, must contain:
 1. A business connection.
 2. Substantiation, including amount, time, use, and business purpose.
 3. Return of excess payments.
- **Housing Opinion:** A legal opinion for tax exempt housing must be maintained by the Office of General Counsel and the Payroll Office.

IV. PROCEDURES

Except for de minimis benefits, a Personnel Action Form (PAF) must be submitted through Human Resources (HR) to initiate taxable payments. These are reported on the employee's Form W 2.

A. Approval

Proposed fringe benefits must be approved in accordance with the University's delegation of authority. Benefits are reviewed annually and modified at the University's discretion.

B. Approved Employee Fringe Benefits

1. **Auto Allowance:**
 - Direct payments for lease or purchase are 100 percent taxable, paid through Payroll.
 - Payments to leasing or finance companies are taxable based on personal use, paid through Accounts Payable.
2. **Awards, Prizes, and Gifts:**
 - **Cash:** Always taxable regardless of amount, processed through Payroll.

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- Noncash: Taxable if over \$50 or if they are cash equivalents, such as gift certificates, of any amount, processed through Accounts Payable.
 - 3. Club Memberships: Personal use of dues is taxable. HR determines the amount by examining payment vouchers.
 - 4. Communication Devices: Direct payments for wireless or internet services may be taxable depending on personal versus business use. These are not an entitlement and may be withdrawn at any time.
 - 5. Discounts Greater than 20 percent: Discounts exceeding 20 percent of the public price are normally taxable unless excluded in accordance with Internal Revenue Code Section 132(c).
 - 6. Housing Allowance:
 - Direct payments are 100 percent taxable, paid through Payroll.
 - Provided housing is excluded only if:
 - (a) on or near business premises;
 - (b) for the convenience of the University and required for availability; and
 - (c) required as a condition of employment.
 - 7. Human Subject Testing: Direct payments for research studies are taxable. Travel reimbursements for subjects are non-taxable, processed through Accounts Payable.
 - 8. Insurance Premiums, Key Employees: Life insurance for key employees is taxable and monitored by HR.
 - 9. Moving Expenses, MAPP 02.03.06:
 - Taxable: House hunting, maximum 7 days, meals or mileage over IRS rates, and storage exceeding 30 days.
 - Non-taxable: Airfare, lodging, and storage for the first 30 days.
 - 10. Non-Overnight Meals: Reimbursed meal expenses for single day travel, no overnight stay, are taxable.
 - 11. Other Taxable Wages: Any other approved benefits coordinated through HR.
 - 12. Spousal or Family Travel: Taxable as wages if they do not qualify as a working condition fringe.
 - 13. Delinquent Travel Advances: Must be accounted for within 180 days or the advance becomes taxable income.
 - 14. Tuition Reimbursement: Non taxable if job related, taxable if not job related.

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Section Fiscal Affairs
Area Payroll
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V. ADMINISTRATION AND REPORTING

- (a) Withholding: Payroll and HR coordinate to determine reporting obligations.
- (b) Special Accounting Rule: The University treats taxable benefits provided in November and December as paid in the following calendar year, in accordance with applicable IRS guidance, to lessen year end administrative burden.
- (c) Inquiries: Questions regarding tax laws or responsibilities should be directed to the Chief Financial Officer.