

**Table 2-1. Special Rules for Various Types of Fringe Benefits**

(For more information, see the full discussion in this section.)

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| **Treatment Under Employment Taxes** | | | |
| **Type of Fringe Benefit** | **Income Tax Withholding** | **Social Security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)** | **Federal Unemployment (FUTA)** |
| Accident and health benefits | Exempt1,2, except for long-term care benefits provided through a flexible spending or similar arrangement. | Exempt, except for certain payments to S corporation employees who are 2% shareholders. | Exempt |
| Achievement awards | Exempt1 up to $1,600 for qualified plan awards ($400 for nonqualified awards). | | |
| Adoption assistance | Exempt1,3 | Taxable | Taxable |
| Athletic facilities | Exempt if substantially all use during the calendar year is by employees, their spouses, and their dependent children and the facility is operated by the employer on premises owned or leased by the employer. | | |
| De minimis (minimal) benefits | Exempt | Exempt | Exempt |
| Dependent care assistance | Exempt3 up to certain limits, $5,000 ($2,500 for married employee filing separate return). | | |
| Educational assistance | Exempt up to $5,250 of benefits each year. (See *Educational Assistance*, later in this section.) | | |
| Employee discounts | Exempt3 up to certain limits. (See *Employee Discounts*, later in this section.) | | |
| Employee stock options | See *Employee Stock Options*, later in this section. | | |
| Employer-provided cell phones | Exempt if provided primarily for noncompensatory business purposes. | | |
| Group-term life insurance coverage | Exempt | Exempt1,4, 7 up to cost of $50,000 of coverage. (Special rules apply to former employees.) | Exempt |
| Health savings accounts (HSAs) | Exempt for qualified individuals up to the HSA contribution limits. (See *Health Savings Accounts*, later in this section.) | | |
| Lodging on your business premises | Exempt1 if furnished for your convenience as a condition of employment. | | |
| Meals | Exempt if furnished on your business premises for your convenience. | | |
| Exempt if de minimis. | | |
| Moving expense reimbursements | Exempt1 if expenses would be deductible if the employee had paid them. | | |
| No-additional-cost services | Exempt3 | Exempt3 | Exempt3 |
| Retirement planning services | Exempt5 | Exempt5 | Exempt5 |
| Transportation (commuting) benefits | Exempt1 up to certain limits if for rides in a commuter highway vehicle and/or transit passes ($255), qualified parking ($255) or qualified bicycle commuting reimbursement6 ($20). (See *Transportation (Commuting) Benefits*, later in this section.) | | |
| Exempt if de minimis. | | |
| Tuition reduction | Exempt3 if for undergraduate education (or graduate education if the employee performs teaching or research activities). | | |
| Working condition benefits | Exempt | Exempt | Exempt |
| 1 Exemption doesn't apply to S corporation employees who are 2% shareholders.  2 Exemption doesn't apply to certain highly compensated employees under a self-insured plan that favors those employees.  3 Exemption doesn't apply to certain highly compensated employees under a program that favors those employees.  4 Exemption doesn't apply to certain key employees under a plan that favors those employees.  5 Exemption doesn't apply to services for tax preparation, accounting, legal, or brokerage services.  6 If the employee receives a qualified bicycle commuting reimbursement in a qualified bicycle commuting month, the employee can't receive commuter highway vehicle, transit pass, or qualified parking benefits in that same month.  7 You must include in your employee's wages the cost of group-term life insurance beyond $50,000 worth of coverage, reduced by the amount the employee paid toward the insurance. Report it as wages in boxes 1, 3, and 5 of the employee's Form W-2. Also, show it in box 12 with code “C.” The amount is subject to social security and Medicare taxes, and you may, at your option, withhold federal income tax. | | | |

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