

**Section:** Business and Support Operations  
**Subject:** De Minimis Benefit Policy

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**GENERAL POLICY:**

A fringe benefit is a form of pay for the performance of services. Any fringe benefit LSSU provides is taxable and must be included in the recipient's pay unless the law specifically excludes it. One method for exclusion is for the benefit to be denoted as de minimis.

The IRS states that, in general, a de minimis benefit is one for which, considering its value and the frequency with which it is provided, it is so small as to make accounting for it unreasonable or impractical.

These include such items as:

- Controlled, occasional employee use of photocopier
- Occasional use of University phones for personal local calls
- Occasional snacks, coffee, doughnuts, etc. - if permitted by LSSU policy
- Occasional tickets for entertainment events
- Holiday or birthday card - if permitted by LSSU policy
- Occasional parties or picnics - if permitted by LSSU policy
- Occasional meal money or transportation expense for working overtime - if permitted by LSSU policy
- Flowers, fruit, books, etc., provided under special circumstances

This policy defines the de minimis amount for benefits provided by LSSU as less than \$100.00 and outlines a number of typical IRS regulations regarding the classification of benefits as de minimis. The final determination of whether a benefit meets de minimis classification will be made by the Vice President for Finance and Operations.

This policy is to be applied on a calendar year basis, not fiscal year, so that information aligns with an employee's yearly pay. All documents are to be submitted to Purchasing at the time of transaction (submission of a Purchase Requisition or use of P-Card). The use of LSSU P-Cards or non-LSSU purchasing options (personal credit card) does not exempt the purchaser from following this policy. Purchasing will process any necessary purchase order and forward all documents to Accounts Payable for review and archival.

Accounts Payable will determine if any employee taxable benefit exists and communicate those amounts to Payroll after December 1<sup>st</sup> of any given calendar year.

During the year, at the time of an employee separation, Payroll will contact Accounts Payable to determine if any taxable benefit to the employee has accrued. Such benefits will be included in the employee's final paycheck.

**CASH:**

Cash is generally intended as a wage, and usually provides no administrative burden to account for. Cash therefore cannot be a de minimis fringe benefit.

**GIFT CERTIFICATES / GIFT CARDS:**

Cash or cash equivalent items provided by the employer are never excludable from income. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.

**EMPLOYEE AWARDS:**

Special rules apply to allow exclusion from employee wages of certain employee achievement awards of tangible personal property given for length of service or safety. These awards

- Cannot be disguised wages,

Must be awarded as part of a meaningful presentation, and  
Cannot be cash, cash equivalent, vacation, meals, lodging, theater or sports tickets, or securities.

**EMPLOYEE GIFTS:**

Items, not covered elsewhere within this policy, provided to employees should be recorded on the De Minimis Benefit Report Form (available on the Business Operations webpage) at the time of the transaction. All documentation should be sent to Purchasing.

**EMPLOYEE USE OF ATHLETIC FACILITIES:**

The IRS allows institutions to exclude the value of an employee's use of an on-premises gym or other athletic facility, which the institution operates, from an employee's wages if substantially all use of the facility during the calendar year is by your employees, their spouses, and their dependent children. For this purpose, an employee's dependent child is a child or stepchild who is the employee's dependent or who, if both parents are deceased, hasn't attained the age of 25. The exclusion doesn't apply to any athletic facility if access to the facility is made available to the general public through the sale of memberships, the rental of the facility, or a similar arrangement.

Therefore, since LSSU does charge the public admission to the Norris Center, use of the Norris Center will be treated as taxable income. However employees that participate in the LSSU wellness program will have the taxes paid by LSSU.

**EMPLOYEE UNIFORMS/CLOTHING:**

All University units are required to follow applicable Internal Revenue Service rules that pertain to employer provided clothing as a taxable benefit to employees. This policy applies to clothing that is purchased for a University employee and paid for with University and University-related funds. Clothing provided to a University employee is considered Non-Taxable, a Taxable Employee Benefit, or a De Minimis Benefit as follows:

**Non-Taxable:**

University purchased and owned employee uniforms and protective clothing that meet all of the following conditions: (1) Wearing the specific clothing is a condition of the employment, or the employee is otherwise required to wear the clothing; (2) The clothing is not suitable for every day, personal wear as generally accepted, or wear in multiple settings; and (3) The clothing is not actually worn for general usage, but for a specific job-related duty, such as where safety and protection is of concern.

**Taxable Employee Benefit:**

Clothing that is purchased by the University as a business necessity, such as provided to identify the employee's office, which also may be suitable to wear outside of employment.

**De Minimis Benefit:**

University purchased clothing that meets either of the following conditions: 1) Value and frequency with which clothing item is provided make it impractical to account for (i.e., the administrative costs of determining the fair market value of, and accounting for, the clothing benefits are more expensive than providing the benefits); or 2) Total value of all clothing items provided to an employee is less than one-hundred dollars (\$100) in a calendar year.

**Procedures:**

Obtain a "De Minimis Benefit Report Form" from the Business Operations website. Instructions for completing the form can be downloaded from the same site.

If the item is being purchased by the University before being provided to the employee, submit the De Minimis Benefit Report Form with the P.O. to Purchasing. If the item is being provided to the employee from existing LSSU inventory (LSSU sweatshirt), then submit the Form to Purchasing at the time of the transaction. If the item is being provided to the employee through a third-party

contractual relation or sponsorship (Bauer, Barnes & Noble, Coke, etc.), then submit the Form to Purchasing at the time of the transaction.

**Non-Taxable Clothing:**

Non-Taxable clothing purchased for employees shall require the department to clearly document the qualifying conditions for exempt treatment on the invoice before payment will be made. The documentation shall then be retained by Purchasing. Submit the De Minimis Benefit Report Form and all supporting documents to Purchasing at the time of purchase.

**Taxable and De Minimis Benefit Clothing:**

Submit the De Minimis Benefit Report Form and all supporting documents (receipts or documented fair market value) to Purchasing at the time of the transaction.

Purchasing will process purchase order and send documents to accounts payable for archival.

**GIFTS, PRIZES, AWARD MONEY GIVEN TO STUDENTS:**

For specific information regarding gifts, prizes, and award money provided to students, see the Financial Aid policy titled "LSSU Policy for Handling Gifts, Prizes, and Award Money that is Given to Students".

The policy outlines the standard practice for gifts, prizes, and award money to students from academic or other units when the gifts, prizes, and award money are made for non-employment purposes. To comply with US Department of Education regulations, student payments, awards, prizes and gifts for academic pursuits or achievements must be reported to the Financial Aid Office. Academic pursuit is defined as any involvement of activity for the purpose of aiding or enhancing his/her education, study, training or research. For the purpose of the Financial Aid policy, gifts, prizes and award money are referred to as "resources."

Resources provided to students, who are receiving any form of financial aid, for any purpose are a form of financial assistance and may require one of the following actions to be taken, regardless of the University system used to make the payment:

- An adjustment to the financial aid award that the student has already received in the current semester or may receive in a subsequent semester and/or
- An adjustment to the student's overall cost of attendance budget.

The Financial Aid Office has the responsibility to determine whether adjustments are necessary.

Department representatives making awards or payments to the students have the responsibility to inform the Financial Aid Office about the student's financial assistance and the semester for which it is effective (i.e., Fall 20xx, Spring 20xx, Summer 20xx) through an email to the Financial Aid Office (finaid@lssu.edu).

**NON-EXCLUDABLE ITEMS:**

Some examples of benefits that aren't excludable as de minimis fringe benefits are season tickets to sporting or theatrical events; the commuting use of an employer-provided automobile or other vehicle more than 1 day a month; membership in a private country club or athletic facility, regardless of the frequency with which the employee uses the facility; and use of employer-owned or leased facilities (such as an apartment, hunting lodge, boat, etc.) for a weekend.

In determining whether a benefit is de minimis, LSSU will consider its frequency and its value. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation. If a benefit provided to an employee doesn't qualify as de minimis (for example, the frequency exceeds three times per year), then generally the entire benefit must be included in income.

Whether an item or service is de minimis depends on all the facts and circumstances. In addition, if a benefit is too large to be considered de minimis, the entire value of the benefit is taxable to the employee, not just the excess over a designated de minimis amount.

The IRS has ruled previously that items with a value of \$100 or more could not be considered de minimis, even under unusual circumstances. Therefore any item, or group of items provided within a fiscal year, with a value of \$100 or more will be treated as taxable income.

**RESPONSIBLE ADMINISTRATORS:**

The Vice President for Finance and Operations, successor, or designee is responsible for annual and ad hoc review of this policy and its procedures. The University President is responsible for approval of this policy.