

# Employer-Provided Meals and Housing

**Revised: 09/12**

**FSS/PPS No. 03.09.05**

**Issue No. 4**

**Reviewer: Associate VP Financial Services**

**Effective Date: 05/01 (E5Y)**

**Review Date: 05/16**

## **01. PURPOSE**

01.01 To establish responsibility and policy regarding the provision of meals and housing to Texas State University-San Marcos (Texas State) employees.

01.02 To ensure that policy conforms to the Internal Revenue Code.

## **02. POLICY STATEMENTS**

02.01 A fringe benefit provided to a Texas State employee that does not qualify for exclusion from income tax under the Internal Revenue Code is considered a taxable fringe benefit, and will be reported to the Office of Payroll and Tax Compliance to be included on the employee's subsequent paycheck. Refer to the Internal Revenue Service "[Taxable Fringe Benefit Guide](#)", for types of employee fringe benefits and the tax rules on the taxability, withholding, and reporting requirements related to each type of fringe benefit.

### 02.02 Parking Permits and Fines

Texas State does not generally allow payment for an employee's parking permit and/or fines. However, if Texas State pays for parking permits or fines for an employee, the amount paid is considered a taxable fringe benefit to the employee.

### 02.03 Meals

The IRS excludes meals provided by an employer from taxable income if the meals are provided for the employer's convenience and the meals are provided on the employer's business premises. For example, the department of Housing and Residential Life provides a meal plan for its Resident Assistants, who are required to be on the premises in case of emergencies; therefore, the meal plans are not considered a taxable fringe benefit. However, if the employee has an option to receive additional compensation in lieu of meals or housing, the fringe benefit is taxable.

Meal per diems provided by Texas State to employees for overnight business travel "away from home" are not a taxable fringe benefit, but meal allowances to employees for non-overnight business travel are a taxable fringe benefit.

Reimbursements provided to employees for business meals in the course of entertaining may be excludable from income if the expenses are ordinary and necessary, and for a substantial university business purpose. All of the facts must be considered, including the

nature of the business transacted and the reasons for conducting business during the meal. If the meal takes place in a clear business setting and is for university business or work, the expenses are not considered a taxable fringe benefit.

#### 02.04 Employer-Provided (Complimentary) Housing

If housing is provided by Texas State to an employee, the value of the housing is excluded from the employee's income if all three of the following are true: 1) the housing is provided on Texas State's business premises, and 2) the housing is provided for Texas State's convenience, and 3) the housing is required as a condition of employment.

Resident Assistants are required to live in the dormitory as a condition of employment; thus, the value of that housing is not considered a taxable fringe benefit.

When the housing is not furnished as a condition of employment, it is not a taxable fringe benefit when the housing is located on or near the campus, and the rent charged to the employee is comparable to rent charged by the institution to students or non-employees. It is a taxable fringe benefit when the employee pays no rent. The comparable rent amount is added to the employee's income and taxed through Payroll. If the employee pays annual rent that is less than the comparable rent amount, the difference between what is actually paid and the comparable rent is added to the employee's income.

### **03. DEFINITIONS**

03.01 Employee Fringe Benefit. A fringe benefit is a form of pay, including property, services, cash or cash equivalent, in addition to stated pay for the performance of services.

03.02 A Condition of Employment. Meals and housing are provided by Texas State to employees as a condition of employment when the employee is required to live on the premises to be able to perform their job duties, and to be on call when necessary.

03.03 Business Premises. Meals and housing provided on the business premises of Texas State are either at a place where the employee performs a significant portion of duties, or where Texas State conducts a significant portion of its business.

03.04 Away From Home. Traveling "away from home" means the employee is traveling far enough away from the employee's designated headquarters, or home campus, to require an overnight stay.

03.05 Business purpose means that Texas State has a substantial documented business reason for providing a fringe benefit other than to provide additional compensation to the employee.

### **04. PROCEDURES**

04.01 Employees who are reimbursed for meals off-campus should keep adequate records to document the purpose of the reimbursement, the names of those in attendance and any other details which might be required in an IRS audit.

- 04.02 Each department is responsible for maintaining documentation of meals provided to its employees. The documentation must include the reason for the provision of the meals, a list of the individuals receiving the meals, the cost of the meal and the date on which the meals were provided.
- 04.03 The account manager is responsible for submitting a report to the Tax Specialist of any potentially taxable fringe benefits provided to an employee. This report shall include:
- a) The name of the employee
  - b) The Person ID of the employee in SAP
  - c) A description of the fringe benefit, including, if applicable, the address of the housing, and the duration of the housing.
  - d) The date(s) that the taxable benefit occurred, and
  - e) The cash amount or the fair market value of the fringe benefit, and
  - f) Any reimbursement or rent paid by the employee.
- 04.04 The account manager will submit the fringe benefit report by the tenth day of the following month. All taxable fringe benefit amounts and taxes will be reflected on the employee's subsequent paycheck.
- 04.05 The Tax Specialist will review the fringe benefit report, calculate the taxable amount, and send a final report to the Accountant I in the Office of Payroll and Tax Compliance, who will add the amount to the employee's reported income. The amount may be subject to Federal withholding, Social Security, and Medicare tax.
- 04.06 Annual W-2 Statement  
All income related to the information within this PPS will be reflected on employees' annual W-2 Tax Statements in Boxes 1, 3 and 5.

**05. MAJOR RESPONSIBILITIES ASSOCIATED WITH THIS PPS**

Major responsibilities for routine assignments associated with this PPS include the following:

<u>Positions</u>	<u>Section</u>	<u>Date</u>
Associate Vice President for Financial Services	Review	May EY5-01
Director, Payroll and Tax Compliance	Review	May EY5-01
Director of Housing and Residential Life	Review	May EY5-01
Tax Specialist	Review	May EY5-01

**07. CERTIFICATION OF STATEMENT**

This FSS/PPS has been approved by the following individuals in their official capacities, and represents FSS policy and procedure from the date of this document until superseded.

Associate Vice President Financial Services, Reviewer

Vice President for Finance and Support Services

Approved: \_\_\_\_\_  
Reviewer

Approved: \_\_\_\_\_  
Vice President for Finance  
and Support Services