

# Taxation and Reporting for Non-Salary Payments Guidance

**Function:** Payment Taxation Compliance (PTC)  
**Procedure** Taxation and Reporting for Non-Salary Payments Procedure  
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## Guidance for Taxable Non-Salary Payments

The Research Foundation for SUNY ("RF") may pay Non-Salary costs or benefits that are considered taxable and/or reportable by the Internal Revenue Service ("IRS").

Some common examples of taxable Non-Salary Payments include:

- Cash or cash equivalents (e.g., prizes, gift cards, gift certificates)
- Housing or allowances
- Personal use of a RF company vehicle
- Moving expense reimbursements
- Non-overnight meal reimbursements

In addition, taxable Non-Salary Payments provided to RF or SUNY employees are also considered taxable income if the benefit is received by someone other than the employee such as a spouse or child.

### Payments Tied to Personal Gain

Campuses should ask the following questions if the payment or benefit is tied to personal gain:

- Why is the RF making payments or providing benefits that the individual would typically pay as a personal expense?
- If the payments are valid and comply with sponsor and RF policies, did we evaluate and obtain proper documentation for compliance with taxation and/or reporting?

If the Non-Salary Payment is tied to personal gain, campuses should consider whether or not the RF should be making the payment or if the individual should pay back the RF.

### Summary Table for Common Non-Salary Payments

The following table includes many, but not all, of the possible scenarios. For many payments or benefits there are prerequisite qualification requirements that must be met under IRS rules before the rule can be applied. Operating location administrators should refer to the following IRS publications for items noted as "If Meets Certain IRS Prerequisite" in the table:

- [IRS 15-B Employers Tax Guide to Fringe Benefits](#)
- [IRS Publication 5137 Fringe Benefit Guide](#)

The expenditure must also comply with sponsor and RF requirements, particularly the [Unrestricted Fund Expense Policy](#).

Procedure Step	Recommended Action	Recommended Tools/Reports/Forms
Cash or Cash Equivalents (e.g., cash	Taxable and Reportable	No IRS rules to exclude

prizes, gift cards, gift certificates, bonus)		Anything paid in cash or cash equivalent is considered taxable and reportable  - Also applies if provided with RF through third party
Tangible Prizes (e.g., contests or raffles)	<b>Taxable and Reportable if over a specific amount per RF rules</b>	RF considers tangible prizes ( <b>not gifts and not cash</b> ) valued at \$100 or less as excluded from income under De Minimis rules if De Minimis prerequisites are met - the occurrence must be <b>occasional and not routine</b> .
Business Travel Reimbursements To be exempt must meet RF policy and procedures or also known as meeting IRS "accountable plan" rules  <b>Note:</b> Business Travel reimbursement exemption / exclusion rules apply to "services" activity only - employee or independent contractors	<b>"Unsubstantiated" - Taxable and Reportable</b>	<b>Unsubstantiated</b> = lack of business purpose, not documented or not submitted in a timely manner  <b>Important</b> - Based upon RF Travel policy and procedures – Refer to <a href="#">The Research Foundation for SUNY Travel Handbook</a>
	<b>"Substantiated" - Exempt and Exclude from income</b>	<b>Substantiated</b> = documentation exists and request is submitted timely
Housing	<b>Taxable and Reportable</b>	<b>No IRS rules to exclude</b> - Example - paid for or provided as a convenience
	<b>Exempt and Exclude from income</b>	Exempt if housing is provided as a requirement of employment. Example - housing provided and employee required to live on premises
Allowances or supplements to offset employee business costs	<b>Taxable and Reportable</b>	Allowance programs are often used to help offset costs for employee expenses because of "business use" but payment or value of benefits must be included as taxable and reportable income within the payroll process.
<b>Mobile Communication Devices (MCD)</b> Smartphone or tablet device that has a cellular number associated with it, e.g., iPhone and iPad devices, Windows Smartphone and Tablet devices, and Android Smartphone and Tablet devices are distinguishable from laptop computers by their embedded operating systems and need to install application via an "app store." Laptops are not considered mobile devices for this purpose.	<b>RF provided MCD- Exempt and Exclude from income</b>	Company provided MCD were taken off of IRS "Listed Property" effective Jan. 2010, therefore personal use of a company provided cell phone or other similar telecommunications equipment became a De Minimis fringe benefit.  - <b>Business use of company MCD-</b> considered a "Working Condition Fringe Benefit" and  - <b>Personal use of company MCD-</b> considered a "De Minimis" Fringe Benefit  For further information refer to <a href="#">IRS Bulletin 2011-38 Notice 2011-72 Tax Treatment of Employer Provided Cell Phones</a>

**Personal MCD reimbursements -**

**Exempt and Exclude from Income if meets certain requirements**

**MUST meet certain IRS Audit Guidance**

To meet RF requirements to substantiate the exemption :

- Eligibility - Employees with work duties where critical and immediate response may be necessary
- Establish an agreement with the employee, providing details for the costs or reimbursement that will be covered and any other additional features such as upgrades or damages of the personal MCD will not be covered.
- Supervisor approvals and follow lines of budgetary controls to pass on for management approval.
- Employee provides a copy of their personal cell phone contract as record of the type of MCD, services under contract for the MCD and identifying features such as a cell phone's number
- The employee must maintain the type of cell phone and coverage that is reasonably related to the RF business needs and when the reimbursement is calculated it does not exceed expenses the employee actually incurred, or you may want to use an option of a pre-established flat rate reimbursement amount. Example regular phone flat rate amount versus smart phone flat rate to reimburse
- Must not be a substitute for a portion of the employee's regular wages (non-compensatory)
- Each calendar year there should be a review to re-certify the agreement or if necessary adjust or establish a new agreement.

For further information on the basis for this exemption refer to the [IRS Memorandum sent to their field examiners](#) for guidance on

		treatment of personnel cell phone reimbursements.
	<b>Personal MCD reimbursements- Taxable and Reportable if</b>	If it does not meet RF requirement? IRS audit guidance provided above
Reimbursements for personal use of computers, peripheral equipment (Including Internet Services) provided outside the office	<b>Taxable and Reportable</b>	No IRS rules to exclude Computers or peripheral Equipment are "Listed Property" under IRS rules because the property by its nature lends itself to personal use, strict substantiation / documentation requirements apply to identify the business use versus personal use. Refer to IRS Publication 946 and section on Listed Property.
Entertainment or recreational organization membership	<b>Taxable and Reportable</b>	<b>No IRS rules to exclude</b>
Club Dues	<b>Taxable and Reportable</b>	No specific IRS rules to exclude without substantiation
	<b>Exempt and Exclude from income</b>	Strict substantiation requirements apply to identify percentage of club dues that are for personal versus business connection. Required to maintain records to for events, activity and how tied to business purposes.
Professional Licenses, Business and Professional Organizations Dues	<b>Exempt and Exclude from income</b>	<b>If meets certain IRS Prerequisites</b> Ordinary, necessary and directly related to the employee's job
	<b>Taxable and reportable</b>	Does not meet IRS Prerequisites - Not ordinary, necessary and directly related to the employee's job
Parking provided by RF	<b>Exempt and Exclude from income. Limit \$240 per month</b>	<b>If meets certain IRS Prerequisites</b> On or near business premises or location which employee use for mass transit.
	<b>Taxable and Reportable</b>	Does not meet the IRS Prerequisite - See above or exceeds the \$ 240 per month limit
Educational Assistance	<b>Job Related - Exempt and Exclude from Income</b>	<b>If meets certain IRS Prerequisites</b> Job related = Working Condition Fringe Benefit
	<b>Non Job Related Educational Assistance: Exempt and Exclude from Income up to a Limit</b>	<b>Non Job Related up to limit of \$ 5,250</b>  See <a href="#">Educational Assistance Summary Plan for Graduate Student Employees</a>
Moving Expense Reimbursements  <b>IMPORTANT - Separate and distinct RF procedures and form</b> See <a href="#">Moving Expense Reimbursement Policy</a>	<u>Taxable and Reportable</u> Non-qualified and requires payroll processing with tax withholding and reporting regardless of the payee.  <u>SUNY Employees</u> Read carefully and consider in the	<b>Payroll Tax withholding required and reportable for employee on the W-2</b>  <b>Previous IRS "qualified" rules suspended effective January 1, 2018</b> H.R. 1 "The Tax Cuts and Jobs Act" signed into law December 22, 2017 and effective

<p>Must meet all IRS Prerequisites - Incentive to RF employment</p> <p>Meets the time test (more than one year appointment)</p> <p>Meets the distance test (at least 50 miles farther than former home and old job site).</p> <p>Amount agreed upon and approved by sponsor.</p>	<p>negotiations for agreed upon moving expense reimbursements. Occasionally campuses look to the RF for help with SUNY employees and moving expense reimbursements. Since SUNY is the employer, initial application of the IRS rules must first be with SUNY moving expense policy and procedures. The RF should only be involved when covering reimbursements over and above the SUNY policy and procedure limits. If processed by the RF, it is taxable and reportable within the RF payroll system and reportable on a RF W-2 tax statement.</p> <p>Refer to the <a href="#">Non-Salary Payments Policy</a> and <a href="#">Taxation and Reporting for Non-Salary Payments Procedure</a> section on Processing for SUNY Employees.</p>	<p>January 1, 2018 suspended prior rules to exempt or exclude "qualified" moving expenses. Within the previous rules "qualified" expenses were expenses tied directly to moving the employee / family and personal goods. The suspension is until January 1, 2026. The significant impact to the rule change was that qualified moving expense paid directly to a 3rd party such as a moving company are no longer excluded from tax and reporting.</p>
<p>Vehicle Use</p>	<p><b>Personal Use of Company Vehicle</b></p> <p><b>Taxable and Reportable</b></p>	<p>Company vehicles are "<b>Listed Property</b>" under IRS rules because the property by its nature lends itself to personal use, strict substantiation requirements apply. Refer to IRS Publication 946 and section on Listed Property.</p> <p>See <a href="#">Personal use of RF Vehicle Procedure</a></p>
	<p><b>Business Use of Personal Vehicle</b></p> <p><b>Exempt and Exclude from income if substantiated</b></p>	<p>To request reimbursement and meet the accountable plan rules, the employee is required to provide substantiation to the RF by recording the date, business purpose and place of each trip.</p>
<p>Non-overnight meals</p>	<p><b>Taxable and Reportable</b></p>	<p>Advances or reimbursements for meals during travel that does not require sleep or rest (non-overnight travel) do not meet the "<b>business connection</b>" requirement for travel reimbursements and must be treated as paid under a "non-accountable" plan, even if the employee substantiates the expense.</p> <p>See <a href="#">Non-overnight Meal Payments</a></p>
<p>De Minimis Fringe Benefits</p>	<p><b>Exempt and Exclude from Income</b></p> <p>Examples: if occasional and nominal value:</p> <ul style="list-style-type: none"> <li>- Local telephone calls from office phones</li> <li>- Personal use of office copier</li> <li>- Group meals, employee picnics</li> </ul>	<p>Refer to <a href="#">IRS Publication 5137 Fringe Benefit Guide</a> and section on "De Minimis Fringe Benefits"</p> <p><b>If meets certain IRS Prerequisites</b></p> <p>Must be occasional and nominal value Property or services (<b>not cash or cash equivalents</b>) provided by the RF to an employee with a value so small that accounting for it is unreasonable or administratively impractical.</p>
	<p><b>Taxable and Reportable</b></p>	<p>See above</p> <p>Items that are routine, <b>not</b> nominal or cash</p>

		<p>equivalents</p> <p>De Minimis Benefits that do not meet the rules:</p> <p><b>Example 1:</b> you provide a meal or snacks to staff daily. Even if the meal or snack is inexpensive, it is not De Minimis because it is provided routinely (daily).</p> <p><b>Example 2:</b> you give gift certificates or gift cards for \$ 5 to the local coffee shop. Although it is a nominal amount, it is the same as cash and therefore not considered De Minimis</p>
Achievement Awards (length of service or safety) with certain limits	<p><b>Exempt and Exclude from Income with some limits</b></p> <p>See IRS publications for more information on limits for different achievement awards</p>	<p><b>If meets certain IRS Prerequisites</b></p> <p>Tangible personal property and meaningful presentation.</p> <p>It is important to review the varied rules for achievement awards. Refer to <a href="#">IRS Publication 5137 Fringe Benefit Guide</a></p>
Achievement Awards provided by the RF that do not meet certain IRS Prerequisites or exceeds the limits	<p><b>Taxable and Reportable</b></p> <p>See above</p>	See above details and references

## Examples of Effective Monitoring

### Example 1- Business Expenses - Cell Phone

You hear in a meeting that a project is planning to reimburse project staff for business use of their personal cell phone. Since the cell phone is not a company provided cell phone, you explain that the reimbursements might be taxable and reportable if it does not meet certain IRS audit guidelines. You explain that if the reimbursements do not meet the IRS audit guidelines, the transaction requires processing through the payroll process because tax withholding rules must be applied and the amounts must be included in the employee W-2 Wages and Tax Statement. If a reimbursement payment has already occurred within AP, complete the Non-Salary Payment Determinations form and follow the procedure instructions.

### Example 2- Moving Expenses

You receive a request to process a payment to reimburse an RF employee for moving expenses. The request is submitted under your standard invoice documentation. Prior to payment you review the [RF Moving Expense Reimbursement Policy](#) and the [Payment Tax and Reporting Handbook](#). A separate RF form must be completed to identify the details. All agreed upon payments or reimbursements are non-qualified and require processing within payroll, tax withholding and reporting on the employee W-2.

### Example 3- Gift Cards

You receive a request to process a payment for a project staff member and you learn, or the documentation shows that the purpose for the payment is to purchase gift cards for distribution to a group. Gift cards are treated the same as cash. You should talk with those requesting the check to identify any tax or reporting issues. The gift cards are taxable and reporting income and instead must be included in payroll processing (Refer to - Taxation and Reporting for Non-Salary Payments - Procedure). Complete the Non-Salary Payment Determinations form and follow the procedure instructions. If non-resident aliens for tax purposes taxable and reportable under restrictive NRA tax and reporting rules. If non-resident alien, do not hesitate to contact central office for further guidance.

### Example 4- Petty Cash

Potentially taxable or reportable items have been distributed through a petty cash account. Go to the monitoring section of the procedure document. Although one of the allowable reasons to

use the petty cash account is for new employees' adjustments pending receipt of a regular pay check from the central office – no other taxable or reportable payments should process through petty cash. Reportable or taxable non-salary payments must make their way through the payroll process to ensure tax withholding rules are applied and the payments and taxes are accumulated for year-end reporting in the W-2 Wage and Tax Statement.

#### **Example 5 – Housing**

You hear in a meeting that the RF plans to pay for an employee housing and there is no business connection. This housing is taxable reportable income to the individual. If as part of the work requirement the individual is performing, they must be "on site" and the housing is paid for or provided, it would not be taxable and reportable income, rather a working condition fringe benefit.

#### **Change History**

<b>Date</b>	<b>Summary of Change</b>
September 6, 2022	Updated link to Personal Use of Research Foundation Vehicle Procedure (previously a policy).
January 26, 2022	Update to contact.
March 12, 2018	Revision to "Moving Expense Reimbursements" due to new tax law - effective January 1, 2018.
August 15, 2016	New guidance document.