

Basics of Employee Benefits

Benefits/payments which are deductible to the corporation and non-taxable to the employee include:

- Health Insurance (if the company has a section 125 plan in place)
- Accountable plan reimbursements for mileage and actual expenses. If the company has a policy in place for reimbursements of expenses directly related to work, the employee may submit for reimbursement and generally must include copies of all receipts and records of mileage to be reimbursed.
- Worker's compensation
- Group term life insurance
- De minimis benefits such as meals and employee parties
- Profit-sharing plans
- Dependent care and educational assistance
- Health Savings Accounts
- Accident and disability plans such as Aflac

Cash benefits which are taxable to the employee as additional wages (these are regular payments and do not require proof of expense):

- Home office stipend
- Cell phone stipend
- Auto allowance

Fringe benefits are items provided to employees and are taxed as additional wages and include:

- Vacations
- Cars provided to the employee for personal use
- Memberships in social clubs
- Tickets to entertainment or sporting events
- Bonuses and commissions

Important: These rules are only applicable to non-owner employees.