

Fringe Benefits



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What's New in the 3rd Qtr. 2011 Edition

This What's New section highlights the changes made in the last quarter to the *Fringe Benefits* guidebook—the authoritative guidebook for employers, administrators, and advisors.

Below are some highlights of the substantive changes that we made to the Outline and Appendix.

Substantive Changes to the Outline:

- **Section II—*Tax Basics for Fringe Benefits*.** We have expanded our coverage of employee business expense reimbursements to include a new subsection on travel expenses, one of the most commonly reimbursed expenses and a source of persistent confusion. Our new discussion identifies the basis in the accountable plan rules for the exclusion of qualifying reimbursements, reviews the essential elements of a deductible travel expense that can be reimbursed tax-free, and explains the concept of a tax home. We address the definition of nondeductible commuting expenses, and a variety of special situations, including temporary assignments and mixed-purpose travel. Finally, we consider the substantiation rules and how the amount of travel expenses, but not the other substantiation requirements, may be satisfied by the use of per diems. In addition to the new subsection on travel, we have updated Section II to reflect the recently announced midyear change in the standard mileage rates for business use of an automobile and to note recent guidance from the IRS on tool plans, highlighting the tool plan features that show that reimbursements do not have the necessary business connection.
- **Section III—*Qualified Transportation Plans*.** Despite legislative history supporting an exception, final regulations issued under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provide no across-the-board exception for debit cards used in connection with a variety of employee benefits, including qualified transportation plans. In light of this, we have updated Section III to include a brief summary of the Dodd-Frank Act that acknowledges the lack of an exemption for qualified transportation plans and notes that particular debit card arrangements may come under one of the various exemptions that are recognized by the new regulations.
- **Section IV—*Company Cars and Related Benefits*.** In our subsection on employer reimbursements for business use of an employee's car we have expanded our discussion of the applicable substantiation requirements, including a case in which a taxpayer's mileage log was found inadequate. We have also revised references throughout the Section to reflect the midyear change in the standard mileage rate for business use of an automobile, which increased to 55.5 cents per mile, effective July 1, 2011.
- **Section V—*Miscellaneous Code § 132 Benefits*.** The update supplements our discussion of de minimis fringe benefits with a new subsection on rewards offered by wellness programs, in which we distinguish between the types of health-plan related rewards (like health insurance premium reductions) that may be excluded from income, and the various other types of rewards (like health club dues reductions, prizes, and T-shirts) that must be individually analyzed to determine whether an income tax exclusion applies. We focus in particular on recent informal guidance from IRS officials that took a (predictably) narrow view of what would qualify as de minimis.
- **Section VI—*Qualified Educational Assistance Programs*.** We have added a new text box at the beginning of Section VI that is intended to put qualified educational assistance programs in context, and to summarize the minimum requirements for work-related education expense reimbursements, which are typically treated as working condition fringe benefits.
- **Section IX—*Qualified Adoption Assistance Programs*.** Our discussion of the substantiation requirements for the adoption tax credit has been revised to detail the documentation requirements for special needs adoptions and include other information found in the IRS online FAQs about the adoption tax credit and the exclusion for employer-provided adoption benefits.

- **Section XII—Moving Expense Benefits.** Mileage rates applicable to the moving expense deduction and to qualified moving expense reimbursements have been updated to reflect changes that went into effect on July 1, 2011, due to increases in the price of fuel.
- **Appendix Tabs.** The Table of Plan Limits has been updated to reflect the new, higher mileage rates for deducting or reimbursing automobile expenses. Other changes to the Appendix Tabs are noted in the second table below. .

Substantive Changes to the Appendix: * * *

- **Tab 8—Forms & Publications**
 - Updated TOC
- **Tab 10—Sample Documents**
 - Minor correction
- **Tab 11—Sample Documents**
 - Updated Table of Limits

Lots More to Come! From the feedback we've received, we know that our manuals are the premier group health plans resources in the country. But here at EBIA we're not satisfied. We are constantly striving to make the manual even better. In upcoming editions, look forward to complete coverage of all legal developments affecting fringe benefits, and to our further analysis of existing law, with more examples and Q/As, etc.

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