

Tab K: Employee Benefit Plans

Fringe Benefits Comparison Chart							
Employee Benefits			Who Is Considered an Employee?				
Benefit	Description	Provision	Non-Owner Employee	Self-Employed Individual ³	Partner ²	2% S Corporation Shareholder ¹	C Corporation Shareholder ¹
Accident and Health Insurance	Cost of accident and health insurance provided to employee.	Tax free to the employee, subject to certain restrictions.	✓				✓
Adoption Assistance	Expenses connected with the legal adoption of an eligible person.	Employer-paid expenses are tax free to the employee, within certain dollar limits and an AGI phase-out range.	✓			✓ 9	✓ 9
Cafeteria Plans	Two or more benefits consisting of cash and qualified benefits that the employee can select.	Tax free or tax deferred to the employee.	✓				✓
Day Care Services	Expenses for the care of a dependent while the employee is at work.	Employees can pay for day care costs with pre-tax earnings or employer contributions.	✓	✓	✓	✓	✓
Deferred Compensation	Employee agrees to work now and defer receipt of salary until a future date.	May be tax deferred or taxable to the employee depending on conditions.	✓			✓	✓
De Minimis Fringe	Minimal benefits, such as occasional personal use of office equipment by employee.	Tax free to the employee.	✓	✓	✓	✓	✓
Educational Assistance	Educational costs, such as tuition, fees, books, supplies, etc. Education does not have to be job related.	Employer assistance payments of up to \$5,250 are excluded from the employee's gross income.	✓ 7, 9	✓ 9	✓ 9	✓ 9	✓ 9
Employee Achievement Awards	Tangible personal property, such as a watch, given to an employee for length of service or safety achievement.	Tax free to the employee up to a specified dollar limit.	✓ 8		✓	✓	✓
Employer-Provided Vehicle	Cost of vehicle used by the employee for business or personal purposes.	May be taxable or tax free to the employee depending on conditions.	✓		✓	✓	✓
Group Term-Life Insurance	Cost of term life insurance provided to the employee.	Up to \$50,000 of coverage tax free to the employee.	✓				✓
Job Placement Assistance	Cost of providing counseling on interviewing skills, resume preparation, secretarial services, etc.	Tax free to the employee unless the benefit is conditional or received in lieu of some other taxable benefit.	✓			✓	✓
Meals and Lodging	Meals and lodging provided to the employee on the employer's business premises.	Tax free to the employee if furnished on the business premises, furnished for the employer's convenience and for lodging only—as a condition of employment.	✓				✓

No-Additional-Cost Service	Hotel accommodations, telephone services, and transportation by aircraft, train, bus, subway and cruise liner.	Value excluded from the employee's gross income if service is offered to public and employer incurs no additional cost by offering the service to the employee.	✓ 4-6		✓ 10	✓	✓
On-Premises Athletic Facilities	Athletic facilities on the employer's business premises.	Tax free to the employee if the facility is generally only used by employees, their spouses, children, etc.	✓ 4		✓ 10	✓	✓
Qualified Employee Discounts	Goods and services the employer generally offers to the public.	The value of discounted price offered to the employee is tax free to the employee when certain conditions are met.	✓ 4		✓ 10	✓	✓
Qualified Moving Expense Reimbursement	Amount received as payment or reimbursement for expenses which would be deductible under Section 217 if paid by the individual employee.	Tax free to the employee.	✓		✓	✓	✓
Qualified Retirement Plans	Employer and/or employee contributions to an employer-sponsored retirement plan.	Tax deferred to the employee until funds are withdrawn.	✓	✓ 11	✓	✓	✓
Qualified Transportation Fringe	Employer-provided commuter vehicle transportation between the employee's residence and place of employment, transit passes and qualified parking.	Exclude up to \$100 per month for transit passes and employer-provided transportation; \$195 (for tax year 2004) per month for qualified parking.	✓				✓
Working Condition Fringe	Goods and services the employer generally offers to the public.	Tax free to employee if it would have been deductible as a business expense had the employee paid for the goods or services.	✓ 5	✓	✓	✓	✓
Retirement Planning Services	Retirement planning advice to the employee and/or spouse.	Tax free to the employee.	✓			✓	✓

- 1 Assumes S and C corporation shareholders are providing services as employees.
 - 2 A partner who provides services for the partnership.
 - 3 An independent contractor who performs services for another company.
 - 4 Includes any individual currently employed by the employer, the spouse and dependent children of the employee, any individual who was formerly employed by the employer and separated due to retirement or disability, and the surviving spouse of an employee who died while employed or after separation due to retirement or disability.
 - 5 Includes currently employed employee, and any director of the employer.
 - 6 Special rule for parents in the case of air transportation.
 - 7 Includes any currently employed person, retired, disabled or laid-off employee and any employee presently on leave (for example, armed forces).
 - 8 Safety achievement awards cannot go to managerial, administrative, clerical or other professional employees.
 - 9 Not more than 5% of amounts paid by the employer during the year may be provided to more-than-5% owners (including their spouses and children).
 - 10 Includes the spouse and children of the partner.
 - 11 An independent contractor can participate in his or her own plan, but cannot participate in another company's plan as an independent contractor of that company.
- Note:** The cost of employee fringe benefits is generally tax deductible to the employer, and tax free or tax deferred to the employee when certain requirements are met.