



DINWIDDIE COUNTY FINANCE POLICIES AND PROCEDURES

TAXABLE FRINGE BENEFITS

Adopted March 1, 2015, Revised March 18, 2015, Revised November 18, 2025

POLICY

Dinwiddie County strives to adhere to all federal and state regulations regarding employee payroll and benefits. The Internal Revenue Service (IRS) requires that certain fringe benefits provided by an employer to an employee be taxed through the payroll process. If the fringe benefit does not meet the requirements to be non-taxable, then the cost will be added as taxable wages to the employee's pay check following the receipt, purchase, or reimbursement of the benefit. To be nontaxable, in general there must be an accountable plan that shows the fringe benefits must have a business connection, have adequate accounting by the recipient, and excess reimbursements or advances must be returned to the County.

DEFINITIONS

- A. Fringe Benefit:** A form of pay (including property, uniforms, services, cash, or cash equivalent) provided to an employee in addition to the normal compensation for performance of services.
- B. Taxable:** Included as wages and reported on Form W-2, Wage and Tax Statement, and generally subject to Federal Income Tax, Medicare, and Social Security withholding.
- C. "Away From Home":** The IRS states that "away from home" means any trip that requires an employee to travel overnight, or long enough to require substantial "sleep or rest." Working overtime or at a great distance from the employee's normal work station does not create excludable reimbursements for travel expenses if the employee returns home without spending the night or stopping for substantial "sleep or rest."
- D. "Day Meal":** A meal purchased during the course of an employee's normal work hours and not in an "Away From Home" status.
- E. De Minimis Fringe Benefits:** includes property or services with a value so small that accounting for it is unreasonable or administratively impractical; must be provided only occasionally (infrequently), and not routinely; value is determined by the frequency it is provided to an individual employee or to the workforce as a whole. For example, a holiday lunch provided once a year is not taxable because it occurs infrequently. The law does not specify a dollar value to qualify as de Minimis.
- F. Safety Equipment:** Protective equipment such as steel-toed boots, work gloves, hard hats, highly visible clothing, and safety glasses provided or reimbursed by the County.
- G. Clearly Marked Public Safety Vehicle:** A police, fire, animal control, or other public safety vehicle that is clearly marked via decals, paint, or insignia, and is readily apparent as being of a public safety nature.
- H. Qualified Non-Personal Use Vehicle:** Any vehicle that the employee is not likely to use more than minimally for personal purposes because of its design.
- I. Approver:** The Department Head or Constitutional Officer who authorizes purchases or approves expenditures relating to fringe benefits.
- J. Purchaser:** Employee(s) within the department/office designated by the Approver to make purchases or incur expenditures relating to fringe benefits.
- K. Uniform Log:** Spreadsheet utilized to track taxable clothing per employee.
- L. Group Term Life Insurance:** County provided life insurance for full time employees through the Virginia Retirement System. The death benefits equal two times the employee's salary rounded up to the next \$1,000.

PROCEDURES

A. Meal and Travel Expenditures or Reimbursements

- a. Meal and travel expenses may be reimbursable to the employee if the conditions of the *Dinwiddie County Travel/Training Policy and Procedures* are met. The taxable nature of those reimbursements depends on the circumstances of the meal and travel.
- b. Meal reimbursement is not taxable if the meal is incurred “away from home” or the employee is on call for emergencies during the lunch period (i.e. Sheriff’s Deputies on security duty for a Judge or on an extradition).
- c. Day meals are generally taxable unless the meal is has a business purpose, is provided on the County premises and for the County’s convenience. Occasional group meals and employee picnics are also excludable.
- f. An *Accounting for Day Meals Form* must be completed whether the meal purchase was out-of-pocket and the employee is requesting reimbursement or whether the purchase was made by PCard.
 - i. The purpose of the form is to document the meal to determine if there is an exclusion for taxability and/or to ensure that the right employee(s) are taxed.
 - ii. If an employee is requesting reimbursement, the form should be attached to the Request for Check in MUNIS along with an itemized receipt.
 - iii. If an employee purchases a meal for another employee or group of employees, he/she must complete the form and list the employees who received the meal and the amount to be charged to each employee.
- g. Please refer to the County’s Travel/Training Policy for per diem guidelines and reimbursement procedures.

B. Clothing and Uniforms

- a. Generally, County-provided clothing and clothing allowances are taxable as wages to the employee, unless considered safety equipment or public safety uniforms as defined by the Dinwiddie County Sheriff’s Office and Dinwiddie County Fire and EMS personnel policies.
- b. For public safety personnel, their policy-defined uniforms are considered to be non-taxable if they are required as a condition of employment, they are considered “not suitable for everyday wear”, and the public safety department has a policy of prohibiting off-duty wearing of uniforms.
- c. For non-public safety personnel, polo style shirts, sweat shirts, dress shirts, jackets, cargo pants, ball caps, etc. would be taxable, even if the County name/logo appears on the item. It is not enough that the clothes are marked with “Dinwiddie County” and the employee’s name, or that the employee does not typically wear the clothing except at work.
- d. If a clothing allowance is to be paid in cash (i.e. Sheriff’s Office Investigators), the Approver must send a memo to Payroll so it can be included in the employee’s next payroll check.
- e. When the Approver distributes taxable clothing/uniform items as indicated above to employees, a Uniform Log must be completed and returned to the Accounting Department.
- f. The Uniform Log must indicate the items given to the employee, the employee’s name, the item cost, and tax status. The employee must also sign for receipt of the item. The employee’s signature indicates their understanding of this policy.
- g. The Accounting Department will add the value of the taxable benefit to the paycheck immediately following the employee taking possession of the item.

C. County Provided Vehicles and Vehicle Allowances

- a. If the County provides a vehicle that is used exclusively for business purposes, there is no tax reporting requirement. Use of a qualified non-personal use vehicle, including commuting, is

excludable to the employee; and recordkeeping and substantiation by the employee are not required by the IRS. Qualified non-personal use vehicles include the following:

- i. Clearly marked public safety vehicles used for their specific purpose
 - ii. Unmarked vehicles used by law enforcement officers if the vehicle is used by a full-time law enforcement officer; i.e. an officer authorized to carry firearms, execute warrants, and make arrests.
- b. The employee must be subject to being on-call.
 - c. The employee must be required by an employer to use the vehicle for commuting.
 - d. The employer must prohibit personal use (other than commuting.)
 - g. All employees who are authorized to take County vehicles home will acknowledge in writing their understanding that personal use of the County vehicle is prohibited except for commuting.
 - h. All vehicle allowance payments are taxable to the employee and will be processed through Payroll.

D. Group Term Life Insurance

- a. The cost for up to \$50,000 of coverage is excludable from taxes because the following are true:
 - i. It provides a death benefit that is not included in income;
 - ii. It is provided to 10 or more full-time employees;
 - iii. The amount of insurance is based on pay, not individual selection; and
 - iv. The benefit is provided by a policy carried directly or indirectly by the employer.
- b. The cost for life insurance coverage beyond \$50,000 is taxable as wages.
- c. Employees are automatically taxed through Payroll on the cost of group life insurance in excess of \$50,000.

E. Awards and Prizes

- a. Some types of awards are always taxable. These include:
 - i. Cash or cash equivalent awards (gift cards)
 - ii. Recognition awards for job performance unless de Minimis
 - iii. Non-cash prizes won by employees from random drawings unless de Minimis
- b. Some awards are considered de Minimis and are not taxable.
 - i. They must be of nominal value and provided infrequently.
 - ii. Examples include:
 1. Nominal gifts for birthdays, holidays
 2. Holiday turkeys and hams
 3. Flowers, plaques, coffee mugs for special occasions
 4. A watch or similar gift given on retirement
- c. Cash awards may be paid only through Payroll.

F. Professional Licenses and Dues

- a. Reimbursements to employees or payments made on behalf of employees for the cost of their professional licenses may be excludable if they are directly related to the employee's job. Examples include CPA licenses and notary fees if required for an employee's job.
- b. Reimbursements to employees or payments made on behalf of employees for the cost of dues to clubs organized for business purposes only may be excludable if related to the County's business and when the employee is performing duties related to the organization's focus or mission. Examples are bar association or public service organization dues.
- c. Approvers are responsible for making sure that professional licenses and dues paid for their staff members are directly related to the employees' jobs.

