**Taxable Benefits**  
**BU-PP 492**

**Policy:**  
Baylor University complies with all federal regulations regarding fringe benefits.

**Topics:**  
Federal Regulations  
Net Effect on Employee Paycheck

**Related Policies:**  
None

**Contact:**  
Payroll 254.710.2217  
Tax Compliance 254.710.8765

**Federal Regulations —**  
According to Internal Revenue Code (IRC), when non-cash fringe benefits are provided by an employer to its employees, the fair market value must be included as income to the employee unless the compensation is specifically excluded by an IRC code section.

Fair market value is defined as what it would cost an individual to purchase the benefit on the open market.

When an employee receives a taxable benefit, the fair market value of the benefit is added to the gross wages before Social Security and Income Tax are calculated.

**Net Effect on Employee Paycheck —**  
The net cost to an employee can range from 22% - 46% of the value of the benefit. Every $100 of benefit will cost between $22 and $46 tax dollars. This will be deducted from the employee’s paycheck.

Examples of potential taxable items:
- Tuition Remission  
- University Provided Vehicles  
- Club Memberships  
- Cell Phone  
- Spouse/Family Travel  
- Housing  
- Moving Expenses  
- Discounts >20% on Athletic Season Tickets  
- Non-Qualified Business Related Reimbursements