

## 2005 Fringe Benefits Comparison Chart

Employee Benefits			Who Is Considered an Employee?				
Benefit	Description	Provision	Non-Owner Employee	Self-Employed Individual <sup>3</sup>	Partner <sup>2</sup>	2% S Corporation Shareholder <sup>1</sup>	C Corporation Shareholder <sup>1</sup>
<b>Accident and Health Insurance</b>	Cost of accident and health insurance provided to employee.	Tax free to the employee, subject to certain restrictions.	✓				✓
<b>Adoption Assistance</b>	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
<b>Cafeteria Plans</b>	Two or more benefits consisting of cash and qualified benefits that the employee can select.	Tax free or tax deferred to the employee.	✓				✓
<b>Deferred Compensation</b>	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.	✓			✓	✓
<b>Dependent Care Assistance</b>	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.	✓	✓	✓	✓	✓
<b>De Minimis Fringe</b>	Minimal benefits, such as occasional personal use of office equipment by employee.	Tax free to the employee.	✓	✓	✓	✓	✓
<b>Educational Assistance</b>	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
<b>Employee Achievement Awards</b>	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				✓
<b>Employer-Provided Vehicle</b>	Cost of vehicle used by the employee for business or personal purposes.	May be taxable or tax free to the employee depending on conditions.	✓		✓	✓	✓
<b>Group Term-Life Insurance</b>	Cost of term life insurance provided to the employee.	Up to \$50,000 of coverage tax free to the employee.	✓				✓
<b>Job Placement Assistance (Work. Cond.)</b>	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.	✓ 5		✓	✓	✓
<b>Meals and Lodging</b>	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.	✓				✓
<b>No-Additional-Cost Service</b>	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	✓	✓
<b>On-Premises Athletic Facilities</b>	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	✓	✓
<b>Qualified Employee Discounts</b>	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	✓	✓
<b>Qualified Moving Expense Reimbursement</b>	Amount received as payment or reimbursement for expenses that would be deductible under Section 217 if paid by the individual employee.	Tax free to the employee.	✓				✓
<b>Qualified Retirement Plans</b>	Employer and/or employee contributions to an employer-sponsored retirement plan.	Tax deferred to the employee until funds are withdrawn.	✓	✓ 11	✓	✓	✓
<b>Qualified Transportation Fringe</b>	Employer-provided commuter vehicle transportation between the employee's residence and place of employment, transit passes and qualified parking.	Exclude up to \$105 per month for transit passes and employer-provided transportation; \$200 per month for qualified parking.	✓				✓
<b>Retirement Planning Services</b>	Retirement planning advice to the employee and/or spouse.	Tax free to the employee.	✓	12	12	12	✓
<b>Working Condition Fringe</b>	Property and services the employer provides to employees to perform their jobs.	Tax free to employee if it would have been deductible as a business expense had the employee paid for the goods or services.	✓ 5	✓	✓	✓	✓

<sup>1</sup> Assumes S and C corporation shareholders are providing services as employees.

<sup>2</sup> A partner who provides services for the partnership.

<sup>3</sup> An independent contractor who performs services for another company.

<sup>4</sup> 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.

<sup>5</sup> Includes currently employed employee, and any director of the employer.

<sup>6</sup> Special rule for parents in the case of air transportation.

<sup>7</sup> Includes any currently employed person, retired, disabled or laid-off employee and any employee presently on leave (for example, armed forces).

<sup>8</sup> Safety achievement awards cannot go to managerial, administrative, clerical or other professional employees.

<sup>9</sup> 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).

<sup>10</sup> Includes the spouse and children of the partner.

<sup>11</sup> 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.

<sup>12</sup> The IRS has not comprehensively defined "employee" for this benefit.

**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.