

Administrative Order No. 133

Administrative Order No. 114, adopted April 28, 2010, is hereby repealed.

Pursuant to the authority granted to the City Administrator in Section 2-300, BMCC the following policy is hereby established as the City of Billings Fringe Benefits Policy.

CITY OF BILLINGS FRINGE BENEFITS POLICY

Purpose

This Administrative Order provides guidance to department heads, managers, supervisors, and employees regarding the City's Fringe Benefits policy. This Administrative Order explains the Internal Revenue Service (IRS) rules about taxability of certain employee fringe benefits and how the City of Billings must apply the IRS rules.

Taxable Fringe Benefits

Fringe benefits include any compensation other than wages. Generally, any compensation is taxable; however, the Internal Revenue Code provides exclusions for numerous forms of noncash compensation provided to employees. The City of Billings provides its employees with both taxable and non-taxable fringe benefits. The City of Billings will follow the IRS guidelines in IRS Publication 15-b and Publication 5137. This policy defines procedures for common fringe benefits provided by the City of Billings, but is not an exhaustive list of all benefits provided.

Procedure

All taxable fringe benefits must be reported to the Payroll Division using the form at the end of this document, soon after the benefit is provided. For any questions related to fringe benefits contact the Payroll Division or reference the IRS Publications 15-b and 5137.

Clothing/Uniform Allowances

Clothing allowances will be tax exempt if they meet the criteria of an accountable plan and the clothing is non-conducive to everyday wear. The employee may purchase the clothing and receive reimbursement or the City may purchase the clothing through a centralized vendor. In either case, divisions/departments must account for all items of clothing that it or employees purchase, who received the clothing or reimbursement, and for the dollar amount of each purchase.

Non-conducive to everyday wear means that the reimbursable work clothing must be styled, identified, or otherwise clearly intended only for work and not for personal usage.

An example of non-conducive to everyday wear is a uniform shirt with a City logo and pants that would not normally be worn in public as an article of personal clothing.

Some examples, but not an exhaustive list, of conducive to everyday wear is:

- Jeans, no matter how, when or where they are purchased
- Dress clothing such as sport coats, slacks, dresses and suits
- Undergarments
- Khaki pants or shorts
- Collared shirts, tee shirts or other shirts without a City logo or other markings that clearly identify it as work apparel

Any clothing that does not meet the non-conducive criteria must be reported annually to the Payroll Division. The market/purchase value will be entered on the employees' paychecks and taxed.

City Vehicle Use

Personal use of a city owned vehicle is generally a taxable fringe benefit. Personal use includes the value of commuting in a city-owned vehicle, even if the vehicle is taken home for the convenience of the employer. However, any qualified non-personal use qualifies as a working condition fringe benefit, and is not included in taxable income.

Qualified non-personal use vehicles include:

- Clearly marked police, fire, and public safety officer vehicles. The employee must be on call, required to commute in the vehicle, and is prohibited from personal travel outside of the City.
- Unmarked vehicles used by law enforcement officers. The officer must be authorized to carry a firearm, execute search warrants, and make arrests.
- Qualified specialized utility repair truck that the employee is required to drive home to be able to respond in emergency situations to restore utility services (no other personal use is allowed). This is any truck (not including a van or pickup truck) that is designed to carry specialized repair tools or equipment. A qualified non-personal use pickup truck must be equipped with one of the following:
 - A hydraulic lift gate
 - Permanently installed tanks or drums
 - Permanent side boards or panels that materially raise the level of the sides of the truck bed.

Or the pickup must be used to transport a particular type of load in an operation for which it was specially designed or significantly modified. Some examples of these vehicles that are currently owned by the city are attached.

Any other personal use shall be tracked by the employees' department and reported as a taxable fringe benefit using the attached form. The value of the personal use shall be calculated using the current IRS per-mile rate. If calculating this amount creates an unreasonable burden on the reporting department, a flat rate of \$3 per day should be used instead.

City vehicles that are parked at a Fire Station or other City facility overnight or for quick response to on-call or standby work and are exchanged for the employees' personal vehicles during those work periods are not classified as taxable employee benefits.

Gifts Cards and Employee Incentives or Awards

Gift cards, debit cards, gift certificates, employee recognition cash awards, etc. are taxable benefits. Each department is responsible for tracking the amount of such gifts or awards, by employee, and reporting this information monthly to the Payroll Division of Human Resources. The reported amounts will be added to those employees' paychecks and taxed. Movie tickets for Star Awards that are not routinely given to employees (occasional or infrequently) will be considered a De Minimis Fringe benefit.

Tuition Assistance

Tuition Assistance may be available to eligible employees depending on their Collective Bargaining Agreements or City policy. If eligible, the Tuition Assistance exclusion allows the City to offer up to \$5,250 per year in educational assistance as a tax-free benefit. Any Tuition Assistance offered greater than \$5,250 per year is taxable.

Cell Phones

Personal use of an employer provided cell phone, if the cell phone is provided primarily for City use, can be excluded from income.

Violation of this policy may lead to disciplinary action up to and including termination.

Dated this 29th day of December, 2017.



Bruce McCandless, Acting City Administrator

An example of a vehicle that qualifies as a non-personal use vehicle is pictured below:

CFR-2014-title 26-vol. 3-sec. 1-274-5

This specialty utility repair truck with permanent modifications is not taxable.



Sample Fringe Benefit Form

City of Billings - Taxable Fringe Benefit

Department/Division Name: