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4.3.5 Submit Taxable Fringe Benefit Payments

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Policy Statement

Some fringe benefits are subject to employment taxes and must be reported on Form W-2. Units that provide the benefits must report the value to University Payroll and Benefits (UPB).

Procedure

To submit taxable fringe benefit payments:

1. Determine whether the fringe benefit is taxable. Fringe benefits are items such as, but not limited to:
 - Event tickets
 - Country club dues
 - Housing
 - Moving expenses that may be taxed (non-qualified moving expenses)
 - Tuition reduction
 - Personal use of an employer-provided vehicle
2. Determine how much you want the employee to receive:
 - **Net Award** (unit increases award amount to cover taxes withheld) -- Use the online Gross-up Calculator to calculate what the total amount must be to ensure the employee will "take home" the desired amount.
 - **Gross Award** (unit does NOT increase the award to cover taxes withheld).

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If you choose the net award, use the Fringe Benefit Report Template to enter the C-FOAPAL to be charged the withholding amount.

3. Submit a complete [Fringe Benefit Report Template](#) to obfsxbop@uillinois.edu by November 15 for benefits provided from November 1 of the previous year through October 31 of the current year. Benefits received after October 31 can be reported on next year's income tax (IRS Special Accounting Rule).

For taxable fringe benefits other than taxable tuition benefits, UPB withholds at the Supplemental Rate as defined in *IRS Publication 15B Employer's Tax Guide to Fringe Benefits*:

- 22% withholding rate for Federal
- 4.95% for State of Illinois
- 1.45% Medicare, plus an additional 0.9% for wages in excess of \$200,000 in a calendar year, if applicable
- 6.2% Social Security, if applicable

Taxable benefits are typically not subject to 8% SURS.

For taxable tuition benefits, income taxes are withheld under the graduated withholding method; therefore, federal and state income taxes are withheld in accordance with the employee's current Form W-4 on file with UPB. Social Security and Medicare taxes (if applicable) are withheld at rates of 6.2% and 1.45%, respectively, of the taxable value.

Forms Used in this Procedure

[Fringe Benefit Report Template](#)

Related Policies and Procedures

For information about when taxable benefits are subject to SURS, consult [18.5 Fringe Benefits](#)

Additional Resources

[IRS Publication 15B, Employer's Tax Guide to Fringe Benefits Gross-Up Calculator](#)

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