

X-25 Taxable Compensation, Supplemental Compensation or Benefits from
Nonpublic Sources & Drug Prevention Program Certification

NORTHWESTERN STATE UNIVERSITY
Taxable Compensation, Supplemental Compensation or
Benefits from Nonpublic Sources & Drug Prevention
Program Certification

- I. Purpose and Scope:** To establish a policy as required for the **reporting of all taxable compensation** provided to employees, withholding of applicable amounts to meet the employee's tax liability associated with the taxable compensation, to provide guidelines for establishing a value for taxable compensation and to provide guidelines for inclusion or exclusion of fringe benefits as taxable compensation.
- To establish a policy for **reporting receipt of supplementary compensation or benefits for employees of public higher education institutions, boards or systems**. For each employee, a list of each "supplementary compensation" with its value and non-public source, to include but not limited to, foundations, athletic associations, alumni associations, etc. shall be reported to the System President for Board approval.
- To establish a policy for annual distribution to employees of the **university's drug prevention program**.
- II. Reference:** **Taxable Compensation - Division of Administration Policy and Procedure Memorandum No. SA 00-10.**
- Taxable Compensation memorandum dated August 26, 1999, from Division of Administration (Attachment #1).**
- Commission of Ethics for Public Employees supplemental opinion concerning the receipt of supplementary compensation or benefits for employees of public higher education institutions, boards or systems, Opinion No. 91-070-A.**
- Code of Federal Regulations [34 CFR 86.100].**

TAXABLE COMPENSATION

Definitions:

For purpose of this policy the following definitions shall apply.

Compensation – includes wages, salaries, bonuses, tips, commissions, fringe benefits, termination or severance pay, commission per diem and any and all similar items.

Fair Market Value (FMV) – that amount of compensation that would be paid between unrelated third parties to obtain a service or benefit.

Fringe Benefits – meals, lodging, allowances, vehicle personal usage, moving expenses, etc.

Inkind – noncash compensation, may include meals, lodging, vehicle personal use, moving expenses, etc.

Reimbursed Expenses – items of expenditure incurred by an employee in the performance of his job.

Tax Liability – includes federal and state tax withholding, FICA and Medicaid withholding and any penalty or interest payment due as a result of noncompliance.

Tax Compensation – all compensation items not excludable as income under a specific IRS Code Section.

Policy:

It shall be the policy of the state of Louisiana to report all taxable compensation and withhold all applicable taxes for such compensation as required by the **Internal Revenue Code** on each scheduled pay period.

This policy applies to **all** employees of the university including graduate assistants, adjunct instructors, student employees, etc.

Reporting Requirements

Each board, commission, department, agency, institution or office must develop a plan each calendar year delineating those conditions under which an employee shall receive any compensation other than salary, wages, per diem for board members and those benefits provided by the **State Employee Group Benefits Program** and the various retirement systems. The plan must include the specific employee receiving the compensation, the valuation method of the compensation, the value of the compensation and any reason the compensation is partially or fully nontaxable to the employee. Such plan shall be submitted for approval to the commissioner of administration by each February 1.

Should the university fail to adequately value, report, or withhold applicable taxable for compensation provided employees, payment of any tax liability shall be made from the university's appropriation.

Reimbursed Expenses

Payments to employee in accordance with **General Travel Regulations - PPM No, 49** for reimbursement of actual business travel expenses shall be treated as a non-compensation item.

Employment Contracts

For purpose of computing taxable compensation, the provisions of an employment contract, or state law fixing the terms of employment cannot be considered in determining if fringe benefits are intended as compensation.

Valuation Method

The general valuation rule will be **FMV**. Taxable cash compensation items, regardless of source, are to be reported and withheld at the dollar value paid. Taxable inkind noncash compensation, including fringe benefits, are to be included at **FMV** of the property transferred, excluding any payment offsets at the time of the transfer, unless excluded or adjusted under a specific **Internal Revenue Code Section**. There is no taxable compensation if the employee pay **100 percent** of the **FMV** of the benefit.

Evaluation Tests for Exclusion from Taxable Compensation

The general rules of evaluation to be used in determining if and when a fringe benefit is exempt from inclusion as taxable compensation are as follows:

1. MEALS

- a. The value of meals furnished to an employee by and on behalf of the state, will be excludable from the employee's gross compensation if two tests are met:
 - i. the meals are furnished on the premises of the employer; and
 - ii. the meals are furnished for the convenience of the employer.
- b. Meals furnished by the state without charge will be considered furnished for the convenience of the employer if the meals are furnished for substantial **non-compensatory business reasons** of the state rather than as a means of providing additional compensation to the employee.
- c. On the premises will be interpreted to mean either:
 - i. quarters that constitute an integral part of the business property; or
 - ii. premises on which the entity carries on some of its business activities.

2. LODGING

- a. The value of lodging furnished to an employee by or on behalf of the state will be excluded from the employee's gross income, if three tests are met:
 - i. The lodging is furnished on the business premises of the employer;
 - ii. The lodging is furnished for the convenience of the employer; and
 - iii. The employee is required to accept such lodging as a condition of his employment. The third requirement means that the employee must be required to accept the lodging on the business premises in order to enable him to properly perform the duties of his employment, which in turn will mean that the lodging is furnished because the employee is required to be available for duty at all times or because the employee could not perform the services required of him unless he was furnished such lodging.
- b. On the business premises will be interpreted to mean either:
 - i. Living quarters that constitute an integral part of the business property; or
 - ii. Premises on which the entity carries on some of its business activities.
- c. Ownership or control by the state of the premises furnished is not a test criteria.
- d. Lodging includes utilities and associated related items such as lawn maintenance, maid service, etc. The value of utilities, etc., furnished to the employee for the convenience of the state is excludable, unless the employee contracts directly with the utility, etc., for the service.

3. TRANSPORTATION

- a. The value of personal use of a state vehicle must be included a taxable compensation.

- b. The value for use of a state vehicle for commuting purposes shall be a flat **\$1.50** per one way commute trip (**\$3 per day for round trip**) if the following conditions are met:
- i. The vehicle is owned or leased by the state and is provided for and used for state business;
 - ii. For bona fide non-compensatory business reasons, the state requires the employee to commute to and from work in the vehicle;
 - iii. The department, agency, etc. has a written policy which disallows personal use of the vehicle by the employee, or any individual whose use would be taxable to the employee, except for de minimus personal use such as lunch stop between business meetings;
 - iv. Neither the employee nor any individual whose use would be taxable to the employee uses the vehicle for any personal purpose other than commuting and de minimus personal use; and
 - v. The employee using the vehicle is not a control employee as defined in **Temporary Regulation 1.61-2t(f) (5), (6)**.
- c. For valuation of personal use of a vehicle for those employees who use a state vehicle to commute, but do not meet the conditions enumerated above and those employees who have personal use of other modes of transportation alternative valuation methods are available in the **Internal Revenue Code and Regulations**.

Parking - Taxable Benefits

The **Energy Policy Act of 1992** amended the **Internal Revenue Code** provisions on taxing employer provided transportation benefits. Under these provisions, employer provided parking in a public parking facility valued up to \$155 per month may be excluded from taxable income. Any amounts of \$155 or higher must be considered taxable fringes and are to be included in taxable income. The value of the parking cost is to be based on the cost an employee would incur in an arm's-length transaction to obtain parking at the same site. If this cost cannot be determined, value should be based on the cost incurred in an arm's-length transaction to obtain other space in the same lot or a comparable lot in the same general area.

SUPPLEMENTARY COMPENSATION OR BENEFITS FROM NONPUBLIC SOURCES

Policy:

In Advisory Opinion No. 91-070, the Commission on Ethics for Public Employees noted that the exception to the prohibition against public servants receiving anything of economic value from a nonpublic source for the performance of the duties and responsibilities of their office or position requires that supplementary compensation or benefits from nonpublic sources may be received by an employee of a higher education institution, board or system but only "as approved by the appropriate policy or management board." Furthermore, the Commission stated that the required approval must be with respect to a particular employee and must be exercised by the appropriate "policy or management board" itself, at a convened meeting, and may not be delegated to any other committee or individual. Lastly, the Commission noted that the approval must be with regard to each and every "supplemental benefit or supplementary compensation" received by that [particular] employee.

III. Responsible Area: Business Affairs - Payroll Section

NOTE: *Annually, the request for Annual Taxable Compensation Certification, Supplementary Compensation or Benefits from Nonpublic Sources Certification & Drug Prevention Program is routed through the University's e-mail process to each regular full-time employee to report compensation from the university other than salary or wages.*

Payroll Supervisor/Designee

1. Annually request Data Entry section to issue "**Request Memo**" (**Attachment #1**), **Taxable Compensation, Supplemental Compensation or Benefits From Nonpublic Sources and Drug Prevention Program Certification** (**Attachment #2**) for completion along with the **Taxable Compensation and Supplemental Compensation or Benefits From Nonpublic Sources Disclosure** (**Attachment #3**).

Employee

2. Complete document to show any noncash compensation paid to employee by the university. Include the value of the compensation, valuation method and taxability.
3. Complete document to disclose anything of economic value from a nonpublic source for the performance of the duties and responsibilities of employee's office or position. Nonpublic sources include, but is not limited to, foundations, athletic associations, alumni associations, etc.
4. Sign and date document certifying that **all** noncash compensation paid to the employee has been disclosed, that anything of economic value received the employee from a nonpublic source for the performance of the duties and responsibilities of their position has been disclosed, and that the employee has received a copy of the university's drug prevention program.
5. Meet with Budget Unit/Division Head to review the document.

Budget Unit/Division Head

6. Review document. If correct, sign and date that the document accurately reflects all noncash compensation or supplemental compensation or benefits from nonpublic sources received by the employee. Resolve any differences with the employee.

NOTE: *If any of the employees that you supervise do not have access to e-mails, it is your responsibility to make sure that all your employees receive a copy of and complete the Taxable Compensation Form(s).*

7. Route document to appropriate Vice President.

NOTES: *The university requires completion of the Taxable Compensation and Supplementary Compensation or Benefits from Nonpublic Sources and Drug Prevention Program Certification by all full-time employees. The Budget Unit Head is responsible for notifying Business Affairs - Payroll Section if any other employee under their supervision will be receiving any compensation from the university other than salary or wages, or if they will be receiving anything of economic value from a nonpublic source for the performance of the duties and responsibilities of their position. This includes student workers.*

Upon employment of a new employee, the Budget Unit Head/Supervisor advises the new employee of the university's taxable compensation, supplemental compensation or benefits from nonpublic sources and drug prevention program policy during the departmental entrance conference.

Appropriate Vice President

8. Review document. If approved and correct, sign and date that the document accurately reflects **all** noncash compensation or supplemental compensation or benefits from nonpublic sources received by the employee. Resolve any differences with the Budget Unit/Division Head and employee.
9. Route document to Business Affairs - Payroll Section.

Attachment #1

DATE: February 20XX

TO: ALL UNIVERSITY EMPLOYEES

FROM: BUSINESS AFFAIRS - PAYROLL SECTION

RE: **Annual Taxable Compensation, Supplemental Compensation or Benefits From Nonpublic Sources and Drug Prevention Program Certification**

It is the policy of the state of Louisiana to report all taxable compensation and withhold all applicable taxes for such compensation as required by the Internal Revenue Code on each scheduled pay period. This policy applies to **ALL** employees of the University including graduate assistance, adjunct instructors, student employees, etc.

Under the provisions of PPM 73, the University is required to submit a plan for delineating those conditions under which an employee shall receive any compensation other than salary, wages and per diem for Board Administration no later than February 1 of **each** year.

The plan must include the specific employee receiving the compensation, the valuation method of the compensation, the value of the compensation and any reason the compensation, the value of the compensation and any reason the compensation is partially or fully nontaxable to the employee.

In order to complete the plan as required, each full-time employee must complete the certification below attesting as to whether they receive any of the identified items during the period January 1 - December 31, 20XX. For any employee who received any of the identified items during the prior calendar year, the attached **Taxable Compensation and Supplemental Compensation or Benefits From Nonpublic Sources Disclosure** form must be completed. A separate form must be prepared for each applicable employee and submitted to Business Affairs - Payroll Section by January 21st.

Budget Unit Heads are responsible to identify and report to Business Affairs any part-time employees, graduate assistants and student workers who received any taxable compensation during the prior calendar year. *Also, any employee who does not have access to e-mail, it is your responsibility to make sure that all your employees receive a copy of and complete the Taxable Compensation form(s).*

Under the provision of Act 359 of the 1986 Regular Session of the Louisiana Legislature, supplementary compensation or benefits from nonpublic sources may be received by an employee of higher education institution, board or system but only "as approved by the policy or management board." Each and every supplemental benefit or supplementary compensation received by an employee must be approved.

For any employee who received any supplemental benefit or supplementary compensation from non public sources during the period January 1 - December 31, 20XX, the attached **Taxable Compensation and Supplemental Compensation or Benefits From Nonpublic Sources Disclosure** form must be completed. A separate form must be prepared for each applicable employee and submitted to Business Affairs - Payroll Section by January 21, 20XX.

The Taxable Compensation, Supplemental Compensation or Benefits From Nonpublic Sources and Drug Prevention Program Certification also serves as a method for each full-time employee to certify that they have received a copy of the University's Drug Prevention Program.

Please refer to procedure X-25 in your **Fiscal Policy and Procedure Manual** for additional information.

X-25-9

02/08

NORTHWESTERN STATE UNIVERSITY
TAXABLE COMPENSATION DISCLOSURE

Attachment #3

Under the provisions of PPM 73, the university is required to submit a plan for delineating those conditions under which an employee shall receive any compensation other than salary and wages.

Payments to employees in accordance with General Travel Regulations - PPM No. 49 for reimbursement of actual business travel expenses shall be treated as a non-compensation item and should not be reported.

Employer provided parking in a public parking facility valued up to \$155 per month may be excluded from taxable income.

The general valuation rule will be Fair Market Value.

Please indicate if any employee under your supervision will be receiving any of the following during the next fiscal year:

1. **Meals:** (Do not include meals provided or reimbursed under travel regulations)

Description of Meals Provided: _____

Value of the Meals: _____

Valuation Method: _____

Reason meals are partially or fully nontaxable: _____

2. **Lodging:** (See evaluation tests for exclusion from taxable compensation)

Description of Lodging: _____

Value of the Lodging: _____

Valuation Method: _____

Reason lodging is partially or fully nontaxable: _____

3. **Transportation:** (Personal use of a state vehicle)

Description of Transportation: _____

Value of Transportation: _____

Valuation Method: _____

Reason transportation is partially or fully nontaxable: _____

4. **Taxable Parking:**

Description of Parking: _____

Value of Parking: _____

Valuation Method: _____

Reason parking is partially or fully nontaxable: _____

5. **Uniforms**

Description of Uniforms: _____

Value of Uniforms: _____

Valuation Method: _____

Are your uniforms required by the university? Yes _____ No _____

Are your uniforms distinctive with emblems, etc., which make them not a substitution for street clothes? Yes _____ No _____

Do the uniforms remain with the employee or are they turned in to the university upon separation of employment or when they are worn out, etc.?

Please explain: _____

Reason uniforms are partially or fully nontaxable: _____

6. **Other**

Type of Compensation: _____

Value of Compensation: _____

Valuation Method: _____

Reason other compensation is partially or fully nontaxable: _____

I certify that I have disclosed all taxable compensation other than salary and wages that will be received by me during the upcoming fiscal year July 1 - June 30.

Employee Name/Social Security Number _____ Date _____

SUPPLEMENTAL COMPENSATION OR BENEFITS FROM NONPUBLIC SOURCES

Under the provisions of Act 359 of the 1986 Regular Session of the Louisiana Legislature, supplementary compensation or benefits from nonpublic sources may be received by an employee of a higher education institution, board or system but only "as approved by the appropriate policy or management board".

Each and every supplemental benefit or supplementary compensation received by an employee must be approved.

Please list each and every supplemental benefit or supplementary compensation you received during the period January 1 - December 31, 20XX.

I certify that I have disclosed all supplementary compensation or benefits from nonpublic sources that was received by me during the period January 1 - December 31, 20XX.

Employee Name/Social Security Number _____ Date _____

ASSIGNMENT, APPROVALS, ROUTING

Budget Unit/Department Assigned To _____ Budget Unit/Department Account Number _____

Budget Unit Head _____ Date _____

Dean _____ Date _____

Vice President or President _____ Date _____

From Employee to Budget Unit/Division Head to Applicable Vice President or President. Approved copy to Employee and Business Affairs from Vice President