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Fall is the season of the year in which many businesses review their fringe benefits provided to employees. With much recent attention directed to the complexities of health insurance benefits under the Affordable Care Act, other benefits –with income and employment tax consequences– can be overlooked or delayed for review. It is worth noting a June, 2014, IRS letter (Number 2014-0017) that addressed the issue of whether free parking provided by an employer for its employees is a taxable benefit whose value must be reported as income by the employee.

That letter made five points:

- A fringe benefit provided by an employer to an employee is presumed to be income to the employee unless a specific section of the Internal Revenue Code excludes it from gross income.
- Section 132(a)(5) of the Internal Revenue Code excludes from gross income any benefit that is a “qualified transportation fringe.”
- “Qualified transportation fringe” includes qualified parking defined as “employer provided” parking on or near the business premises of the employer. “Employer provided” parking must meet three tests:
 1. It is provided on property that is owned or leased by the employer;
 2. The parking is paid for by the employer; or
 3. The employer reimburses the employee for parking expenses.
- The amount excludable from gross income for qualified parking may not exceed \$175 per month. Any amount in excess must be included in employee’s wages for income and employment tax purposes.
- Federal unemployment taxes are not withheld on qualified parking fringes under \$175 per month.

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