

Taxes Infringe on Benefits

By Reg P. Wydeven
September 14, 2014

As I've mentioned in several previous articles, my summer job during college was a janitor in the Kimberly middle school. While I loved my job, it did cause me to hate one thing: gum.

On my first day on the job, I was given a putty knife and was told to carry it with me at all times. I used it to scrape gum off the floor, out of lockers, from under desks, on the bottom of trash cans, out of urinals, off the ceiling, and worst of all, out of carpet.

While I was never a big gum-chewer myself, I definitely stopped chewing after my first week. If I ever do chew gum, I carefully wrap it in paper before throwing it away for the sake of my custodial brothers and sisters.

Had I chewed gum, I would have been in heaven, as I had free access to a lifetime supply.

While all the gum I could chew and a huge key chain of keys were fringe benefits of being a janitor, some jobs have even better perks.

Many employers in California's Silicon Valley offer their employees free meals. To attract and keep the best workers, tech companies like Google, Yahoo, Facebook and Twitter provide one or two free meals per shift. Some companies even offer gourmet fare, such as stuffed quail and mussels.

While these companies view the free meals as an added bonus to their employees, the IRS recently decided they are a taxable fringe benefit. Both the IRS and the U.S. Treasury Department have indicated that the taxation of these meals is at the top of the list of tax priorities for next year. Both agencies intend to release additional guidance on the issue.

The IRS feels there is a lot at stake here to tax. In simple numbers, if an employee gets two free meals a day that are worth \$10 each and works 250 days a year, the IRS feels the employee received \$5,000 in compensation for that year. Because it's impossible to know how many employees eat how many meals a day at who-knows what price, it is practically impossible to tax the employee. Therefore, the IRS proposes to tax employers.

The IRS feels that failing to tax companies for these free meals creates an unfair advantage in attracting employees over companies without cafeterias. In addition, by taxing free meals, this will lessen the tax burden on the rest of us taxpayers.

The tech companies are obviously opposed to the concept. They claim that perks such as free meals, and also free yoga classes and massages, are part of the culture in Silicon Valley. While the perks do help attract employees, they also result in happy, productive employees. Some critics also fear that taxing free meals is a slippery slope which could lead to taxing free coffee or soda.

Silicon Valley employees have a good thing going and they're afraid the IRS is going to gum up the works.