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Governmental Liaisons
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Tax Information for Federal, State, and Local Governments

Federal, State & Local Governments - A Closer Look
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Federal, State and Local Governments News
Recent developments affecting government entities

Issues for Government Entities
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Educational Resources



The following products provide valuable information on a range of federal tax responsibilities that apply to Federal tax issues faced by federal, state and local governments.

FSLG Products

These items were created and are maintained by the office of Federal, State, and Local Governments specifically to address the federal tax concerns of governmental entities.

[Publication 963, Federal-State Reference Guide](#)

This publication provides government employers a comprehensive reference guide for Social Security and Medicare coverage and Federal Insurance Contributions Act (FICA) tax withholding issues.

[Publication 5137, Fringe Benefit Guide](#)

In-depth discussion of meal allowances, travel, transportation, moving expenses, education and other common fringe benefit situations for public employers.

[Publication 5138, Quick Reference Guide for Public Employers](#)

A brief guide to information reporting and employment tax rules, including social security coverage and fringe benefits, for government employers.

[Form 14581, FSLG Compliance Self-Assessment](#)

This tool provides a "checklist" form to allow you to determine your level of compliance with Federal tax laws.

[FSLG Toolkit](#)

This web-based contains a collection of links to all essential Federal tax materials for all employers. This Toolkit contains four subsections to address: Public employers, Government Entity Compliance, Government Retirement Plans, and International Issues.

General IRS Publications

The products below are general IRS publications for employers. With few exceptions, the material in these publications is applicable to all employers, governmental or private.

[Publication 15, Employer's Tax Guide \(Circular E\)](#)

[Publication 15-A, Employer's Supplemental Tax Guide](#)

[Publication 15-B, Fringe Benefit Tax Guide](#)



Cell Phones

No longer considered listed property

- Notice 2011-72, 2011-38 I.R.B. 407



Payments In Lieu of Insurance

Receipts for insurance or medical expenses

- Non-taxable – No reporting required



Payments In Lieu of Insurance

Cash Payments – No Accounting

- Fully taxable
- W-2 reportable
 - Box 1 – Gross Compensation
 - Box 3 – SSA Wages
 - Box 5 – Medicare Wages



Moving Expenses

IRC Section 132(g):

- Allows employer to reimburse employee

IRC Section 217:

- Allows individual to deduct certain expenses



Moving Expenses

Not taxable to employee if they are:

- paid under an Accountable Plan
- meet specific tests under IRC 217



IRC 217 Tests

Individual must be an employee who incurs the expenses

Expenses must:

- closely relate to starting work at new job location
- be allowed under section 217
- meet time and distance tests



Moving Expenses – Travel Costs

Non-taxable travel costs:

- Moving other members of household
- Airfare, car
- Lodging while travelling
- Parking fees, tolls



Moving Expenses: Goods & Personal

Non-taxable moving costs - household goods/personal effects:

- Packing, crating, transporting
- Shipping car(s)
- Shipping pet(s)
- Storage & insurance (30 consecutive days)



Moving Expenses- Reimbursements

Don't include reimbursements in income if:

- the reimbursed expenses qualify under IRC 217, and
- they are paid in the same calendar year they are deducted



Moving Expenses

Timing of taxability

Employer's reporting on W-2



Meal Allowances & Reimbursements

Meals while traveling

Meals while not traveling

- Meals with meetings or entertainment
- De minimis meal allowances



Meal Allowances & Reimbursements

Meals while traveling

- Tax-exempt requirements:
 - Must be away from tax home overnight, or long enough to require substantial sleep or rest
 - No set number of hours or miles away
 - Substantiation required



Meal Allowances & Reimbursements

Meals not away from home:

- Meals with meetings
- Meals with entertainment
- De minimis meals



Meal Allowances & Reimbursements

Meals with meetings or entertainment:

- Tax-exempt if meal meets test:
 - “Directly Related” test, or
 - “Associated With” test



Meal Allowances & Reimbursements

“Directly Related” Meals are tax-exempt:

- business meetings
- service club or professional meetings
 - Example: Rotary, Finance Officers Association, CPA



Meal Allowances & Reimbursements

“Associated With” Test

- Meals with clear business purpose
- Substantial business discussion/negotiations directly before or after a meal



Meal Allowances & Reimbursements

“Associated With” Meals are tax-exempt meals at:

- conventions
- conferences



Meal Allowances & Reimbursements

De Minimis Meals are tax-exempt if meal is:

- small in value and occasional
- not provided routinely or often
- provided so employee can work overtime



Meal Allowances & Reimbursements

De minimis meal

- Generally, must be consumed during overtime period
- Not based on number of hours worked



Meal Allowance & Reimbursements

Note: Meals consumed en route to daily business events are not exempt

- Example: Breakfast and dinner while traveling to and from a daily convention or conference would not be exempt



Meal Allowances & Reimbursements

- If not staying at a hotel, there is no tax exempt meal reimbursement while traveling to and from event
- If everyone is responsible for their own arrangements during a lunch break, the reimbursement for lunch is fully taxable



Employee's Car

Reimbursed business use is non-taxable if
AT or BELOW Federal Mileage Rate



Standard Mileage Rates

2010	.50 cents per mile
2011	.51 cents per mile
2012	.555 cents per mile
2013	.565 cents per mile
2014	.56 cents per mile
2015	.575 cents per mile



Employer Provided Vehicles

Qualified non-personal use vehicle

- by its design is unlikely to have personal use
- use is tax-exempt



Employer Provided Vehicles

Qualified non-personal use vehicles

- Clearly marked police and fire vehicles
- School buses
- Unmarked law enforcement vehicles
- Special purpose vehicles – snow plows, etc.
- Vans and pickups must be modified to qualify



Employer Provided Vehicles

See Publication 15-B for valuation rules on employer provided vehicles.

www.irs.gov/publications