YEAR-END PAYROLL RESOURCE

2026 Taxable Fringe Benefit Review Guide

YEAR-END ACTION
Review benefits, reimbursements, awards, gifts, vehicle use, and other non-wage compensation provided during 2026. Notify your Payroll Specialist of items that may need to be reported before the final payroll of the year.

What is a fringe benefit?

A fringe benefit is a form of compensation provided to an employee in addition to regular wages and may include property, services, cash, or cash equivalents. Generally, fringe benefits are taxable unless a specific tax law allows the benefit to be excluded from taxable wages. Taxable fringe benefits generally must be included in the employee's wages and reported on Form W-2.

A benefit provided to an employee's spouse, dependent, or another individual may also be treated as a benefit provided to the employee, depending on the type of benefit and applicable tax rules.

In general, the taxable amount is the fair market value of the benefit, reduced by any amount paid by the employee and any amount specifically excluded under applicable tax law.

Common fringe benefits to review

- Group-term life insurance: Employee coverage over $50,000.
- Spouse or dependent group-term life insurance: Coverage that exceeds the applicable de minimis exclusion. IRS guidance identifies coverage of $2,000 or less as an example of a de minimis benefit.
- Educational assistance: Amounts exceeding $5,250 annually, unless the excess qualifies for another exclusion, such as a working condition benefit.
- Health insurance for greater-than-2% S corporation shareholders: Employer-paid medical insurance premiums are subject to special fringe benefit and reporting rules.
- Dependent care assistance: Amounts exceeding the applicable exclusion or benefits that otherwise do not qualify for exclusion. For 2026, the general annual exclusion is $7,500, or $3,750 for married employees filing separately, under a qualifying program.
- Employee loans: Certain below-market loans, imputed interest, and forgiven employee debt.
- Employer-provided vehicles and auto allowances: Personal use of an employer-provided vehicle and certain vehicle or auto allowances.

Common fringe benefits to review

- Qualified parking and commuter transportation: Benefits exceeding the 2026 IRS monthly exclusion of $340 for qualified parking or $340 for commuter highway vehicle transportation and transit passes.
- Mileage reimbursements: Reimbursements exceeding the applicable IRS standard business mileage rate, to the extent required under the employer's reimbursement arrangement.
- Spouse or dependent business travel: Employer-paid travel costs that do not qualify for a business-related exclusion.
- Employee discounts: Discounts exceeding the applicable tax-free limits or that otherwise do not meet the requirements for a qualified employee discount.
- Country club and social club memberships: Memberships provided for personal use.
- Entertainment and sporting event tickets: Tickets that do not qualify as a de minimis fringe benefit, including season tickets.
- Cash and cash-equivalent awards: Cash, gift cards, gift certificates, and similar awards, regardless of dollar amount.
- Non-cash awards: Awards that do not qualify for an applicable exclusion, including awards that fail the requirements for qualified safety or length-of-service awards.
- Employer-paid legal services: Certain employer-paid group or individual legal services.
- Employer-paid or reimbursed moving expenses: Unless the employee qualifies for a specific exclusion.
- Life insurance arrangements: Certain employer-provided arrangements, including split-dollar life insurance.
- Equity compensation: Stock options, restricted stock, stock grants, and other equity compensation, depending on the award and tax treatment. Information should generally be coordinated with the company's stock administrator, broker, CPA, or tax advisor.

Review and document

Important reminders

- This list is not all-inclusive. Tax treatment depends on the facts, the type of benefit, the recipient, the employer's plan documents, and whether an exclusion applies.
- Not every item listed in this guide is automatically taxable. The list is intended to prompt review and documentation.
- Cash and cash equivalents, including gift cards and gift certificates, are generally taxable and are not excluded merely because the value is small.
- Employers should maintain supporting records showing the benefit provided, fair market value, employee contributions, business purpose, and calculation of any taxable amount.

BENEFIT OR PAYMENT	WHAT TO CAPTURE
Benefit provided	Description, recipient, and date provided
Value	Fair market value and calculation method
Employee contribution	Any amount paid by the employee
Business purpose	Documentation supporting the business reason
Tax treatment	Exclusion applied or taxable amount reported

Questions and additional guidance

If you are unsure whether a benefit is taxable or how it should be valued, consult with your CPA or tax advisor. Additional guidance is available in IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits.

IRS PUBLICATION 15-B
Employer's Tax Guide to Fringe Benefits
irs.gov/publications/p15b