

TICKETS TO EMPLOYEES TAXABILITY MATRIX

SITUATION	EXAMPLE (1)	TRANSACTION TYPE	REFERENCES	EMPLOYEE TAX STATUS	SPOUSE/FAMILY TAX STATUS (2)
Tickets in exchange for services	Six basketball tickets given to an employee for painting an office	Payment in-kind, a form of compensation	IRS Publication 15, Circular E, Employer's Tax Guide	Taxable (3)	Taxable (3)
Clear business purpose requiring attendance	Ensuring microphones, speakers and displays are working properly	Working condition fringe benefit	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits	Non-Taxable (4)	Taxable
Award of tickets with a value greater than \$100	Season tickets to an employee as an award	Exceeds de minimis fringe benefit	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits University Employee Gifts and Awards Policy 505	Taxable	Taxable
Award of <u>occasional</u> tickets of minimal value (less than \$100)	Employee receives two tickets valued at \$25 as thank you for year-end work	De minimis fringe benefit	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits University Employee Gifts and Awards Policy 505	Non-Taxable	Non-Taxable
Discount on ticket face value	Employee purchases tickets valued at \$100 for \$80	Qualified Employee Discount	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits	Non-Taxable (5)(9)	Non-Taxable (5)(9)
Employee is affiliated with the program, but is not fulfilling any job responsibilities	Coach of one sport attends the event of another sport to show support or esprit de corps	Not qualified as working condition fringe benefit - does not meet directly-related or associated tests for business purpose	IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses University Meals and Entertainment Policy 516	Taxable (6)	Taxable (6)
Attending event to host University guests as prospective donors	VP and spouse host community leaders and their spouses at game to cultivate donors	Working condition fringe benefit - appears to meet directly-related or associated tests	IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses University Meals and Entertainment Policy 516	Non-Taxable (4)	Non-Taxable (4)(8)
Tickets from random drawing	Door prize for four tickets	Raffle winnings	IRS Publication 525, Taxable and Nontaxable Income	Taxable (7)	Taxable (7)
Excess capacity or unsold tickets	Event did not sell-out - University gave away extra tickets to employees	No-additional cost services	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits	Non-Taxable (9)	Non-Taxable (9)
Unsold tickets from another university where there is a reciprocal agreement	Event did not sell-out - university with a reciprocal agreement gave away tickets to USU employees	No-additional cost services and reciprocal agreements	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits	Non-Taxable (9)	Non-Taxable (9)

(1) These examples are for illustrative purposes only. The listed tax references determine the taxability of specific situations.

(2) If tickets are provided to the employee and their spouse/family, the taxable value (if applicable) is generally attributed to the employee and reported on his or her W-2.

(3) This is compensation and must be reported on the employee's W-2, regardless of the value.

(4) To be non-taxable, the University must keep sufficient records to substantiate the business purpose for all attendees and their affiliations using the *Meals and Entertainment Form*.

(5) To qualify as a non-taxable employee fringe benefit, the discount cannot exceed 20% of the face value and must be available to all University employees.

(6) Taxable unless one of the other situations applies, i.e., the tickets are de minimis value and only given occasionally

(7) Prizes are taxable to recipients, regardless of value. The University is required to report it to the IRS on *Form 1099-Misc* when the aggregate value is greater than \$600 per year.

(8) To qualify as non-taxable, a bona fide business purpose for the spouse's participation must be documented in detail. Their participation must be essential, not just beneficial.

(9) The tax exemption does not apply to highly-compensated employees where the program or benefit favors those highly-compensated employees.