

Year-End Reporting of Taxable Fringe Benefits – S Corps Action Required by December 12, 2023

Vehicles provided by a company (All employees)

When a company makes one of its vehicles available to an owner or employee for personal use, the owner or employee is generally required to treat the value of that use as a taxable fringe benefit. The employer/owner must include the value of any personal use of the vehicle in the individual's wages for income and employment tax purposes. Commuting between home and office is considered personal use.

The owner/employees must keep a record of their mileage and must report to the company (1) the total number of miles driven on the vehicle each year; (2) the number of those total miles that are business-related; and (3) the number of personal-use miles. The information the company is required to maintain is summarized on the enclosed form.

To afford time to prepare Forms W-2 that include the taxable fringe benefits, the IRS allows an employer to select any twelve-month period ending between October 31 and December 31 for reporting these benefits, as long as the same beginning and ending dates are used consistently from year to year.

Medical and Long-term care insurance premiums (>2% Shareholders only)

The owner of an interest representing 2% or more of an S corporation's total equity may take a special tax-advantaged deduction for medical insurance premiums on his or her personal income tax return if those premiums are either paid directly by the corporation or reimbursed to the owner if the owner has paid them personally. For purposes of this deduction, "attribution" rules of the Internal Revenue Code treat the premiums of a spouse and other members of the immediate family as the owner's own. Premiums covered under this rule include individual or group plan premiums for health, dental, or vision insurance, long-term care plans, and Medicare Part B and D premiums, even if withheld from Social Security benefits paid by the SSA.

In order to capture this special tax-advantaged deduction, the owner must:

- Be reimbursed by the corporation before January 1 for any premiums paid personally that are to be included; and
- Report the total of all included premiums paid or reimbursed by the corporation on Form W-2 as additional wages.

Please prepare one copy of the enclosed form for each owner or employee who is using a company vehicle (even if two employees share one vehicle). Also, include any reportable medical insurance premiums. Fax or e-mail the completed forms to our office. We will calculate the value associated with the personal use of the vehicle. If you have an outside payroll service provider, we will provide you with both the auto and medical insurance numbers along with instructions for reporting the fringe benefit as taxable wages on Form W-2. Otherwise, we will report the values on the Form W-2 that we prepare for you.

If you or your outside payroll service providers have any questions about the IRS procedures for these classes of taxable fringe benefits, we invite your questions by telephone, fax, or e-mail. **Please complete the forms and return to us by December 12, 2023,** to ensure that we can get back to you with the corresponding numbers and instructions in time for your year-end payroll processing. Thank you.