

Year-End Reporting of Taxable Fringe Benefits – Partnerships (LLC)

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.

EMPLOYEES (W-2): Vehicles provided by a company: Return by December 12, 2023

The value of an employee's personal use of a vehicle owned or leased by the company must be included in the employee's W-2 wages subject to income and employment taxes.

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.

The information the company is required to maintain is summarized on the enclosed form.

PARTNERS/MEMBERS - Vehicles provided by a company to a partner/member (K-1) or Vehicle personally owned: Return with your 2023 Tax Documents

- A. Company Owned Vehicles: The partnership must report the value of any non-business use of the vehicle as a guaranteed payment to the partnership. Commuting between home and office is considered personal use. The IRS requires partners to report mileage on a calendar year, Jan – Dec
- B. Personal Owned Vehicles: Complete the enclosed form to report business mileage when using a personal vehicle in a business activity or rental activity. Proprietors and partners report their mileage on a calendar-year basis. If the same vehicle was used for more than one activity (or property) then the mileage must be provided separately for each activity. If two vehicles were used for one or more activities, then the mileage must be reported separately for each vehicle. Prepare a separate form for each business activity, a separate form for each rental activity, and a separate form for each vehicle. The completed form can be submitted separately or submitted with the tax organizer.

The information the company is required to maintain is summarized on the enclosed form.

Both the company and the partner/member or employee are required to maintain certain information about the vehicle and its use during the year. The partner/member must report to the company:

- (1) The total number of miles driven on the vehicle each year.
- (2) The number of business-related miles included in total miles; and
- (3) The number of personal-use miles.

Health Insurance:

A Partnership or Limited Liability Company that has elected to be taxed as a partnership, is required to report the cost of health, medical or long-term care (LTC) insurance premiums paid by the company for the partner/member and dependents on the partner's Schedule K-1. Medicare premiums deducted from Social Security benefits paid to the employee and his or her spouse can also be included. The partner may take a (page 1) deduction on his or her individual income tax return (Form 1040).

If you have paid the medical or long-term insurance premiums out of your personal checkbook, **have the Company write you a check before January 1 to reimburse you the full amount that you paid**. This will always be necessary for Medicare premiums, if you want the tax-favored treatment of taxable fringe benefits for them.

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). Fax, e-mail or 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 the auto fringe benefit 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 them 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.