

**Table 2-1. Special Rules for Various Types of Fringe Benefits**  
(For more information, see the full discussion in this section.)

Treatment Under Employment Taxes			
Type of fringe benefit	Income tax withholding	Social Security and Medicare (including Additional Medicare Tax when wages are paid in excess of \$200,000) <sup>1</sup>	Federal unemployment (FUTA)
Accident and health benefits	Exempt (except 2% shareholder-employees of S corporations).	Exempt	Exempt
Achievement awards	Exempt <sup>2</sup> up to \$1,600 for qualified plan awards (\$400 for nonqualified awards).		
Adoption assistance	Exempt <sup>2,3</sup>	Taxable	Taxable
Athletic facilities	Exempt if substantially all use during the calendar year is by employees, their spouses, and their dependent children, and the facility is operated by the employer on premises owned or leased by the employer.		
De minimis (minimal) benefits	Exempt	Exempt	Exempt
Dependent care assistance	Exempt <sup>3</sup> up to certain limits, \$7,500 (\$3,750 for married employee filing separate return).		
Educational assistance	Exempt up to \$5,250 of benefits each year. (See <a href="#">Educational Assistance</a> , later in this section.)		
Employee discounts	Exempt <sup>3</sup> up to certain limits. (See <a href="#">Employee Discounts</a> , later in this section.)		
Employee stock options	See <a href="#">Employee Stock Options</a> , later in this section.		
Employer-provided cell phones	Exempt if provided primarily for noncompensatory business purposes.		
Group-term life insurance coverage	Exempt	Exempt <sup>2,4,6</sup> up to cost of \$50,000 of coverage. (Special rules apply to former employees.)	Exempt
Health savings accounts (HSAs)	Exempt for qualified individuals up to the HSA contribution limits. (See <a href="#">Health Savings Accounts</a> , later in this section.)		
Lodging on your business premises	Exempt <sup>2</sup> if furnished on your business premises, for your convenience, and as a condition of employment.		
Meals	Exempt <sup>2</sup> if furnished on your business premises for your convenience. Exempt if de minimis.		
No-additional-cost services	Exempt <sup>3</sup>	Exempt <sup>3</sup>	Exempt <sup>3</sup>
Retirement planning services	Exempt <sup>5</sup>	Exempt <sup>5</sup>	Exempt <sup>5</sup>
Transportation (commuting) benefits	Exempt <sup>2</sup> up to certain limits if for rides in a commuter highway vehicle and/or transit passes (\$340) or qualified parking (\$340). (See <a href="#">Transportation (Commuting) Benefits</a> , later in this section.) Exempt if de minimis.		
Tuition reduction	Exempt <sup>3</sup> if for undergraduate education (or graduate education if the employee performs teaching or research activities).		
Working condition benefits	Exempt	Exempt	Exempt

<sup>1</sup> Or other railroad retirement taxes, if applicable.  
<sup>2</sup> Exemption doesn't apply to S corporation employees who are 2% shareholders.  
<sup>3</sup> Exemption doesn't apply to certain highly compensated employees under a program that favors those employees.  
<sup>4</sup> Exemption doesn't apply to certain key employees under a plan that favors those employees.  
<sup>5</sup> Exemption doesn't apply to services for tax preparation, accounting, legal, or brokerage services.  
<sup>6</sup> You must include in your employee's wages the cost of group-term life insurance beyond \$50,000 worth of coverage, reduced by the amount the employee paid toward the insurance. Report it as wages in boxes 1, 3, and 5 of the employee's Form W-2. Also, show it in box 12 with code C. The amount is subject to social security and Medicare taxes, and you may, at your option, withhold federal income tax.

This section discusses the exclusion rules for the following fringe benefits.

- Accident and health benefits.
- Achievement awards.
- Adoption assistance.
- Athletic facilities.
- De minimis (minimal) benefits.
- Dependent care assistance.
- Educational assistance.
- Employee discounts.
- Employee stock options.
- Employer-provided cell phones.
- Group-term life insurance coverage.
- HSAs.
- Lodging on your business premises.
- Meals.
- No-additional-cost services.
- Retirement planning services.
- Transportation (commuting) benefits.
- Tuition reduction.
- Working condition benefits.

See [Table 2-1](#) for an overview of the employment tax treatment of these benefits.