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November 16, 2020

SUBJECT: 2020 Fringe Benefits

As 2020 comes to a close, I would like to remind you of the importance of reporting fringe benefits for your employees, officers, partners and shareholders. The most common fringe benefits are the personal use of a company vehicle, life insurance premiums paid by the Company, and health insurance coverage. Fringe benefits are a definite area of interest to the IRS and should not be dismissed without giving thought to the tax consequences. To assist you, our firm is available to calculate taxable fringe benefits to be included in your year-end payroll. This service is available to you at our applicable hourly rates.

If you already report fringe benefits through payroll, or if you do not require this service, please let us know and we will remove your name from our annual reminder. If you would like us to calculate your fringe benefits, fill in the appropriate worksheets and return them to our office as soon as possible to allow ample pay periods in which to report this additional income and to withhold taxes. If you use a payroll service, please ensure they are reporting your taxable fringe benefits appropriately.

For those employees and company owners with access to an employer-provided vehicle, fill out the *Statement from Employer to Employee Regarding Use of Employer-Provided Vehicle*. Reproduce as many copies as needed and have each employee, with access to a company vehicle, complete a form. It is not necessary to report the use of delivery vehicles, on-call vehicles, or other vehicles used only on the job. For those employees whose personal use is limited to commuting to and from work in the company vehicle, you should have a written policy which states that the employee is not allowed to use the vehicle for personal purposes, other than for commuting or for de minimis personal use (e.g. short stops on the way to or from work).

Complete the form entitled *Employer-Provided Life Insurance* for those employees and/or owners who have life insurance policies paid for by the Company with face values in excess of \$50,000. For S Corporation shareholders or partners in a partnership, the \$50,000 threshold does not apply; report all life insurance premiums paid on behalf of an S Corporation shareholder or partner.

For S corporations and partnerships funding health insurance premiums for their shareholders or partners who own 2% or more of the outstanding common stock or interest of the Company, complete the attached *Shareholder/Partner Self-employed Health Insurance* data sheet. Reproduce and complete one sheet for each applicable shareholder or partner. **Please be aware that health insurance premiums paid on behalf of a 2% shareholder or partner may be subject to social security and Medicare taxes if a group health plan is not available to all employees.**

If you have been recognizing fringe benefits throughout the year, please let us know so we may take this into consideration when computing any additional fringe benefits to report. If you have any questions, feel free to contact me by phone at 210-829-1793 ext 214 or by email at [lland@ridoutbarrett.com](mailto:liland@ridoutbarrett.com).

Sincerely,

Lynda L. Land, CPA
Tax and Business Services

EMPLOYER-PROVIDED LIFE INSURANCE

If your Company pays for a life insurance policy with a death benefit of more than \$50,000 for any one individual and the beneficiary is someone other than the Company, provide the information requested below. Complete a separate worksheet for each policy.

Please note that S Corporation shareholders and partners do not qualify for the \$50,000 exclusion. **Report the face amount of all life insurance for S corporation shareholders and partners.**

Company name: _____

Employee's name: _____

Employee's age on December 31, 2020: _____

Type of coverage (e.g. term, whole life): _____

Face amount of policy: _____

Beneficiary: _____

Cash value: _____ As of: _____

Amount of premiums paid by the company: _____

Amount of premiums paid by employee (if any): _____

This information will be used to compute the taxable fringe benefit to be included on your W2 or K-1. If your company does not provide life insurance, please sign the statement at the bottom of this letter and return it to our office.

_____ At this time, our Company does not provide life insurance to its employees, shareholders or partners.

Signed _____

SHAREHOLDER/PARTNER SELF-EMPLOYED HEALTH INSURANCE

If your Company pays for health insurance for a shareholder or partner who owns 2% or more of the outstanding common stock of the Company or partnership interest, please provide the information requested below. For the purpose of this fringe benefit, health insurance includes medical, dental and vision insurance. Complete one form for each shareholder or partner. This information will be used to compute the taxable fringe benefit to be included on your W2 or K-1.

If the Company does not provide health insurance to its employees, be sure to respond below.

Company name: _____

Shareholder's/Partner's name: _____

Amount of premiums paid by the Company during the year \$ _____

Does the shareholder/partner have access to a group health plan through his/her spouse? Yes _____
No _____

Does the Company offer health insurance to all full-time employees? Yes _____ No _____

Signature and date

Note: Medicare premiums paid by a 2% or greater shareholder or partner are eligible for treatment as self-employed health insurance provided the Company reimburses the shareholder or partner for the premiums and the Company offers a qualified health plan to its eligible employees. If you are paying Medicare premiums, either directly or via deductions on your monthly social security allotment, and would like more information regarding the treatment for SE health, please contact our office.