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De Minimis Fringe Benefits

The 2010 IRS's Publication 15-B Employer's Tax Guide to Fringe Benefits defines a de minimis benefit as, *"any property or service you provide to an employee that has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable. Cash and cash equivalent fringe benefits (for example, use of gift card, charge card, or credit card), no matter how little, are never excludable as a de minimis benefit,..."* <http://www.irs.gov/pub/irs-pdf/p15b.pdf>

Because our certificates are of nominal value, are normally given infrequently, and are good for a specific item (a turkey or ham), they can qualify as de minimis fringe benefits, and don't need to be included as extra salary or wages. Unlike a normal gift certificate or gift card, our turkey or ham certificates are good for one turkey or ham up to a given value. It's like the employer is giving a ham or turkey to the employee, but just wants to give them the chance to pick out when and where they get it. The IRS Publication 525 Taxable and Nontaxable Income gives an example of de minimis holiday gifts like this, *"If your employer gives you a turkey, ham, or other item of nominal value at Christmas or other holidays, do not include the value of the gift in your income. However, if your employer gives you cash, a gift certificate, or a similar item that you easily can exchange for cash, you include the value of that gift as extra salary or wages regardless of the amount involved."* <http://www.irs.gov/pub/irs-pdf/p525.pdf>

By giving your employee our certificates good for one Turkey or Ham you won't increase their taxable income, and won't need to charge payroll taxes on the gift. You can rest easy knowing that you have given them something that will help create happy holiday memories.

Each circumstance is unique, consult with your accountant for specific application of de minimis fringe benefits for your employee gift situation.