

COMPLIMENTARY TICKETS TO EMPLOYEES

TAXABILITY MATRIX

Prepared by IU Tax Services - 4/2014

SITUATION	EXAMPLE ⁽¹⁾	TRANSACTION TYPE	REFERENCES	EMPLOYEE TAX STATUS ⁽²⁾	SPOUSE/FAMILY TAX STATUS ⁽²⁾
Tickets in exchange for services	Six basketball tickets given to an employee for painting an office	Payment in-kind, a form of compensation	IRS Publication 15, Circular E, Employer's Tax Guide	Taxable ⁽³⁾	Taxable ⁽³⁾
Clear business purpose requiring attendance	Ensuring microphones, speakers and displays are working properly	Working condition fringe benefit	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits	Non-Taxable ⁽⁴⁾	Taxable ⁽³⁾
Award of tickets	Season/single tickets to an employee as an award	Non-cash fringe, taxable income	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits	Taxable ⁽³⁾	Taxable ⁽³⁾
Employee is affiliated with the program, but is not fulfilling any job responsibilities	Coach of one sport attends the event of another sport to show support	Not qualified as working condition fringe benefit - does not meet directly-related or associated tests for business purpose	IRS Publication 463, Travel, Entertainment, Gift and Car Expenses	Taxable ⁽³⁾	Taxable ⁽³⁾
Attending event to host University guests as prospective donors, or with student recruits	Employee and spouse host community leaders and their spouses to cultivate donors	Working condition fringe benefit - appears to meet directly-related or associated tests	IRS Publication 463, Travel, Entertainment, Gift and Car Expenses	Non-Taxable ⁽⁴⁾	Non-Taxable ^{(4) (6)}
Tickets from a random drawing	Door prizes for four tickets	Raffle winnings	IRS Publication 525, Taxable and Nontaxable Income	Taxable ⁽⁵⁾	Taxable ⁽⁵⁾
Excess capacity or unsold tickets	Event did not sell-out - University gave away extra tickets to employees	No-additional cost services	IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits	Non-Taxable ⁽⁷⁾	Non-Taxable ⁽⁷⁾

(1) These examples are for illustrative purposes only. The listed tax references determine the taxability of specific situations.

(2) If tickets are provided to the employee and their spouse/family, the taxable value (if applicable) is generally attributed to the employee and reported on his or her Form W-2.

(3) This is compensation and must be reported on the employee's W-2, regardless of value.

(4) To be non-taxable, the University must keep sufficient records to substantiate the business purpose for ALL attendees and their affiliations.

(5) Prizes are taxable to recipients, regardless of value. The University is required to report it to the IRS on Form 1099-MISC when the aggregate value is greater than \$600 per year (for non-employees)

(6) To qualify as non-taxable, a bona fide business purpose for the spouse's participation must be documented in detail. Their participation must be essential, not just beneficial.

(7) The tax exemption does NOT apply to highly-compensated employees where the program or benefit favors those highly compensated employees.