



TOWN OF DUDLEY
Massachusetts
Office of the Town Accountant
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TAXABLE BENEFITS POLICY: The “IRS – Federal, State and Local Government” have specific rules for taxable benefit items. These items become taxable as income to the individual and will be included on an employee’s paycheck. This policy will begin on January 1, 2015. Please be aware that these items are **not** pensionable.

- Awards: Anything over \$25 fair market value
- Gift Cards received: ALL amounts are taxable
- Car Allowances / Mileage:
 - Personal Vehicle: Stipends for a personal vehicle are taxable
 - Town Vehicle: If used for *personal* use – that portion is taxable
(See below for exclusions and explanations)
- Clothing Allowances: Any article of clothing that is suitable for daily wear (jeans, t shirts, workout clothes, etc.) are taxable - (with or without Town logos). Clothing **not** suitable for daily wear (example: police uniforms) is **not** taxable.
- Town provided Vehicle – if mileage use is not accounted for (including commuting) – it is taxable.

#1. Police, fire, or public safety vehicle must be clearly marked with insignia or words that make it clear it is a police, fire or public safety vehicle for it to be non-taxable. If it is not clearly marked, the Police/Fire/Public Safety exclusion is:

~ The police, fire or public safety vehicle is excluded if the vehicle is *required* to be used for commuting, and when not on a regular shift, the police, fire or public safety officer is **on call at all times**.
Personal use of the vehicle must be prohibited by the Town or be for minimal personal use only.

#2. Cars provided to employees during workday for business purposes and these employees also use these vehicles for commuting to and from work. The commuting value of a vehicle owned or leased by a town usually represents taxable income to the employee.

~Exclusion is: as noted above (employee is on call at all times and is prohibited from using the car for personal use). If the exclusion is not met, the value of the commute (per the IRS) is \$1.50 each way.

#3. Officials that receive a stipend added to their salary for mileage, phone calls, etc. Exclusion is: The employee must substantiate all expenses to the employer and the employee must return any amount in excess of substantiated expenses within 120 days. (Example: Auto stipend paid will be added to employee's salary rather than paid through payables), unless the employee substantiates all the expenses.

#4. Clothing allowances: The clothing must be worn as a condition of employment and the clothes are **not** suitable for everyday wear. If these conditions are not met, the clothing allowance is taxable.

#5. Internal Revenue Service: The IRS will be the sole determining resource regarding taxation. No exemptions or exceptions will be made outside of the IRS and their guidelines (or other tax resources).

#6. Pension Eligibility versus Taxation: The IRS will determine the tax regarding a particular issue. PERAC and/or Worcester Regional Retirement Board will determine whether a payment constitutes a pensionable event. Both agents operate independently and make no representations or correlations for the other.

#7. Updates: This policy will immediately be updated upon receipt of newer or more accurate information. It is understood that taxation may be subject to legislative updates, legal precedents and opinions and case law. Every effort will be made to address changes in a timely manner and maintain an accurate accounting process for taxable events.

#8. These amounts will be added to the employee's wages, reported on the employee's annual W2 and taxed accordingly. The taxable amount will be added to the employee's (calendar) year-end pay check. In the case of retirement or other break in service, the taxable benefit amount will be included in the employee's final paycheck.

#9. Town provided vehicles are not allowed for personal purposes other than commuting or *de minimus* personal use.