



SUBJECT: Meals & Taxable Fringe Benefits	EFFECTIVE: November 2006 REVIEWED: December 2012; November 2021 REVISED: February 2024
CATEGORY: 400 (Finance) POLICY NUMBER: 400.4	CROSS REFERENCE:

Purpose

To set reasonable minimum standards for city payment or reimbursement of reasonable expenses incurred in the course of official city business. Considerations in this policy include taxability, Oregon ethics law, and capacity of city staff to administer the policy. Purchases made under this policy need to be approved in advance.

Definitions

Business purpose: A statement that adequately describes the expense as a necessary, reasonable and appropriate business expense; and confirms that a particular good, service or activity supports or advances the goals, objectives and mission of the city.

De Minimis: Benefits that have little value and are infrequently provided. Items over \$100 per person are never de minimis, no matter the circumstances.

De minimis meal: A meal that is less than, or equal to, the GSA amount for that location and meal.

Infrequent: Occurring four times a year or less.

Taxable fringe benefits: Benefits provided by the city which are subject to taxation under the IRS regulations. Fringe benefits are a form of pay for the performance of services (includes property, services, cash or cash equivalent).

Scope

This policy applies to all employees and public officials of the city and participants in city outreach.

Policy

Meals for employees and other compensated officials provided by the city are not taxable if they are for a documented business purpose and one of the following criteria are met:

- **The meal is for the convenience of the employer and on work premises.**

If the meal is for a recurring meeting or event that does not meet the definition of “infrequent”, then the business purpose and convenience of the employer must be documented and approved by the City Manager, or designee, in advance. The documentation must outline why the employee(s) could not reasonably provide and have time provided to eat their own meal in advance of, or after, the recurring event. For guidance, please reference

[IRS Publication 5137](#) and refer to the section on “Meals and Lodging”.

- Examples include lunch brought on site for a project meeting or interview panel; employee is required to work an emergency and is unable to secure a meal
- **The value of the meal or refreshment is de minimis and infrequent.**
 - Examples include All-employee picnic, a manager takes their team out to a moderately priced restaurant once or twice a year, a Council retreat, or a community outreach event.

Meals for uncompensated officials and volunteers may be provided under the guidelines in Section 1 above.

- If the meals provided are frequent, they may be taxable; however, if the total amount of the meals and other taxable benefits from the city for each individual is less than \$600 in a calendar year, then the city is not required to report the value of the meals (and other taxable benefits).

Catered meals at large city events

- Are not taxable as long as they are infrequent and the meal/refreshment is de minimis.
 - Examples include all-employee picnic or a grand opening event for a city facility

Retirement events with gift

- The cake/refreshments for the event are not taxable as long as the event is during business hours and the value of the refreshments are de minimis.
- Gift is not taxable as long as the gift is not cash or cash equivalent (e.g. gift card) and the monetary value of the gift is under \$100.

Economic development opportunity meetings or community outreach opportunities for coffee, lunch, or dinner that involve staff, businesses, and/or community members.

- Coffee or similar is not taxable as long as it is infrequent.
- When done infrequently, a meal for the employee is not taxable if the value of the meal is de minimis.
- If the developer or community member pays, it is not taxable to the employee; however, the employee must maintain a record of the value as public officials are limited to gifts of up to \$50 per calendar year from any source that has legislative or administrative interest.
- Food and Beverage associated with financial transactions or business agreements, business related to proposed investment or borrowing, meeting with a governance, advisory or policy making body which the entity has invested money is not taxable and does not fall under the \$50 per calendar year limit under Oregon law.
 - An example of this is a meal to celebrate a bond closing that is hosted by the Financial Advisors.

Community Outreach

- Childcare and food for community at a townhall type of meeting is not taxable to staff or community as long as the event is open to the general public.
- Gift cards are always taxable to the community. As long as the total amount that is provided

to any individual does not equal or exceed \$600, the city is not required to report the income to the IRS.

- T-shirts, hats, and other low value schwag are not taxable to staff and the community as long as the value is de minimis and infrequent. Very low value schwag (e.g. stickers) is not taxable as its value is de minimis and is available to the community.
- Stipends for community service and speaker honorariums are taxable. As long as the total amount that is provided to any individual does not equal or exceed \$600, the city is not required to report the income to the IRS.
- TriMet Hop cards provided to houseless persons are not taxable.

Clothing is taxable, except:

- It is specifically required as a condition of employment and is not worn or adaptable to general use as ordinary clothing.
 - Inclusion in a union contract does not make clothing exempt from tax.
 - Example includes police uniforms.
- Safety equipment is excludable if the equipment is provided to help the employees perform their job in a safer environment.
 - Examples include a hardhat, anti-glare screen for computers, and safety shoes.

City Vehicles:

- City vehicles should not be driven home. There may be exceptions for those in law enforcement that are assigned an on-call vehicle by the Chief of Police in order to respond to emergency situations. Any non-work-related travel must be documented on a monthly basis and submitted to Finance and may be subject to taxation. This use of a City vehicle is exempt from taxation. Any take home privileges, or personal use of a City vehicle may be subject to taxation under the IRS regulations.

Responsibilities

Employees:

- To be aware of the regulations regarding taxable fringe benefits
- Use clothing or safety equipment provided or reimbursed by the city for work purposes only.

Supervisors:

- Be aware of the regulations regarding taxable fringe benefits and take steps to avoid compromising what is taxable and what is excluded.
- Approve expenses for your department that fall under this policy in advance of the expenditure.

Finance:

- Follow IRS regulations with regards to withholding taxes.
- Follow city policy with regards to reimbursable expenses to avoid a situation where something that would otherwise not be a taxable fringe benefit becomes one, such as reimbursing without itemized receipts or detailed description of items.

- Periodically audit city procedures in conjunction with Human Resources to comply with regulations.

Human Resources:

- Periodically audit city procedures in conjunction with Finance to comply with regulations.

Payroll:

- When made aware of a taxable event by the Supervisor or Finance staff, collect needed documentation and process payroll accordingly.