

SMU Tax Policies

Subject: Employee Benefit – Social Clubs

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Tax Policy: 2.2

Some officers, deans and selected individuals are provided social club memberships to accommodate business needs for entertainment. The personal use of social club memberships for which the University pays dues is a taxable fringe benefit and will be included in the gross income of employees receiving the benefit.

The employee should document the business purpose when using the club and the documentation should be attached to the social club statement when presented to Accounts Payable for payment. The employee should reimburse the University for all personal charges and a copy of the personal check and deposit slip whereby the employee is reimbursing the University for personal charges should also be attached to the request for payment.

The University has adopted an IRS special accounting period for purposes of calculating any amount that will be reported as taxable income for personal use of social club memberships. All reporting will be based on a twelve-month period, which begins November 1 and ends October 31. Income for this period will be reported as a taxable fringe benefit on the employee's December paycheck in the year in which the reporting period ends. For example, any benefit computed for the year November 1, 2016 through October 31, 2017 will be reported and taxed in December 2017.

The taxable portion is computed by multiplying the total dues paid for the reporting period by the percentage the membership was used for personal purposes. Pursuant to this requirement, a Social Club Dues Reporting form is sent out in November of each year to each employee for whom club dues are paid. The form will list the dues paid to each club for the employee from November 1, of the prior year, through October 31, of the current year (the reporting period).

The employee must complete and sign the form certifying the business use percentage and return the form to the Tax Compliance Department by the deadline specified by the Tax Department. Any taxable amount resulting from personal use will be reported on the employee's December paycheck. Applicable employment taxes (FICA and federal withholding) for the taxable benefit for the reporting period will be withheld from the employee's December pay. If the form is not returned by the specified deadline indicating the business percentage, 100% of the dues paid will be considered as personal use and will be reported in the employee's W-2.

Terminating employees are responsible for completing the Social Club Dues Reporting form for the period starting November 1, through their termination date. If the form is not received by the

final exit interview date, the payments will be treated as 100% taxable. Applicable employment taxes will be deducted from the employee's final pay.

Note:

Substantiation for income tax purposes of the business use of each club membership is the sole responsibility of the employee.