



Pennsylvania Compensation Rating Bureau

1339 Chestnut Street • Philadelphia, PA 19107-3577 (215) 568-2371 FAX (215) 564-4328

April 5, 1988

Pennsylvania Test Audit Program
Bulletin #5

Remuneration-Fringe Benefits

Internal Revenue Rules (Section 61) state that certain Fringe Benefits are to be included in the employee's Gross Income, subject to certain exceptions. From a Premium Audit Standpoint, these new rules create the need to address the following question: "Whether or not Taxable Fringe Benefits, perks or the personal value of the use of a Company automobile should be included as Remuneration for Worker's Compensation purposes?"

The personal value of the following Fringe Benefits as well as the personal use value of business vehicles may begin to appear on Federal Tax Form 941.

- 1) An employer provided automobile or other road vehicle.
- 2) Use of an employer provided airplane.
- 3) An employer provided free or discounted commercial air-line flight.
- 4) An employer provided trip.
- 5) An employer provided discount on property or services.
- 6) An employer provided membership in a country club or other social club.
- 7) An employer provided ticket to an entertainment event.
- 8) Excess amount of Life Insurance paid by the employer.

The above mentioned items should not be considered for Worker's Compensation purposes they are not to be included in final Audited Payroll Amounts.

Another area of concern is Third Party sick pay. The Pennsylvania Manual specifically includes pay for periods of sickness or accrued sick time under Remuneration. In addition to payment by the employer for periods of sickness, the employer can provide insurance that will pick up after their normal program is exhausted. This is normally paid by a Third Party (Insurance Company) and depending on adherence to Internal Revenue Regulations would be reported using the employers Federal I.D. Number. This Third Party sick pay should not be included for Worker's Compensation purposes. They are not to be included in final Audited Payroll Amounts.

John H. Rittersbacher
Vice President

JHR/jh