



# Georgia Institute of Technology®

Executive Vice President for Administration and Finance

## MEMORANDUM

**TO:** Dr. G. P. "Bud" Peterson, President

**FROM:** James G. Fortner, Executive Vice President for Administration and Finance (Interim)

**DATE:** January 28, 2019

**SUBJECT:** Executive Fringe Benefits

Earlier this fiscal year, the Georgia Tech Controller's Office contacted the University System of Georgia (USG) System Office to seek guidance regarding the payment of specific types of executive and other fringe benefit expenses. The purpose of the review was to clarify guidance pertaining to the allowability, sourcing, and taxability of selected expenses. In response to our request, the USG Office of Strategy and Fiscal Affairs reviewed and vetted certain types of expenses with the USG offices of Organizational Effectiveness, Ethics and Compliance, and Legal Affairs and with the State Attorney General's Office.

Through this process, it was determined that many executive and other fringe benefit expenses may be funded by Institute operational funds and paid directly by Georgia Tech if properly supported by a valid business purpose. These expenses include airport parking, professional licenses and certifications, professional memberships, de minimis non-cash achievement awards, and relocation expenses within the terms of the employment contract. Most of these payments or reimbursements are considered taxable compensation.

Other executive or fringe benefit expenses may be funded by Georgia Tech affiliated organizations when supported by a valid business purpose. These expenses include certain club memberships, spouse meals and travel, mileage outside of Institute policy, and non-cash achievement awards exceeding \$75. While most of these payments or reimbursements are taxable, certain exceptions exist for memberships in business, civic, or community organizations and exceptional travel expenses. The attached summary document provides an overview of the expenses reviewed and includes information regarding allowability, appropriate sourcing, and tax treatment.

The Institute is actively engaged in the next steps for this process. Those steps include creating new policies, revising and clarifying existing policies, updating all related campus guidance resources and websites and communicating this information to the campus and affiliated organization communities. This work is currently in progress and will be completed prior to June 30, 2019.

Please let me know if you have any questions regarding the information included above and attached.

Cc: Dr. Rafael Bras  
Dr. Chaouki Abdallah  
Ms. Lynn Durham  
Ms. Carol Gibson  
Ms. Jennifer Hubert  
Dr. Kim Harrington  
Mr. Marvin Lewis (Chair, GT Affiliates Financial Sub-council)

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## Georgia Institute of Technology Executive and Other Employee Fringe Benefits

### EXPENSES PAID DIRECTLY BY THE INSTITUTE

#### Expense

- Airport Parking – *For the President and other Executives - majority use must be for official business*
- Professional License/Certification – *Required as a condition of employment*
- Professional Memberships (Individual) – *Must have a business purpose and a substantial benefit to GT*
- Relocation Expenses – *Outside GT policy, but w/in terms of employment contract - i.e. moving car*
- Non-Cash Employee Achievement Awards (i.e. retirement, safety, separation, etc.) - *\$75 or less*

#### Is Expense Taxable Compensation to Employee?

- Yes
  - Relocation Expenses
  - Non-Cash Employee Achievement Awards – \$75 or less – Taxable if not part qualified plan/program

#### Policy Implications

- New Policies - Licenses/Certifications, Professional Memberships
- Review Existing Policies for Revision – Gifts to Employees, Relocation

### EXPENSES PAID DIRECTLY BY GEORGIA TECH AFFILIATED ORGANIZATIONS (Typically GTF)

#### Expense

- Dining Club or Golf Club Memberships – *School Chair Level and above*
- Airline Sky Club Lounges (i.e. Delta Sky Club) – *Development Officers and GT Executive Level Staff*
- Business/Civic/Community Orgs – *Must have a business purpose*
- Spouse Meals and Spouse Travel - *Must be in official capacity and have a business purpose*
- Mileage Outside of Institute Policy – *Official business*
- Non-Cash Employee Achievement Awards – *Over \$75. If over \$400, must be approved by President/EVP/Provost*

#### Is Expense Taxable Compensation to Employee?

- Yes
  - Golf Club, Dining Club Memberships and Airline Sky Club Lounges
  - Spouse Meals and Spouse Travel – If not in official capacity that includes a business purpose
  - Mileage Outside of Institute Policy – If not part of the IRS accountable plan (see below)
  - Non-Cash Employee Achievement Awards - \$400 or less – Taxable if not part of qualified plan/program
  - Non-Cash Employee Achievement Awards – Over \$400 – Always taxable, regardless of qualified plan/program
- No
  - Business/Civic/Community Organization Expenses – Must have documented business purposes
  - Spouse Meals and Spouse Travel – Must be in official capacity with a documented business purpose
  - Mileage Outside of Institute Policy – Must be part of IRS accountable plan (i.e. official business, accounted for to employer w/in reasonable time and excess reimb. returned w/in reasonable time)

#### Policy Implications

- New Policies – Professional Licenses/Certifications, Professional Memberships
- Review Existing Policies for Revision - Mileage Outside of Institute Policy, Spouse Meals, Spouse Travel, Gifts and/or Awards