

Form <b>886-A</b> (Rev. January 1994)	<b>Explanation of Items</b>	Schedule No. Or Exhibit
Name of Taxpayer College of Dupage	Tax Identification Number 36-2594972	Year/Period Ended 2013

**Issue:** Were the meals employees received at the Waterleaf taxable as a fringe benefit?

**Facts:** When certain employees of the College or Foundation dine at the Waterleaf (an on campus culinary school restaurant), the meal is charged to four different “house accounts” so the employee does not need to pay. The four house accounts are:

1. House Account #10 – President Breuder’s office
2. House Account #20 – Foundation
3. House Account #30 – All other internal college departments
4. House Account #1234567 – Waterleaf department internal charges

At the end of each month, the Waterleaf general manager collects all house account receipts for the month and delivers copies to the Finance office as well as the College department. The authorized signers send Finance the GL accounts to use in the journal entry. Finance prepares the journal to credit the Waterleaf for the revenue and debit the GL accounts that the authorized signers have decided to charge.

The College provided some documentation that included the receipts of the meals and, in some situations, a business expense report that documented business purpose and attendees. The majority of the documentation was receipts and handwritten notes or signatures without business related documentation.

There was no documentation that supported employees reimbursing the college for any of the meals or drinks.

**Law:**

Internal Revenue Code (IRC) section 61 provides that, except as otherwise provided, gross income means all income from whatever source derived – including fringe benefits.

Under the provisions of sections 61(a)(1) and 3121(a) of the Internal Revenue Code, the value of employer provided meals and reimbursements for meals are included in an employee’s income and wages for employment tax purposes unless there is some provision that allows for their exclusion.

The Internal Revenue Code contains several provisions that might exclude the value of employer provided meals and reimbursements for meals from the recipient’s income and wages.

Section 119 of the Code provides for the exclusion of the value of employer provided meals if the meals are provided on the employer’s business premises and if the meals are provided for the convenience of the employer. Under the provisions of section 1.119-1(a)(2)(i) of the income tax regulations, meals furnished by an employer without charge to the employee will be regarded as furnished for the convenience of the employer if such meals are furnished for a substantial noncompensatory business reason of the employer. In determining the reason of an employer for furnishing meals, the mere declaration that meals are furnished for a noncompensatory business reason is not sufficient to prove that meals are furnished for the convenience of the