



Robin Solomon Quoted on Taxation of Noncash Bonuses

PRACTICE AREAS

Benefits & Compensation

Executive Compensation

Inc. magazine

November 12, 2016

Robin Solomon was quoted on the taxation of non-cash bonuses, such as company-paid vacations, in the November 2016 article called "A Trip to the Slopes - and Time Off to Use It? Noncash Benefits Your Employees Will Love", by Coeli Carr.

Keep the taxman in mind

Noncash bonuses awarded to employees are, with a few exceptions, fully taxable as gross income. And don't think about sugarcoating them as gifts. "There's no such thing as a gift from employer to employee," says Robin M. Solomon, a tax attorney specializing in employee benefits and a partner at Ivins, Phillips & Barker, in Washington, D.C. "It's all compensation." The rules, in fact, are simple. You must assign a fair market value to the noncash bonus and include it on the employee's W-2 form. For employers, this amount is tax-deductible. But the complex accounting makes some businesses shy away from noncash bonuses. Moreover, explaining all this to your workers requires delicacy. Says Solomon: "To tell employees you're giving them a big noncash bonus but that it's taxable may take the wind out of their sails."

The upside, Solomon says, is that a taxable noncash bonus may boost the amount a person can contribute to a 401(k).