December 12, 2006

TO: MAU Payroll Offices

FROM: Michelle Pope
        Assistant Director of Payroll and Benefit Accounting

RE: Payment of Taxes for Taxable Benefits

The University of Alaska has a number of benefits that are considered taxable to the employee per IRS regulation. Some examples include personal use of vehicle, taxable tuition, taxable housing, gifts and awards, etc. The fair market value of these benefits is normally subject to FICA taxes and possibly federal income tax withholding.

It is the responsibility of the employee to pay the taxes for these benefits.

If the amounts can not be recovered from the employee, it is the responsibility of the supervising department to pay the taxes. This does not preclude the possibility of other departments or funding sources to pay the taxes as long as it is permitted per federal regulation. In all cases in which the University of Alaska is paying the taxes, the amount will need to be “grossed-up” (tax is calculated on the amount that the department is paying) and reported as income on the employee’s W2.