

Free tickets to employees: Taxable compensation?

Q. We are in the travel business and our office regularly receives free tickets to sporting events (worth \$30 and up). We typically give them to employees who want to use them. Is such a gift ethical? — L.L., South Carolina

A. That depends on the ethical standards of your industry. The bigger concern is whether you must include the value of the tickets in employee compensation. That is, whether the value might be taxable income to the employees.

While that holiday turkey given to employees has generally been considered to be too de minimis in value to tax, a gift certificate to buy that turkey is another matter. The IRS has considered gift cards as taxable income. Other incentives, like paid cruises, also have been deemed taxable income.

How to account for the receipt of the tickets and their distribution to employees can be tricky, so consult your accountant or tax attorney. You can also look at IRS rules on fringe benefits at www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf. Remember that if something is taxable to employees, the employer must also pay its share of FICA taxes on the gift's value.