



White Paper: Athletic Facilities



Introduction

In today's business world employee wellness is a huge factor in offering fringe benefits. Many employers offer different types of incentives to keep or get employees in shape. One of the more common benefits is offering onsite athletic facilities or memberships to local athletic clubs or gyms. These memberships can be paid in full or the employee is given a subsidy. But what are the tax ramifications of offering your employees use of a gym on site or memberships to a local gym near work? That is an important question for payroll to ask and answer because in the case of athletic facilities one is taxable but one is not.

Athletic Facilities



Employers can exclude the value of an employee's use of an on-premises gym or other athletic facility the employer operates from the employee's wages if substantially all use of the facility during the calendar year is by the employees, their spouses, and their dependent children. For this purpose, an employee's dependent child is a child or stepchild who is the employee's dependent or who, if both parents are deceased, is age 24 or younger.

On-premises facility

The athletic facility must be located on premises owned or leased by the employer. It does not have to be located on the business premises. However, the exclusion does not apply to an athletic facility for residential use, such as athletic facilities that are part of a resort.



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Employee

For this exclusion, treat the following individuals as employees.

1. A current employee.
2. A former employee who retired or left on disability.
3. A widow or widower of an individual who died while an employee.
4. A widow or widower of a former employee who retired or left on disability.
5. A leased employee who has provided services to the employer on a substantially full-time basis for at least a year if the services are performed under the employer's primary direction or control.
6. A partner who performs services for a partnership.



Example

The employer provides a room somewhere on the work premises. Gym equipment is provided in the room. Employees may use the equipment anytime during non-work hours, such as before shift, at lunch, or after shift. This is an example of nontaxable athletic facilities.

Memberships in Local Athletic Facilities

Although on-site facilities are nontaxable to the employee, the same does not hold for gym memberships at local health clubs. If an employer pays for a fitness program provided to its employees at an off-site resort hotel or athletic club, the value of the program is included in the employee's taxable wages.

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