

Tax Tip
Week of June 22, 2009

Employer Provided Internet Access

If an employer provides an employee with Internet service at home to carry out the duties of employment, the business use is not a taxable benefit. If part of the use is personal, the value of the personal use is included in the employee's income as a taxable benefit. The value is based on the fair market value of the service minus any amounts the employee reimbursed by the employer.

The question then arises as how usage can be allocated between business and personal. A common approach to this issue is for the employer's policy to restrict personal access to incidental use. There can be restrictions placed on the internet usage, such as no inappropriate sites. Assuming the business need is legitimate and the majority of use is business related, the employer may chose to ignore the taxable benefit as there is no out of pocket cost for the employee's incidental use. Since it is almost impossible to determine business vs. personal usage, another approach is to charge the employee a modest amount such as \$50 per year for personal use of the Internet.