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Reminder: Cash Rewards for Participating in a Wellness Program are Taxable

The IRS Office of Chief Counsel has released a memorandum (Number 201622031) confirming that the following rewards and incentives result in additional taxable wages to the employee:

- Cash rewards payable to an employee for participating in a wellness program (such as a program providing health screening);
- The value of certain fringe benefits, such as gym memberships, for participating in a wellness program; and
- Reimbursements of premiums for participating in a wellness program when the premiums were originally paid pre-tax through a cafeteria plan (this is similar to the issue previously addressed in Revenue Ruling 2002-3).

Although the value of the health screenings under the wellness program are not taxable income, the receipt of cash rewards or other benefits that are not medical care are taxable wages, unless they can otherwise be excluded as a fringe benefit. A de minimis fringe benefit, such as the receipt of a t-shirt, for participating in the wellness program, could be excludable as a fringe benefit, but most rewards provided by employers that are not medical care must be included in the employee's income as wages. However, regardless of the amount, cash can never be excluded as a de minimis fringe benefit.