

## Compensation Definition Chart

### Section 415 Definition

<b>Statutory Definition</b>
Wages, salaries, fees for professional services, commissions, profit percentages, tips, bonuses, fringe benefits, reimbursements or expense allowances under non-accountable plan
<b>Includes:</b>
Medical or disability benefits includible in gross income
Amounts paid or reimbursed for moving expenses not deductible by employee
Value of nonqualified stock options taxable in year granted
Amounts includible in gross income due to Section 83(b) election for property received for services rendered (such as restricted stock grants)
Amounts includible in gross income for amounts constructively received by employee from nonqualified deferred compensation arrangements (409A plans)
<b>Excludes:</b>
Employer contributions (other than elective deferrals) to qualified or nonqualified deferred compensation plans not includible in gross income (such as to Section 401(a) plan or rabbi trust maintained as part of deferred compensation plan)
Distributions from deferred compensation plans, regardless of whether distribution is includible in gross income when distributed (plan can choose to include distributions from unfunded nonqualified plan in compensation in year amounts are includible in gross income)
Amounts realized from exercise of nonqualified stock options
Amounts realized when restricted property becomes freely transferable or is no longer subject to substantial risk for forfeiture
Amounts realized from sale or exchange of stock acquired under qualified stock option
Premiums for group term life insurance not includible in gross income (premium on first \$50,000 of coverage)

## Section 415 Safe Harbor Definitions

<b>Simplified Compensation Safe Harbor</b>
Wages, salaries, fees for professional services, commissions, profit percentages, tips, bonuses, fringe benefits, reimbursements or expense allowances under non-accountable plan
<b>Excludes:</b>
Employer contributions (other than elective deferrals) to qualified or nonqualified deferred compensation plans not includible in gross income (such as to Section 401(a) plan or rabbi trust maintained as part of deferred compensation plan)
Distributions from deferred compensation plans, regardless of whether distribution is includible in gross income when distributed (plan can choose to include distributions from unfunded nonqualified plan in compensation in year amounts are includible in gross income)
Amounts realized from exercise of nonqualified stock options
Amounts realized when restricted property becomes freely transferable or is no longer subject to substantial risk for forfeiture
Amounts realized from sale or exchange of stock acquired under qualified stock option
Premiums for group term life insurance not includible in gross income (premium on first \$50,000 of coverage)

<b>Wages for Income Tax Withholding Safe Harbor - 3401(a)</b>
All compensation subject to federal income tax withholding plus elective deferrals to cafeteria plans, qualified transportation fringe, and qualified retirement plans
<b>Includes:</b>
Income from restricted property no longer subject to substantial risk of forfeiture under Section 83
Income from exercise of non-statutory stock options
<b>Excludes:</b>
Income from excess group term life insurance

### Section 415 Safe Harbor Definitions (Cont.)

<b>W-2 Wages Safe Harbor</b>
Wages for Income Tax Withholding Safe Harbor definition plus other payments of compensation reported on Form W-2 or 1099
<b>Includes:</b>
Includes income from excess group term life insurance

### Section 414(s) Safe Harbor – First Modification

<b>Excludes:</b>
Expense reimbursements under non-accountable plan
Welfare benefits - such as disability benefits included in gross income
Nondeductible moving expenses
Medical benefits included in gross income
Unfunded deferred compensation payments
Taxable group-term life insurance

*Note: must exclude all or nothing - cannot exclude certain items from list*