

Taxation of frequent flyer miles

When you travel on business for your company, you may earn frequent flyer miles or other promotional benefits, such as through rental cars or hotels. These promotional benefits can be exchanged for free or discounted travel, upgraded seating, travel services, etc. Even though the business trips are paid for by your employer, you may be allowed to use the frequent flyer miles and other benefits for your own personal travel.

You'll be happy to know that these benefits won't result in any additional tax to you. IRS's policy is not to collect tax from individuals who make personal use of frequent flyer miles earned on business travel. Thus, you won't be taxed on the frequent flyer miles or other benefits, either when you receive them or when you use them. Likewise, your employer won't withhold income tax and payroll taxes on the value of the benefits.

Concerning the IRS's policy not to tax frequent flyer miles doesn't apply if the mileage (or other promotional benefit) is converted to cash. In that case, IRS will probably insist that you treat the cash as a taxable fringe benefit.