

Fringe Benefit Allocation Process

Each year the Controller's office at FIT calculates a fringe rate to apply to labor dollars in the next year. This fringe rate is applied in each department budget and in your actual costs as a percentage times your labor costs. The calculation is as follows:

$$\text{Total Fringe Cost} \div \text{Total Labor Costs} = 31\% \text{ (for example)}$$

Total fringe costs includes the employer costs for FICA tax, Life Insurance, STD Insurance, LTD insurance, Health insurance, Health Insurance reimbursement account and retirement plans.

Total labor costs include full time hourly and salary wages, faculty 12 month and 9 month, full time research Professors and summer faculty. (Note: summer faculty is included in the fringe allocation because even though their medical, life and disability insurance is covered by their 9 month salary, the university contributes to their retirement plan in addition to the FICA tax match)

The fringe benefit allocation does not affect employee's paychecks. Each employee selects what benefits they want to participate in and the deductions from the gross pay are for the employee contribution to these benefits. The employer contribution goes into the Fringe pool and gets allocated as actual expense to each department.

Exceptions to the Fringe Benefit Allocation:

Part time employee's labor cost, including professional/12 month faculty part time, hourly part time, supplemental pay, 9 month part-time hourly and temporary employees, do not follow this fringe rate calculation. The fringe rate for part time employees is only the FICA (Social Security and Medicare) of 7.65%.

Students employed by the university where the student is pursuing a course of study are exempt from paying FICA tax. The fringe rate charge on their labor dollars would be zero.