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(continued)

This subject is covered by Section 1.119 of the Regulations issued by the Internal Revenue Service.

Section 1.119-1(b) of the Regulations states the following:

"The value of lodging furnished to an employee by his employer shall be excluded from the employee's gross income if three tests are met:

"(1) The lodging is furnished on the business premises of the employer,

"(2) The lodging is furnished for the convenience of the employer, and

"(3) The employee is required to accept such lodging as a condition of his employment."

Section 1.119-1(c)(2) of the Regulations provides as follows:

" The exclusion provided by Section 119 applies only to meals and lodging furnished in kind, without charge or cost to the employee. If the employee has an option to receive additional compensation in lieu of meals or lodging in kind, or is required to reimburse the employer for meals or lodging in kind, the value of said meals and lodging is not excluded from gross income. * * * Cash allowances for meals or lodging received by an employee are includable in gross income to the extent that such allowances constitute compensation."

Where the compensatory nature of the payments is not otherwise determinable, the "Convenience of Employer Rule" described above is to be applied.

We understand that the men affected are inspectors on construction work being performed in Harford County. We further understand that some inspectors, by choice, have living quarters in Harford County in addition to their places of residence in Baltimore City. We further understand that it is not required that these men have living quarters in Harford County, and that other inspectors travel from Baltimore to the site of the work each day.