

## **Clothing Provided by the Employer**

Generally, in accordance with Internal Revenue Service requirements, City provided work clothing and clothing allowances are considered taxable fringe benefits and reported as wages to the employee unless the following conditions are met.

The value of work clothing provided by the employer is not taxable to the employee if:

- The employee must wear the clothing as a condition of employment; **and**
- The clothes are not suitable for everyday wear.

It is not enough that the employee wear distinctive clothing; the employer must specifically require the clothing as a working condition. Nor is the non-taxable test met because the employee does not, in fact, wear the work clothes away from work. The clothing must not be suitable for taking the place of regular clothing.

The value and upkeep of work clothes provided to firefighters and law enforcement officers is non-taxable to the employee. Similarly, the value of safety shoes or boots, safety glasses, hard hats and work gloves provided and maintained by the employer are not taxable. Reimbursements to employees for their purchase of any of these are excludable if the expenditures are substantiated under the IRS accountable plan rules.

As a result of these requirements, the following procedures are to be followed for all clothing/uniforms purchased by the City for employees with the exception of firefighters and law enforcement officers.

## **Clothing and Uniforms**

1. For non-public safety personnel, polo shirts, dress shirts, jackets, pants, non-safety footwear, hats or caps, etc. would be taxable, even though the City logo/name appears on the item. In order for any articles of clothing to be considered non-taxable they must meet the IRS requirements of being a condition of employment; **and** are not suitable for everyday wear.
2. All clothing allowances paid in cash are taxable to the employee.
3. When departments purchase clothing/uniform items for employees a clothing/uniform log (Excel worksheet) must be completed and returned to the Accounting and HR Departments along with the invoice or purchase card receipt. The log sheet must reconcile to the supporting documentation for the purchase of the clothing/uniforms.
4. If the department keeps clothing/uniforms in inventory, then as the items are dispensed to the employee, the log sheet would be completed and forwarded to Accounting.
5. The clothing/uniform log sheet must indicate in as much detail as possible the items given to the employee, the employee's name, employee number, quantity, cost per unit and total cost.
6. This information will be provided to Human Resources for entry into the payroll system.
7. The value of the items will be added to the employee's paycheck and used to determine the withholding taxes owed.
8. The clothing/uniform log sheet must be approved by the employee's supervisor or department head prior to submission to the Accounting Department.