

CLOTHING & UNIFORM FRINGE BENEFITS

TAXABLE

VS.

NON-TAXABLE

Working Condition Fringe Benefits (WCFB)

- General Rules for the WCFB Exclusion (**Pub. 15-B**)
 - Must relate to the employer's business and be provided so employee can perform his or her job.
 - Employee would be entitled to an income tax deduction, if paid personally. **IRC §132(d)**
 - Business use must be substantiated with records; meaning, the accountable plan rules must be met for reimbursements or clothing allowance. **IRC §162; Reg. §1.162(c) (1)**

Working Condition Fringe Benefits

- It is not enough that employees wear distinctive clothing.
- The clothing must be specifically required by the employer.
- Nor is it enough that employees do not, in fact, wear their work clothes away from work.
- The clothing must not be suitable for taking the place of regular clothing.

Working Condition Fringe Benefits

- WCFB rules apply to clothing/footwear:
 - purchased by the employer and issued to the employee
 - purchased by the employee and reimbursed by the employer
 - purchased by the employee using a State purchasing card
- Rules also apply to allowances for the care and upkeep of said clothing/footwear.

Working Condition Fringe Benefits

- There is no specific statutory guidance from the IRS on clothing or uniforms.
- Employers must apply a “reasonable person” approach (what would a reasonable person say) when deciding if the benefit is taxable or non-taxable.
- Tax determinations are made based on rules for business deductions and WCFBs and how expenses are substantiated.
- If clothing qualifies as a taxable fringe benefit, the IRS requires that the Fair Market Value be included on employees’ W-2s and withholding be deducted.

DOCUMENTATION

- If clothing/uniforms or footwear is determined to be a Working Condition Fringe Benefit; and, therefore, non-taxable:
 - Document the justification for the determination
 - Retain the justification in the event of an IRS audit.

Collective Bargaining Agreements

- When fringe benefits are included in Collective Bargaining Agreements (CBA), Organizations must work with OMB's Labor Relations to ensure Labor Union representatives and employees understand the tax implications associated with included benefits.

CLOTHING & UNIFORM SAMPLES

NON-TAXABLE



OFFICIAL POLICE OFFICER UNIFORMS

NON-TAXABLE

LAW ENFORCEMENT LONG & SHORT SLEEVE SHIRTS AND JACKETS

- Military style Epaulets
- Badge eyelets
- Uniform Buttons
- Zippered openings for weapon or equipment access
- Heat transfer reflective graphics
- Openings allow attachment of emblems



NON-TAXABLE



FIRE CLOTHING & GEAR



NON-TAXABLE



- **High-visibility** background fabric
- **Hi-contrast reflective stripes for visibility**
- Breakaway design comes apart at shoulders and waist to prevent entanglement with attackers
- 360 degree reflective coverage
- Has black “**FIRE**” lettering front and back
- Front/rear accommodate custom lettering
- **Microphone tabs on both sides**
- Pencil holders on both front cross straps

BREAKAWAY SAFETY VEST

MEDICAL PERSONNEL



- Scrubs and lab coats are non-taxable, as they readily identify the individual as medical personnel.

- Shoes commonly worn by nursing staff are taxable, as they could easily be worn outside of the work environment.

- Stethoscope: Non-taxable



TAXABLE



- Business suits, ties, belts, and footwear provided to employees who do not normally wear formal business attire at work is a taxable benefit.
- These articles of clothing are readily adaptable to everyday wear.

TAXABLE



Even if an employer requires all employees to wear a uniform-style of clothing, if the clothing is readily adaptable to everyday wear it is taxable. This approach brings equity across a workforce where other workers must purchase and maintain a wardrobe acceptable for the job.

TAXABLE

► Polo Shirts



► Button Downs



► Jackets/Windshirts



► Pants



► Shorts



Typically, the clothing worn by School Athletic Department staff is readily adaptable to everyday wear and is taxable.

TAXABLE



- Polo shirts are a popular article of clothing provided to employees and are almost always taxable.
- Embroidered logos and patches make no difference in the tax determination.
- The only alterations that make the value of the shirts a non-taxable WCFB is if they are a high-visibility color or they have reflective lettering as a safety feature for situations where visibility is low.

**LONG & SHORT SLEEVE
POLO SHIRTS**

NON-TAXABLE



**SPECIALIZED
POLO SHIRTS**



Design combines high-visibility with uniform appearance

- **Reflective piping around chest and arms provides nighttime reflectivity**
- Quarter-zip pullover front
- Zippered pocket with external pencil slots
- **Reinforced epaulets topstitched to secure microphones**
- Extra-long to stay tucked in
- **Badge eyelets with internal support strap**

NON-TAXABLE

Cafeteria worker apparel – aprons, jackets, hair nets



TAXABLE



RAINGEAR

- Cotton canvas with a waterproof Dura-Dry[®] membrane
- Fully taped seams to ensure moisture won't get in
- Drop tail for increased coverage
- Includes inside, chest and lower-front pockets
- Elastic waistband has hook-and-loop side adjusters for a superior fit
- Extended chap-style double front for long wear
- Waterproof, breathable and wind-resistant nylon outer
- Reinforced nylon back kick panels
- Full-leg two-way zippers with storm flap

NON-TAXABLE



**HIGH-VISIBILITY
RAIN GEAR
JACKET/PANTS**

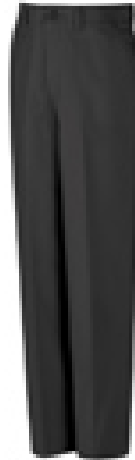


- Reversible High-visibility fluorescent polyester
- 2" reflective trim around chest, sleeves, cuffs and ankles on high-visibility side
- Double storm flaps with reversible zipper
- Sport collar zips to top
- 9" go-through slash pockets with welts
- Microphone tabs on left and right sides (black and high-visibility sides)
- Badge tabs on both sides (left chest)

TAXABLE



TURTLENECK



WORK PANTS



**Women's Stretch Poplin
Uniform Shirt - Short Sleeve**

TAXABLE



- Durable waistband that won't lose its shape
- Tagless waistband
- Flat seam stitching, spandex rib-knit trim and a full cut for a soft and comfortable feel in any weather condition

LONG UNDERWEAR

TAXABLE (Unaltered)



I.D. JACKET

- Water-resistant and windproof nylon shell provides protection against the elements
- Duty enhancements include a front zip and side openings for easy equipment access, and **optional badge and microphone tabs**
- Available with **stock or custom lettering**
- Zippered front extends through collar
- Fold over elasticized cuffs
- Two front welt pockets
- Side openings with snap closures

INSULATED ITEMS



NON-TAXABLE



TAXABLE

- Courts have ruled that insulated coveralls meet the requirements of a WCFB because it is unlikely that they would be worn for everyday use.
- But, courts have ruled that insulated shoes were suited for informal personal use and; therefore, they are a taxable fringe benefit.

NON-TAXABLE



- Comfortable, durable and functional
- Bi-swing shoulder for a wider range of motion
- Teflon® treated for stain and soil resistance
- Neoprene elbow pads
- 26 bartacks in high stress areas
- Tough melamine buttons
- Double-reinforced elbows
- Patented hidden document pockets

Camouflage Shirt & Pants

TAXABLE



- Non-metallic construction won't set off metal-based security systems

- Full-grain leather can be easily polished and is preferred by those in uniform and on special tactical teams due to its durability and ability to be cleaned quickly



- Nylon upper material is extremely resistant to abrasions, tears, and scuffs, improves breathability, and dries quickly

Uniform Shoes

NON-TAXABLE



- Ankle Boots, Closure Type Lace Up, Toe Type Steel, Metatarsal Guard No, Shank Material Steel, Material Polyurethane and PVC, Insulation None, Tread Pattern Cleated, Resists Chemicals, Standards ANSI Z41 PT99 M I/75 C/75, 1 Pair

- Black Leather Upper
Insole and Arch Over Anti-Fatigue Mat Filler
Internal - Cushioned Internal Met Guard
Dual Density Slip-Resisting
Protective toe / Safety toe: Steel, Composite, or Alloy

Uniform Shoes

SAFETY EQUIPMENT

- Because the cost of protective clothing required for work is tax deductible, safety equipment is non-taxable if the equipment is provided to help the employee perform his/her job in a safer environment.
- To be non-taxable, it is not necessary that the equipment be required by the employer.
- The accountable plan rules must be met for reimbursements for safety equipment.

ACCESSORIES – NON-TAXABLE



High Visibility Hat



Insulated Gloves



Special Sun Glasses

- Special Features not readily available to public
- Polarized
- Blocks blinding rays of glare magnified by flat surfaces such as snow, water and pavement.
- Eliminates haze & distortion

ACCESSORIES – NON-TAXABLE



Tool Boxes



Tool Belt



**Hard Hat
Work Gloves
Safety Glasses**

TAXABLE ... OR ... NON-TAXABLE?



YES
AND
NO!

TAXABLE ... OR ... NON-TAXABLE?



Hard Hat?

TAXABLE ... OR ... NON-TAXABLE?



Hard Hat?

Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



Safety Glasses?

TAXABLE ... OR ... NON-TAXABLE?



Safety Glasses?

Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



Yellow Vest?

TAXABLE ... OR ... NON-TAXABLE?



Yellow Vest?

Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



Work Gloves?

TAXABLE ... OR ... NON-TAXABLE?



Work Gloves?

Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



Blue Jacket?

TAXABLE ... OR ... NON-TAXABLE?



Blue Jacket?

Taxable

TAXABLE ... OR ... NON-TAXABLE?



Work Pants?

TAXABLE ... OR ... NON-TAXABLE?



Work Pants?

Taxable

TAXABLE ... OR ... NON-TAXABLE?



Tool Belt?

TAXABLE ... OR ... NON-TAXABLE?



Tool Belt?

Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



Safety Harness?

TAXABLE ... OR ... NON-TAXABLE?



Safety Harness?

Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



Steel-Toed Shoes?

TAXABLE ... OR ... NON-TAXABLE?



Steel-Toed Shoes?

Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



Hard Hat	Non-Taxable
Safety Glasses.....	Non-Taxable
Yellow Vest	Non-Taxable
Work Gloves	Non-Taxable
Blue Jacket	Taxable
Work Pants	Taxable
Tool Belt	Non-Taxable
Safety Harness	Non-Taxable
Steel-Toed Shoes	Non-Taxable

TAXABLE ... OR ... NON-TAXABLE?



NO ! NOT READILY ADAPTABLE TO EVERY-DAY WEAR

REFERENCES

- Bulletin #2013_002 – Uniform & Clothing Allowance
Fringe Benefits
http://www.accounting.delaware.gov/payroll_comp/bulletins/2013_002.pdf
- DOA Memo #13-04 – Statewide Compliance
Examination – Non-Wage Payments – Conclusion
http://extranet.accounting.state.de.us/Memo_13/13-04.pdf



QUESTIONS?