



Applies to: Units, faculty, staff, graduate associates, and student employees

Responsible Office

Office of Business and Finance

POLICY

Issued: 01/01/2020

The value of any clothing and uniforms provided by the university to **employees** will be treated as taxable income to the employee, unless certain exclusions apply.

Purpose of the Policy

To provide guidance on the taxability of university-provided clothing and uniforms to ensure consistency across the university and compliance with tax and other applicable laws.

Definitions

Term	Definition
Employee	Faculty, staff, student employees, and graduate associates.
Unit	College or administrative unit.

Policy Details

- I. General
 - A. All units are required to follow applicable Internal Revenue Service (IRS) rules that pertain to the tax treatment of employer-provided clothing and uniforms.
 - B. The fair market value of any item of clothing or uniform provided by the university to an employee must be treated as taxable income to that employee unless an exclusion described in Policy Details II applies.
 - C. If an item of clothing or a uniform is treated as taxable and the university pays to launder or provides laundering for that clothing or uniform, the value of laundering also must be treated as taxable income to the employee.
- II. Exclusions
 - A. Working condition fringe benefit exclusion
 1. The value of an item of clothing or a uniform provided by the university to an employee will be treated as non-taxable and thus excludable from income if the following requirements are met:
 - a. The employee must wear the clothing or uniform as a condition of employment. To meet this requirement, the university must specifically require the employee to wear the clothing or uniform as a working condition; and
 - b. The clothing or uniform must not be suitable for everyday wear. To meet this requirement, the clothing or uniform must not be suitable for taking the place of regular clothing.
 2. Examples of clothing and uniforms that meet the working condition fringe benefit exclusion include, and are not limited to:
 - a. Uniforms worn by certain law enforcement officers, certain delivery workers, certain health care professionals, certain food service workers, and certain transportation workers (e.g., air and bus); and
 - b. Clothing that is required to be worn for the employee’s safety and protection while on the job, including, and not limited to, steel-toed boots, work gloves, hard hats, and safety glasses.
 3. Any reimbursements to an employee for the employee’s purchase of clothing or uniforms will be treated as non-taxable and thus are excludable from income if:
 - a. The expense meets the requirements of this working condition fringe benefit exclusion; and
 - b. The employee substantiates the expense with a detailed record, including the equivalent of the original receipt(s) with the amount of the expenditure, dates and location of the expenditure, and business purpose of the expenditure, within 60 days of the expenditure.

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4. Any reimbursement amounts paid by the university to an employee that are in excess of the substantiated expense determined in Policy Details II.A.3 must be returned to the university within 90 days following the date of reimbursement.
- B. De minimis fringe benefit exclusion
 1. Clothing and uniforms provided by the university to an employee will be treated as non-taxable and thus are excludable from income if the following requirements are met:
 - a. The clothing and uniforms are provided to the employee infrequently; and
 - b. The aggregate value of the clothing and uniforms provided to the employee, plus the value of certain non-cash awards (see [Expenditures policy](#)) provided to the employee, is less than \$100 per calendar year.
- III. Any cash allowance provided to an employee for clothing or uniforms must be treated as taxable income to the employee. There are no exclusions to cash allowances.

PROCEDURE

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- I. Application of Working Condition Fringe Benefit Exclusion
 - A. If a unit desires to treat the value of an item of clothing or a uniform provided to an employee as non-taxable under the working condition fringe benefit exclusion, the unit must submit a [Determination of Taxability Form](#) to Tax Compliance at tax@osu.edu for a tax determination.
 - B. Questions regarding the [Determination of Taxability Form](#) are to be directed to Tax Compliance at tax@osu.edu.
 - C. Tax Compliance will determine taxability in accordance with this policy and applicable law when a [Determination of Taxability Form](#) is received.
 - D. Tax Compliance must document any decisions regarding taxability and provide a copy of the documentation to the unit submitting the request.
- II. Tracking the Provision of Clothing and Uniforms
 - A. Any item of clothing or uniform provided by a unit to an employee that has not been determined by Tax Compliance to meet the working condition fringe benefit exclusion must be tracked by the unit and reported to Payroll Services.
 - B. To track and report on such clothing and uniforms, the unit must timely complete and submit an [Employee Non-Cash Reporting Form](#).
 - C. Procedures for completing and submitting the [Employee Non-Cash Reporting Form](#), which is used to report all types of non-cash awards/items, are set forth in the [Expenditures policy](#).
- III. Payroll Processing
 - A. Taxable clothing and uniforms
 1. Payroll Services will aggregate information reported on all [Employee Non-Cash Reporting Forms](#) and will determine when clothing and uniforms reported on the forms exceed the de minimis threshold.
 2. If the cumulative value of all items reported on the [Employee Non-Cash Reporting Forms](#) for an employee equals or exceeds \$100 in a calendar year, the value of all items reported on those form(s) for that employee during the calendar year will be treated as taxable to the employee.
 3. If items reported on the [Employee Non-Cash Reporting Forms](#) are determined to be taxable to an employee, Payroll Services will add the value of those items to the payroll system for inclusion in the employee's paycheck.
 - B. Cash allowances and reimbursements
 1. If a reimbursement for clothing or uniforms has been determined by Tax Compliance to meet the working condition fringe benefit exclusion, the reimbursement will be distributed to the employee through Accounts Payable.
 2. Units must report any cash allowances or taxable reimbursements for clothing or uniforms to Payroll Services via a Human Resource Action Request (HRA) using the Taxable Reimbursement (TXR) earnings code.

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Payroll Services will distribute the cash allowance or taxable reimbursement to the applicable employee through the employee's paycheck.

Responsibilities

Position or Office	Responsibilities
Accounts Payable	Distribute reimbursements to employees for clothing or uniforms determined to meet the working condition fringe benefit exclusion.
Employee	<ol style="list-style-type: none"> 1. Substantiate the expense of the item meeting the working condition fringe benefit exclusion with a detailed record, including the equivalent of the original receipt(s) with the amount of the expenditure, dates and location of the expenditure, and business purpose of the expenditure, within 60 days of the expenditure. (only applicable when employee purchases clothing or uniforms) 2. Return reimbursement amounts paid by the university that are in excess of the substantiated expense determined in Policy Details II.A.3 to the university within 90 days following the date of reimbursement.
Payroll Services	<ol style="list-style-type: none"> 1. Aggregate information from all Employee Non-Cash Reporting Forms and determine when clothing and uniforms exceed the de minimis threshold. 2. Treat as taxable to the employee the cumulative value of information reported on the Employee Non-Cash Reporting Form if it equals or exceeds \$100 in a calendar year. Add value to the payroll system. 3. Distribute cash allowances or taxable reimbursements through the employee's paycheck.
Tax Compliance	<ol style="list-style-type: none"> 1. Determine taxability when Determination of Taxability Forms are received. 2. Respond to questions regarding Determination of Taxability Forms.
Unit	<ol style="list-style-type: none"> 1. Follow IRS rules pertaining to tax treatment of employer-provided clothing and uniforms. 2. Submit any Determination of Taxability Form to Tax Compliance. 3. Direct questions about the Determination of Taxability Form to Tax Compliance. 4. Track items of clothing or uniforms provided to employees that do not meet the working condition fringe benefit exclusion by using and submitting the Employee Non-Cash Reporting Form. 5. Consult Expenditures policy for procedures to complete/submit the Employee Non-Cash Reporting Form. 6. Report any cash allowances or taxable reimbursements to Payroll Services via an HRA using the TXR earnings code.
University	<ol style="list-style-type: none"> 1. Treat as taxable income any item of clothing or uniform determined to not fulfil an exclusionary requirement. 2. Treat as taxable the laundering value for any item of clothing or uniform determined to be taxable. 3. Treat as non-taxable clothing and uniforms that meet the requirements under Policy Details II.

Resources

University Policies, policies.osu.edu/

Expenditures, busfin.osu.edu/sites/default/files/411_expenditures.pdf

Forms

Employee Non-Cash Reporting Form, busfin.osu.edu/sites/default/files/employee-non-cash-reporting-form.xlsx

Determination of Taxability Form, busfin.osu.edu/sites/default/files/determination-of-taxability-form.pdf

Contacts

Subject	Office	Telephone	E-mail/URL
Policy questions and tax	Tax Compliance, Office of the Controller, Office of Business and Finance	614-292-0355 Fax: 614-688-3572	tax@osu.edu busfin.osu.edu/tax-compliance
Payroll processing	Payroll Services, Office of Business and Finance	614-292-2311 Fax: 614-688-3640	payrolloffice@osu.edu busfin.osu.edu/payroll-services

History

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