

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.

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



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)



- 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

I.D. JACKET

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

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- 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

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**