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Originating Office:	Accounting/Human Resources/General Counsel
Responsible Executive:	Vice President for Finance and Administration
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University Provided Clothing

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I. REASON FOR THIS POLICY

This policy and its procedures set forth the standards applicable to University provided clothing for employees to ensure compliance with tax and other applicable statutes and rules.

II. STATEMENT OF POLICY

All University units are required to follow applicable Internal Revenue Service rules that pertain to employer provided clothing as a taxable benefit to employees. This policy applies to clothing that is purchased for a University employee and paid for with University and University-related funds that are deemed a business necessity.

III. DEFINITIONS

Clothing provided to a University employee is considered Non-Taxable, a Taxable Employee Benefit, or a De Minimis Benefit as follows:

- a. **Non-Taxable:** University purchased and owned employee uniforms and protective clothing that meet all of the following conditions:
 - 1) Wearing the specific clothing is a condition of the employment and the employee is required to wear the uniform or protective clothing;

- 2) The clothing is not suitable for everyday wear; and
 - 3) The clothing is not actually worn for general usage, but for a specific job related duty where safety and protection is of concern.
- b. **Taxable Employee Benefit:** University purchased clothing that is purchased as a business necessity, such as provided to identify the employee's office, which may also be suitable to wear outside of employment.
- c. **De Minimis Benefit:** University purchased clothing that meets the following conditions:
- 1) Value and frequency with which clothing item is provided make it impractical to account for, and
 - 2) Value of clothing item(s) does not exceed fifty dollars in a calendar year.

Business Necessity: Managements's defense of an employment related decision (which disproportionately affects a particular group) that it is based on the genuine requirements of the firm and is consistent with other such decisions.

IV. PROCEDURES

- a. Vendor invoices for Non-Taxable, Taxable, and De Minimis clothing items will be processed through Accounting processes in Banner. The business necessity of the clothing purchase should be documented on the invoice.
- b. Taxable Employee Benefit items:
 - 1) Submit a computer generated list, Excel spreadsheet or log to Human Resources. The list/spreadsheet/log must contain:
 - Name
 - Banner identifier number
 - Dollar amount of items
 - Brief description of items
 - 2) Departments will submit lists to Human Resources/Payroll by 18th of each month.
 - 3) Human Resources/Payroll will load dollar amounts onto employee's payroll records as a taxable amount.

- c. De Minimis Benefit items are taxable after reaching a \$50.00 total value in a calendar year . Departments will monitor amounts and report to Human Resources/Payroll, using the process in Section IVb above, the amounts that should be reported as taxable.
- d. The department will be responsible for maintaining documentation to support clothing provided to employees. Documentation includes the description of the item, date issued, cost of the item and signature by the employee receiving the items.

V. RELATED DOCUMENTS, FORMS AND TOOLS

Internal Revenue Service Publication 15-B – Employer’s Tax Guide to Fringe Benefits -
<https://www.irs.gov/publications/p15b>

Internal Revenue Service Taxable Fringe Benefit Guide –
https://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf

26 IRC (Internal Revenue Code) § 1.132-5 – Working condition fringes -
<https://www.govinfo.gov/app/details/CFR-2018-title26-vol2/CFR-2018-title26-vol2-sec1-132-5/summary>

26 IRC (Internal Revenue Code) § 1.132-6 – De minimis fringes –
<https://www.govinfo.gov/app/details/CFR-2018-title26-vol2/CFR-2018-title26-vol2-sec1-132-6>

South Dakota Board of Regents Policy 5:4 – Purchasing -
<https://www.sdbor.edu/policy/documents/5-4.pdf>