Office/Contact: Office of Finance and Business

Source: SDBOR Policy 5:4 Purchasing, 26 U.S.C. (Internal Revenue Code) §§ 132(a)(4) and 262; 26 CFR §§ 1.132-5&6; IRS Publication 15-B

Link: <https://www.sdbor.edu/policy/documents/5-4.pdf>; <https://www.gpo.gov/fdsys/pkg/USCODE-2009-title26/content-detail.html>; <https://www.gpo.gov/fdsys/granule/CFR-2012-title26-vol1/CFR-2012-title26-vol1-toc-id2>; <https://www.irs.gov/forms-pubs/about-publication-15b>

**SOUTH DAKOTA STATE UNIVERSITY**

**Policy and Procedure Manual**

SUBJECT: Clothing Provided to Employees

NUMBER: 5:3

1. Purpose

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

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

1. 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, or the employee is otherwise required to wear the clothing; (2) The clothing is not suitable for every day, personal wear as generally accepted, or wear in multiple settings; and (3) The clothing is not actually worn for general usage, but for a specific job-related duty, such as where safety and protection is of concern.
2. Taxable Employee Benefit: Clothing that is purchased by the University as a business necessity, such as provided to identify the employee’s office, which also may be suitable to wear outside of employment.
3. De Minimis Benefit: University purchased clothing that meets either of the following conditions: 1) Value and frequency with which clothing item is provided make it impractical to account for (i.e., the administrative costs of determining the fair market value of, and accounting for, the clothing benefits are more expensive than providing the benefits); or 2) Total value of all clothing items provided to an employee does not exceed fifty dollars ($50) in a year.
4. Procedures
5. Non-Taxable clothing purchased for employees shall require the department clearly document the qualifying conditions for exempt treatment on the invoice before payment will be made. The documentation shall then be retained by Accounts Payable.
6. Taxable and De Minimis Benefit Clothing:

	1. A direct pay document with a scan of the clothing purchase invoice attached must be submitted to Accounts Payable. The invoice must include:
		1. The employee(s)’ name(s) and employee(s)’ banner identification number(s), and
		2. An explanation of the business necessity for the clothing purchase, as well as an explanation of any multiples purchased, as approved by the unit supervisor.
	2. The department shall maintain a record of all clothing distributed to an individual employee along with a copy of the original invoices.
	3. Once the total value of clothing distributed is fifty dollars ($50) or more for an individual employee, the department shall submit a report to Accounts Payable, and all future clothing purchases for that employee shall be reported to Accounts Payable immediately.
	4. Accounts Payable shall forward the invoice and/or report to Payroll, and Payroll shall add the value of clothing to the employee(s)’ total earnings and assess appropriate taxes, such as FICA and FIT, during the next pay cycle.
7. Gift cards, gift certificates and other cash equivalents provided to the employee for the purpose of obtaining clothes cannot be de minimis fringe benefits and must be accounted for in the employee’s wages by immediately reporting the cash equivalent amount to Accounts Payable.
8. Responsible Administrator

The Vice President for Finance and Business, successor, or designee is responsible for annual and ad hoc review of this policy and its procedures. The University President is responsible for approval of this policy.

SOURCE: Approved by President on (date)\_\_\_\_\_\_\_\_\_\_.

*NOTE: The signatures below are required for policy and procedure approval; however, signatures will not be included in the published version of the Policy and Procedure Manual.*

Recommended by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Janet Peterson Date

 Director of Payment Systems

 South Dakota State University

Legal Review by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Tracy A. Greene Date

 General Counsel

 South Dakota State University

Attested by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Wesley G. Tschetter Date

 V.P. for Finance and Business

South Dakota State University

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 Dennis Hedge, Pharm. D. Date

Provost and V.P. for Academic Affairs

South Dakota State University

Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Barry H. Dunn, Ph.D. Date

 President

South Dakota State University