

SALT LAKE COUNTY
COUNTYWIDE POLICY
ON
CLOTHING ALLOWANCES

Purpose -

To provide for an equitable clothing allowance standard for employees within organizations which have clothing allowances, to align with the IRS tax guidelines for taxation of clothing allowances, and to define how the county treats clothing allowances for income and social security tax purposes.

1.0 Definitions

1.1 Uniform(s) or Clothing -- for purposes of this policy, uniform(s) or clothing refers to a specific implementation of identifying clothing-and personal equipment for an employee, which is required as a condition of employment, and may not be worn or adaptable to general usage as ordinary clothing. This policy applies to uniforms worn by sworn personnel and civilians required to wear specific identifying clothing. It does not refer to dress codes or standardization of employee appearance.

1.2 Allowance – payments made under this policy for uniforms or clothing, whether:

1.2.1 paid directly to employees through payroll, or

1.2.2 reimbursed to employees

2.0 IRS Guidelines

2.1 Taxation of clothing allowances

2.1.1 Generally, IRS guidelines require amounts paid to employees for uniforms or clothing to be taxed as fringe benefits unless certain conditions are met. These conditions relate to how the items are used by the employee, and whether the county requires the employee to substantiate the allowance. The IRS refers to this substantiation requirement as an ‘Accountable Plan’, which requires the employee to verify within a reasonable period of time the date, time, place, amount and business purpose of the expense. Verification is generally done through documentary evidence, such as bills, receipts, canceled checks or similar items.

- 2.1.2 Based on IRS guidelines in the *Taxable Fringe Benefit Guide*, a clothing allowance or payment is NOT considered taxable if wearing the item is a condition of employment, it is not worn for general use (and is not adaptable to general use), and the County requires the employee to substantiate the allowance (under an ‘accountable plan’).

3.0 Policy

- 3.1 Each department that provides or pays for a uniform or clothing for employees may choose to:
 - 3.1.1 Grant a per-pay period or yearly clothing allowance for purchase, wear or maintenance of the uniform or clothing (paid through payroll-considered taxable); or
 - 3.1.2 Provide funds to reimburse the employee for the purchase, wear or maintenance of the uniform or clothing under a method that meets the rules of an IRS Accountable Plan (considered non-taxable); or
 - 3.1.3 Buy clothing for the employee and issue it as a uniform or clothing (considered non-taxable).

4.0 Elected officials, departments, and divisions may have an internal policy regarding their uniform and clothing needs, standards, and specifications.

- 4.1 Elected Officials, Department and Division Directors will determine their own standards within the limitations of their respective budgets.
- 4.2 Some items utilized to determine the decision to have a uniform or clothing program are:
 - 4.2.1 the necessity for the general public to identify particular employees
 - 4.2.2 the necessity for the employee to do all functions of their job
 - 4.2.3 the health and safety of employees

5.0 The following describes the situations in the county under this policy, how payment will be made, and the taxability of payments for clothing allowances:

Condition/circumstance how payment is made	County practice	County tax treatment
1. If county organization wants to pay the employee directly for uniforms or clothing	<p>A. Pay employee through an up-front payroll allowance, with no requirement that employee submit receipts (prior practice of reimbursing employees for clothing allowances would be discontinued if implementation of this option is chosen)</p> <p>B. If the organization prefers not to tax the allowance up-front, they will establish a plan that meets the IRS rules for an ‘Accountable Plan’. The organization must audit the documentation to ensure compliance with IRS rules</p>	<p>A. Taxed for federal, state and social security tax purposes, and taxes withheld from employees checks</p> <p>B. Not taxed for federal, state and social security tax purposes, as long as all guidelines are met, including substantiation</p>
2. If county purchases uniforms or clothing from an outside vendor and provides the uniforms or clothing to employees	Used in cases in which the county organization determines the item would NOT be considered taxable	Not taxed; treated like any other vendor payment

APPROVED and PASSED this 15 day of June, 2010.

SALT LAKE COUNTY COUNCIL

Joe Hatch, Chair

ATTEST:

Sherrie Swensen, County Clerk

APPROVED AS TO FORM:

District Attorney’s Office Date