

Date: January 17, 2018

To: Finance Users
PCard Users
Business Affairs Advisory Committee (BAAC)
Deans and Vice President's

Re: Taxable Benefits-Employee Clothing Purchases

Under the Internal Revenue Code, clothing purchased for employees is a fringe benefit, taxable to the employee, unless specifically excluded by the law. The exclusion is determined based on the clothing type and value. Effective **January 2018**, clothing purchases not qualifying as a De Minimis benefit (under \$50 per calendar year) will be included in an employee's wages making them taxable to the employee. All items, regardless of dollar amount, must have a valid, documented business purpose, and must comply with all university purchasing and expense procedures.

NMSU has defined and outlined the tax treatment for four types of clothing:

1. Uniform - A uniform is attire required by the university worn in the performance of assigned duties not suitable for taking the place of regular clothing (e.g. attire for a police officer or medical professional). The University also considers attire approved and provided to AFSCME Union members, under 'Article 31 - Uniforms and Equipment' of the Collective Bargaining Agreement, to be uniforms. In addition, attire required for public or campus safety qualify as a uniform. Uniforms are considered a "working condition benefit" and therefore excludable from employment tax withholdings. Record purchases in **account code 732040**.

2. Protective and Safety Clothing – Protective and safety clothing is worn over or in place of regular clothing to protect the employee from damage or abnormal soiling, or to maintain a sanitary environment and may include serving aprons, laboratory coats, or steel-toe boots. Protective clothing is considered a "working condition fringe benefit" and excludable from employment tax withholdings. Record purchases in **account code 732042**.

3. De Minimis Clothing - De Minimis clothing is attire given to employees that has a low value, defined as less than \$50, and given infrequently (not to exceed \$50 per calendar year). De Minimis clothing is excludable from employment tax withholding. Record purchases in **account code 732044**.

4. Business Attire – Clothing that does not meet the definition of Uniform, Protective and Safety Clothing or De Minimis Clothing are **NOT** a "working condition fringe benefit," and is considered Business Attire. The full value of Business Attire is included in the employees' wages and subject to employment tax withholdings (i.e. taxable to the employee). Record purchases in **account code 732046**.

Taxable clothing must be reported at the time of purchases to the Payroll Office using the **Taxable Clothing Purchases – Employee Listing** form. It is the department's responsibility to inform the employee of the tax liability by completing the **Taxable Clothing – Acceptance** form. Employees may elect to purchase required business attire directly, eliminating the tax liability altogether. Forms are located at <https://af.nmsu.edu/forms/>. The Business Procedures Manual, Chapter 7, Section 7.05 – Taxable Fringe Benefits has been updated to reflect this change.

Note: this business rule applies to NMSU faculty, staff, and student employees. Clothing purchased and given to students or the public is not subject to tax reporting requirements as long as the value of all items given by NMSU, including clothing, does not exceed \$600 to an individual during a calendar year.

Email boffice@nmsu.edu or call 646-2432 with any questions.