

University-Provided Clothing and Gift Guidelines

Purpose

These guidelines outline the procedures and requirements for providing clothing and gifts to employees at Western Michigan University. It ensures compliance with IRS regulations and promotes consistency across departments.

Overview

All clothing and gifts provided to employees by the university are considered taxable income unless they meet one of the following IRS exclusions:

Exclusions

1. Working Condition Fringe Benefit

Clothing may be excluded from taxable income if both of the following conditions are met:

- **Required for the job:** The university mandates the employee to wear the apparel while performing job duties, and
- **Not suitable for everyday wear:** The clothing is not appropriate for general use outside of work (e.g., safety gear)

Examples of Working Condition Fringe Benefit Clothing:

- Lab coats required for laboratory safety
- Police uniforms with official insignia
- Protective coveralls for painters

2. De Minimis Benefit

Clothing may also be excluded if both of the following conditions are met:

- Infrequently provided and administratively difficult to track, and
- Total value (including the fair market value (FMV) of other non-cash gifts/awards) does not exceed \$100 per calendar year

Examples of De Minimis Benefit:

- Sunglasses (FMV \$6.99) handed out to attendees at a one-time event such as the president retirement celebration
- Pens (FMV \$2.99) handed out to employees and students at the annual Bronco Bash
- Tee shirt (FMV \$12.99) handed out at an event open to the public where employees may also be in attendance

University-Provided Clothing and Gift Guidelines (Continued)

Taxable Items

In all other instances all clothing and non-cash gifts provided to employees should be considered taxable. Included below are some examples of taxable clothing:

- Apparel suitable for personal use (e.g., polo shirts, fleeces, jackets), even if branded with the university logo
- Clothing provided which is not required as a condition of employment
- Clothing and non-cash gifts with a FMV exceeding the \$100 de minimis threshold in a calendar year

Responsibilities

University Departments are responsible for:

- Tracking the FMV of clothing and gifts provided to employees throughout the year
- Maintaining a detailed list that includes:
 - Recipient name(s) and WIN (Western Identification Number)
 - FMV and description of items
 - Purpose and justification (if job-related)
- Reporting to the Tax and Corporate Reporting Office:
 - Within 30 days of the total FMV exceeding \$50, or
 - At least annually on October 1st
- Ensuring the proper fund and department is being charged. Fund 11 accounts are not allowed to be used under any circumstances. All purchases must be reasonable, appropriate, and necessary for the employee's job duties. These expenditures are subject to a high level of scrutiny, so please exercise sound judgment and ensure funds are used responsibly.

Tax and Corporate Reporting Office

- Requests annual reports from departments
- Reviews documentation for completeness and accuracy
- Submits approved summaries to payroll
- Notifies employees of taxable amounts added to their income

Payroll Office

- Adds the taxable value of clothing/gifts to employee pay
- Spreads the value over multiple pay periods when appropriate

Employees

If the FMV of a single item received exceeds \$50 employees are required to sign an acknowledgment form confirming receipt of items and the associated taxable FMV to be included in their compensation. Employees may elect to decline university provided clothing, in which case no clothing will be issued and no taxable income will be reported.