

Office/Contact: Office of Finance and Business

Source: 26 U.S.C. (Internal Revenue Code) §§ 132(a)(4) and 262; 26 CFR §§ 1.132-5&6; IRS Publication 15-B; SDBOR Policy 5.4

Link: <https://www.gpo.gov/fdsys/pkg/USCODE-2009-title26/content-detail.html>;

3. Procedures

a. 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.

b. Taxable and De Minimis Benefit Clothing:

i. 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.

ii. The department shall maintain a record of all clothing distributed to an individual employee along with a copy of the original invoices.

iii. 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.

iv. 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.

c. Gift cards, gift certificates and other cash equivalents provided to the employee for the

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