Q&A: CSU Provided Clothing
Taxable vs. Nontaxable

This Q&A has been drafted to address common questions arising from clothing provided to employees.

Q1: At what point is it considered "administratively impractical" to account for De Minimis value clothing provided to employees? Is it 10 shirts? 50? 100? Many departments would like to provide their staff with an occasional item of CSU logo clothing. If they choose to do so, why is it considered taxable?

A1: Since both clothing items and staff members are easily identified, arguing administrative impracticability isn't justifiable.   A circumstance in which employee-provided clothing is too difficult to trace to recipients and account for in wages is unlikely.

Q2: It is not that an entire staff may not be provided with shirts, it's just that the shirts need to be reported as taxable, correct?

A2: Those who are authorized to approve University expenditures are responsible for ensuring that funds are used for official University business purposes and are reasonable and necessary under the circumstances. Approvers are encouraged to review the CSU Financial Rules to help guide their decision. If approved, clothing provided to employees that is deemed taxable should be expensed to Kuali Object Code 6234.

Q3: Our employees are required to wear CSU embroidered polo shirts for safety reasons, so that they are easily identified as staff. Why aren't these considered nontaxable protective clothing?

A3: There is a difference between personal protective wear (for example a high visibility/high contrast reflective vest) and an ordinary shirt (even one colored bright yellow or orange, for example). In order to be excluded from taxation, clothing must not be suitable for everyday wear.

Q4: Our staff is required to turn in CSU-provided clothing when their employment is terminated. Does that make the clothing nontaxable?

A4: No. The fact that clothing must be turned in has nothing to do with taxability. Clothing must be required as a condition of employment and not adaptable to streetwear in order to be excluded.

Q5. How is it possible that clothing provided by an outside third party is taxable to CSU employees? How would that even be tracked?

A5. As stated in FPI 2-21, clothing provided to CSU employees *through an arrangement with the University* must be treated the same as if it was provided by the University directly. An example is athletic apparel provided to Athletics Department staff by Under Armour, via a trade deal with CSU. The University is aware of, and able to track, taxable clothing in this scenario because it knows the terms of the agreement with the third party.

Q6. Does FPI 2-21 apply to student employees?

A6: Yes, as stated at FPI 2-21, # 3, the procedure applies to all employees.

Q7. What about other giveaways to students? What is the procedure for other items received by students?

A7: Token and material awards and other types of payments to students are addressed in FPI 2-5.

Q8. Why isn't the De Minimis dollar value for clothing the same as the value for a token award (i.e., up to $100)?

A8. Financial Rule 2.21 says that a department may spend no more than $50 per person, per recognition event (including the value of any tangible giveaway items). Increasing the De Minimis value of clothing above $50 is incompatible with this rule.

Q9. Why aren't more and better examples, covering all the various scenarios where clothing may be given to staff, covered in FPI 2-21?

A9. Your college or department's Business Officer can assist you in judging the taxability of employee-provided clothing when the situation arises, based on the specific facts and circumstances of the situation.

Q10. Can a department choose to "cover" the tax, related to clothing, on behalf of an employee?

A10. A "gross up" calculation, to account for additional income created by the University paying tax on behalf of an employee, is not typically submitted for taxable clothing.

Q11. How, exactly, is taxable clothing added to an employee's income?

A11. Taxable clothing is imputed as wages through the Oracle payroll system, via the Special Earnings Form.