Overview
Ohio University is implementing a new campus-wide process that will create consistency among departments when determining if uniforms or clothing provided to an employee is a taxable benefit.

A taxable benefit can exist when an employee is issued clothing or uniforms under regulations §62(c) of the Internal Revenue Code. It is necessary for each department to determine if the item issued constitutes a taxable benefit to the employee. Publication 15 of the Internal Revenue Service outlines the requirements that determine if clothing is excludable from an employee’s wages:

1. The item is specifically required to be worn as a condition of employment.
2. The item is not worn or adaptable to general usage as ordinary clothing.

Example
A uniform issued to a firefighter qualifies for the exclusion since it is required to be worn and not adaptable for general usage. However, a detective’s suit jacket or other related clothing, since they are suitable for everyday wear, do not qualify for the exemption and is taxable to the employee at the fair market value (FMV) of the item. FMV is the price an item would sell for on the open market. The FMV can differ from the amount being paid for the item.

Process
1. A uniform is purchased by a department and issued to an employee.
2. Departments will use the decision tree form for guidance when determining the taxability of uniforms.
3. If the uniform is taxable:
   a. The department will complete the Record of Taxable Uniforms form for the employee/employees.
   b. CFAO or their delegate will forward a copy of the Record of Taxable Uniform form to the employment tax accountant, payrolltax@ohio.edu
4. If the uniform qualifies for the exemption the department must post the purchase into BobcatBUY or Concur using natural account 264000 with the following information:
   a. A description of the item
   b. The purpose of the item
   c. The fair market value of the item
   d. The quantity purchased
   e. The number of employees receiving the item
f. Departments should retain this information from steps 4 a through e in their files for no less than seven years.

Contact

Employees will be directed to contact their department with questions in regards to what item is being taxed and the fair market value of the item. The Employee Service Center will answer questions in regards to the additional tax being withheld.

Departments should contact the Employment Tax Accountant with any questions or concerns at payrolltax@ohio.edu or 740-597-1721.