

STOCKTON UNIVERSITY PROCEDURE



Clothing – Purchase, Issuance, and Taxability for Employees

Procedure Administrator: Controller
Authority: Internal Revenue Service – Publication 15-B
Effective Date: January 1, 2026; April 9, 2026
Index Cross-References:
Procedure File Number: 6720
Approved By: Joe Bertolino, President

I. Purpose

This procedure establishes guidelines for the purchase, classification, issuance, and tax treatment of clothing provided to employees (including student workers) using University funds or through vendor promotional agreements. It ensures compliance with the Internal Revenue Service (IRS) regulations (Publication 15-B) and promotes consistency across all departments.

Department heads are responsible for implementing this procedure and ensuring:

- Appropriate use of University funds
- Accurate tracking and documentation
- Proper classification of clothing items
- Timely submission of required information to the Tax Office

II. Definitions

Fringe Benefit - Any non-cash item or payment provided to an employee in addition to regular wages.

Clothing-Related Fringe Benefit - Clothing provided by the University that has monetary value and may be considered compensatory under IRS guidelines.

Taxable - Any item or benefit provided to an individual that is considered income by the IRS, subject to federal and state income taxes, Social Security and Medicare taxes (FICA) when applicable.

III. Purchase Guidelines and Taxability

All clothing and uniform purchases must document a clear business purpose and follow standard procurement procedures. Clothing may be issued as operational or event needs arise, ensuring alignment with responsible use of University funds.

De Minimis Fringe Benefit Exclusion: Clothing is considered non-taxable and excluded from the employee's taxable income if the aggregate annual value of all items issued is less than \$100 for the calendar year. If the total value reaches or exceeds \$100, the full amount may be taxable, depending on the clothing categorization outlined in Section IV. *(Clothing and other items received as prizes or awards during Stockton-sponsored events will be included in this aggregate value. Reference Section VI.)*

- **Example:** An employee receives a Stockton-branded T-shirt during Staff Appreciation Week and a branded hat during another event. The combined value of the items is \$35 for the calendar year, which falls below the \$100 de minimis threshold—therefore, the items are not taxable. If this employee also receives a \$75 jacket (suitable for everyday wear) later in the year, the total clothing value becomes \$110. The full \$110 is a taxable fringe benefit, not just the amount exceeding the threshold.

Vendor Promotional Agreements: The IRS has determined that any apparel, equipment, or other items provided by a university to employees – including coaches and staff – through promotional agreements with apparel or equipment vendors (whether purchased directly or obtained through promotional dollars) are considered taxable compensation, unless an applicable classification exclusion (see below) applies. The fair market value of the items received will be calculated, and the distribution must follow this procedure.

IV. Clothing Classification and Tax Status

Stockton University recognizes four categories of clothing.

A. Uniforms and Protective Clothing

Clothing **required** as a condition of employment, not suitable for everyday wear, and worn while performing official duties.

- **Examples:** Police uniforms, laboratory coats, sport-specific uniforms for coaches (such as a team matching baseball uniform only worn during games and is not adaptable to general usage as ordinary clothing).
- **Tax Status:** Non-taxable fringe benefit.

B. Required Business Clothing

Stockton-branded clothing that includes the University logo, department, program, and/or event name and is worn as a **condition of employment**. These articles of clothing are typically provided when an employee is required to be identifiable with the department, but not necessarily by name. Additionally, these items are **not suitable for street wear**.

- **Examples:** Event-staff apparel (polo shirt, jacket, T-shirt, etc.) that is clearly not suitable for general personal wear (bright colors, large bold labels such as “Stockton University Event Staff,” “Stockton University Orientation Team” or “Stockton University Commencement Staff”).
- **Tax Status:** Non-taxable fringe benefit.

C. Provided Business Clothing

Stockton-branded clothing that includes the University logo and/or department name and is not required to be worn during working hours.

- **Examples:** Polo shirt or jacket with the University name or logo.
- **Tax Status:** Subject to tax if threshold is met. The clothing is optional and suitable for everyday wear.

D. Promotional Clothing

Clothing provided to employees for visibility, morale, or promotion, not tied to job function or dress requirements.

- **Examples:** Event T-shirts distributed to staff as part of a campus celebration or university-wide initiative, worn voluntarily and not required for duties; giveaway apparel such as branded sweatshirts, hats, or polos given as tokens of appreciation, marketing promotions, or employee recognition not linked to any official job role or responsibility.
- **Tax Status:** Subject to tax if threshold is met.

V. Tracking and Reporting

Departments must maintain the **Clothing Distribution Log** and submit it to the Tax Office by the **10th day of the month following the end of each quarter**.

- **April 10** – for Q1 (January – March)
- **July 10** – for Q2 (April – June)

- **October 10** – for Q3 (July – September)

Special Deadline for Q4

- Logs for Q4 (October – December) are due **December 10** to ensure proper tax reporting for the calendar year.
- Clothing distributions between **December 10 and December 31** should be minimized. If necessary, prepare and submit a log as soon as possible, and no later than **January 2**, as payroll adjustments may be required.

The following information should be recorded.

- Date of distribution
- PO/Invoice/TXN
- Z number and employee name
- Item distributed, size (for inventory purposes), quantity, cost per item
- Intended use
- Notes (e.g., Branding, University Logo, Department, Program, Event Name)
- Clothing classification according to the item's purpose and intended use
- Employee acknowledgment of receipt of clothing item and tax implications (see below)

At the time of distribution, the employee's signature or initials must be obtained to acknowledge receipt and awareness of tax implications (using a printed version of the Clothing Distribution Log or a department developed equivalent). This documentation must be maintained and retained by the department and is not required to be submitted to the Tax Office.

The Clothing Distribution Log template is available on the Tax Compliance webpage, located under Taxability of Employee Fringe Benefits.

VI. Tax Compliance

The Tax Office will review clothing classification to determine its taxability based on:

- IRS guidelines (Publication 15-B)
- Use and suitability for everyday wear
- Item value

Prizes and awards from Stockton events: Prize receipts submitted to the Tax Office for clothing and other items received as prizes or awards during Stockton-sponsored events, are included in the annual aggregate calculation.

When the aggregate annual value of items is less than \$100 per calendar year, it is generally de minimis and not subject to taxation. Once the \$100 threshold is met or exceeded, the total amount – not just the excess – becomes taxable.

Taxable values will be added to employee income on a quarterly basis and processed through Payroll.

Example A – Single Taxable Item

A jacket classified as Provided Business Clothing is valued at \$120 and deemed taxable. Therefore, \$120 is added to the employee’s income. Assuming a federal income tax rate of 10%, state income tax of 5%, and FICA taxes of 7.65%, the total tax withheld would be calculated as follows:

Federal income tax: $\$120 \times 10\% = \12.00
State income tax: $\$120 \times 5\% = \6.00
FICA (Social Security + Medicare): $\$120 \times 7.65\% = \9.18

Total taxes withheld: $\$12.00 + \$6.00 + \$9.18 = \27.18

Example B – Reaching the Annual \$100 Threshold

An employee receives \$25 in taxable clothing in Q1 and \$75 in taxable clothing and other prizes in Q2, the full \$100 is taxed after the Q2 logs are received since that is when the total reaches \$100.

Example C – Additional Items After Threshold

The same employee (in example B) receives \$25 additional taxable clothing in Q3; \$25 is taxed after the Q3 logs are received.

Review History:

	Date
Procedure Administrator	01/07/2026
Divisional Executive	01/07/2026
General Counsel	03/25/2026
Senior Leadership	04/09/2026
President	04/09/2026