



THE FORESIGHT COMPANIES, LLC

AccountAbility

Insights from The Foresight Companies Accounting Services professionals
for July 2015

SPECIALIST IN:

- **Mergers & Acquisitions**
- **Valuations**
- **Management**
- **Accounting**
- **Customer Surveys**
- **Financing**
- **Re-Engineering**
- **Human Resource Services**

The Foresight Companies, LLC

6520 N. 7th Street,
Suite 200
Phoenix, AZ 85014

For past issues of this
newsletter visit
www.f4sight.com

facebook

Like us on FaceBook and
receive notice of future
editions.

PH: (602) 274-6464

Fax: (602) 277-6722

IRS Rules Regarding Gifts/Part 2 — by Diane DeClercq

Uniforms/Clothing Allowance/ Dress Codes

The Fair Labor Standards Act does not require employees to wear work uniforms, but allows employers to mandate them.

Here are 3 common scenarios we encounter and the accounting consequences of each:

1. Generally, employers who require uniforms pay for them and deduct them as business expenses. However, the act does not mandate payment. It simply recommends that employers subsidize the costs of their employees' uniform.

2. If you require that your employee purchase the uniform and you do not reimburse them, they can then deduct the cost on their personal tax returns.

3. If you give your employee a clothing allowance to meet your dress code requirements, it is considered to be compensation subject to withholding tax for the em-



ployee. You must pay employment taxes for the amount that exceeds the \$25 intangible gift limit. This includes any dry cleaning or laundry costs.

That being said, the more confusing issue is that most funeral service

employers do not have a uniform but instead have a "dress code". The IRS only allows a deduction for the cost of work clothing if you satisfy a number of requirements, the most important being that the clothing is "NOT SUITABLE FOR EVERYDAY USE" or an OSHA requirement.

"Suitable for everyday use" is not exactly a common-sense term so here are 3 tips for knowing when a uniform is tax-deductible for your business:

1. Employers require wearing the uniform at work;
2. Uniform doubles as protective clothing required in a hazardous work environment such as embalming; and
3. Uniforms have company logos or emblems not suitable for everyday use.

Where business clothes are suitable for general wear, there's no deduction even if these particular clothes would not have been purchased but for the employment. Nor is it enough that you do not, in fact, wear your work clothes away from work. The clothing must not be suitable for taking the place of your regular clothing.

Examples of workers who may deduct the cost and upkeep of work clothes are: delivery workers, firefighters, health care work-



"No, I'm not familiar with the dress code ... but I'm pretty darn sure that jammies aren't on it!"

ers, law enforcement officers, letter carriers, professional athletes, and transportation workers. Musicians and entertainers can deduct the cost of theatrical clothing that are not suitable for everyday wear.

The more restrictions on the condition of a uniform and its exclusive use at work, the more likely it is to be considered a deduction.

Confused? Wait till next month as we continue this topic and try to explain the tax deductibility of employee awards and meals & entertainment expenses.

For more information about how our Accounting Services can make a strategic impact on your business call Dan Isard at 800-426-0165.