



# State of Arizona Accounting Manual

Topic 55 Payroll and Personnel  
Section 40 **Employee Uniforms**

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## **INTRODUCTION**

Agency Heads are empowered to perform those acts necessary to pursue the goals of their agencies and to expend such monies necessary to accomplish their agencies' missions. The appropriateness of such expenditures is determined by the Legislature. When, however, such expenditures involve monies disbursed to or for the benefit of personnel, they are subject to Federal and State laws that govern the characterization, legality and taxability of those expenditures.

Compensation paid to employees of the State of Arizona is governed by the Arizona Revised Statutes and the Arizona Administrative Code. Unless otherwise specifically provided, such compensation is treated like wages or salaries and subject to FICA and Medicare taxes as well as Federal and State withholding.

The following Policies have been prepared and should be used to assist agency management when considering the implementation of an employee uniform policy.

## **POLICIES**

1. When an employer provides uniforms or pays uniform allowances, Federal tax laws, rulings and regulations stipulate and court decisions uphold that, in order to be considered non-taxable to the employee, all the following conditions must be met:
  - 1.1. The uniforms must be required by the employer.
  - 1.2. The uniforms cannot be adaptable for general use.
    - 1.2.1. The cost of uniforms that are determined to be adaptable for general use will be considered taxable wages to the employee.
  - 1.3. Uniform allowances must qualify as ordinary and necessary business expenses.
  - 1.4. Payments made to employees must be provided under an accountable plan.
    - 1.4.1. To be considered as reimbursed under an accountable plan, the expenditure must meet three (3) requirements:
      - 1.4.1.1. There must be a business connection to the expenditure.
      - 1.4.1.2. There must be adequate substantiation for the expenditure.

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- 1.4.1.3. Excess reimbursement amounts must be returned to the employer within a reasonable period of time.
2. Uniforms are to be provided only under the terms of a policy and procedure document, published by the adopting agency. Policy and procedure documents must specify all of the following:
  - 2.1. That wearing the prescribed uniform, under those circumstances outlined by the policy, is mandatory.
  - 2.2. The characteristics, designs and styles of the uniform or uniforms to be adopted.
  - 2.3. That, except in the case of protective gear or in the case of trade or profession specific clothing, a badge or other distinctive insignia is to be worn as part of or in conjunction with the uniform and that such badge or insignia must clearly identify the wearer as an employee of the State of Arizona.
  - 2.4. Those employees, by category, who are required to wear such uniforms.
  - 2.5. Those circumstances under which employees are required to wear uniforms.
  - 2.6. That wearing a uniform is prohibited except when the employee is on duty or commuting to or from the work site.
  - 2.7. The method in which the uniforms are to be provided or paid for (e.g., periodic allowance, uniform rental, reimbursement of employee expenses, etc.).
  - 2.8. The way in which the uniform policy is to be communicated to employees.
  - 2.9. The way in which the uniform policy is to be amended.
  - 2.10. An approved list of vendors for uniforms and accessories, when an allowance is paid for the purchase and care of uniforms or the agency purchases the uniforms directly.
3. State agencies electing to either furnish uniforms, pay employees a uniform allowance or reimburse State employees for uniform expenses must determine which of the following methods will govern their internal policies and procedures:
  - 3.1. An agency may:
    - 3.1.1. Establish, under its policy, a uniform allowance that requires no substantiation. The uniform allowance must be input and paid through the HRIS as taxable compensation to the employee using Pay Code 601.
    - 3.1.2. Purchase and pay for the uniforms and care of the uniforms directly through a State contracted vendor.

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- 3.1.3. Reimburse employees for allowable uniform expenses after receiving receipts for such expenses from the employee.
- 3.1.4. Establish a uniform allowance with an accountable plan.
- 3.2. To meet the requirements of an accountable plan, all employees receiving a uniform allowance must substantiate allowable uniform expenses by submitting receipts to his or her agency or by submitting an agency developed uniform allowance substantiation form.
  - 3.2.1. The employee must submit substantiation to his or her agency within sixty (60) days following the end of the quarter in which the uniform allowance payment occurred.
  - 3.2.2. Amounts paid to the employee in excess of substantiated allowable uniform expenses must be returned to the agency within ninety (90) days following the end of the quarter in which the uniform allowance payment occurred. Amounts paid to the employee in excess of substantiated allowable uniform expenses that are not returned to the agency within this ninety (90) day period will be subject to payroll tax withholding in the HRIS in the subsequent pay period.
  - 3.2.3. Agency developed uniform allowance substantiation forms must include all dates, amounts and descriptions of allowable uniform expenses incurred that will allow the agency to identify the specific nature of the expense and to conclude that the expense is attributable to the agency's statutory mission.
- 3.3. If an agency establishes an accountable plan, it may establish a uniform allowance to be paid through HRIS as non-taxable compensation to the employee using the non-taxable pay code 600.
- 3.4. An agency electing to establish an accountable plan for uniforms must outline the specific criteria of this plan in its policy and procedure document.
- 3.5. An agency's accountable plan is subject to periodic audit and review by the GAO. Any audit findings of non-compliance with the policies established herein will result in an immediate conversion from an accountable plan to the recording of those payments in the HRIS as compensation taxable to recipients.
4. Uniforms should be furnished only under those circumstances in which the benefits far outweigh the costs of providing uniforms. Such circumstances should be clear and compelling; generally, such circumstances should also be frequent, regular and repetitive. Such circumstances include, but may not be limited to:
  - 4.1. Fostering public safety, when an employee must be readily identifiable to the public as a figure of authority or when an employee's duties require frequent access to private property in an official capacity.

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- 4.2. Maintaining employee safety, where the uniform provides a degree of protection not afforded by street wear (e.g., overalls, smocks, safety boots, goggles, etc.).
- 4.3. Preventing employee hardship, where the nature of the job soils or destroys clothing considerably faster or to a much greater extent than is occasioned by normal wear and tear.
- 4.4. Adhering to professional or trade practices, where certain types of dress conform to the expectations of society (e.g., nurses' uniforms).
5. The following considerations or any combination thereof are not, of themselves, sufficient to substantiate the need for uniforms:
  - 5.1. To enhance employee or organizational morale or esprit de corps.
  - 5.2. To augment employee compensation.
  - 5.3. To substitute for a normal, common sense dress code or the enforcement of such a code.
6. Uniform colors and styles should not be any of the following:
  - 6.1. Radical in design or of a style likely to reflect poorly on the State.
  - 6.2. Misleading as to the nature of the job.
  - 6.3. Suitable for use as street wear.
  - 6.4. Easily confused with uniforms used for other purposes.
  - 6.5. Interpretable as supporting any religious, ethnic or political cause.
7. Expenditures for uniforms or uniform allowances shall not be made when such expenditures would, under Federal or State income tax or employment laws, result in additional compensation to the employees with respect to whom such expenditures would be made.
8. The provision of specialized wearing apparel for infrequent or special circumstances is permitted when the benefit to the State clearly outweighs the related cost and where the need and suitability are clear and compelling.