

# Is Coach's Athletic Apparel/Uniforms Taxable?

## Question

Is the value of the clothing taxable to the coaches/employees provided clothing?

## Rules

From IRS Fringe Benefits Guide:

### **Work Clothes and Uniform Allowances and Reimbursements**

Clothing or uniforms are excluded from wages of an employee if they are:

- Specifically required as a condition of employment, and
- Are not worn or adaptable to general usage as ordinary clothing.

## **From recent IRS ruling with a major university regarding athletic apparel:**

## Issue

In a recent case, the IRS found coaches' athletic apparel provided to coaches such as "golf shirts", "jackets", etc., is taxable to the coaches.

## Situation

Every coach (head coach and assistant coach) has an employment agreement with the University. All coaches receive athletic clothing in school colors and the University logo. Generally, these items of apparel are worn at games, practices, and other venues representing the University.

## Conclusion

During a 2016-2017 audit at the University of Louisville, the IRS found that the university owed \$43,253.99 in unpaid taxes on athletic clothing for the tax year 2014 and \$39,714.64 in unpaid taxes on athletic clothing for tax year 2015, for a total of \$82,968.63 in unpaid taxes on about \$200,000 worth of University of Louisville clothing.

Internal Revenue Code section (IRC) 61 provides that gross income means all income from whatever source derived, including compensation in the form of fringe benefits. There is no exclusion for athletic clothing provided to coaches or assistant coaches (this clothing would be adaptable to personal use), and the value of a fringe benefit is taxable unless there is a specific regulation that excludes it.

The clothing provided to the athletic coaches is a direct result of the employment with the University. The clothing allotted to the athletic coaches is suitable for general wear and would not qualify as a section 162 expense. The items are taxable to the employee. An adjustment is warranted per IRC 3101, 3111 and 3402... The clothing is taxable as wages and subject to Social Security, Medicare and Federal Income Tax.

## Bottom Line

The IRS has concluded that apparel – provided by a university – (including apparel agreements) - is taxable to the coaches/employee.