

IRS Issues Guidance on Employer-Provided Cell Phones and Clothing

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The IRS' Office of Federal, State, and Local Governments issued its January newsletter. In addition to valuable information about employee-independent contractor classifications and notice of the repeal of the law that would have required withholding on amounts paid to independent contractors, there is valuable information on page 5 about when employer-provided cell phones are taxable. In short, when employees are provided with cell phones for business reasons and it is not used as a way to compensate employees further, the business and personal use of the phone is nontaxable and records documenting the use of the cell phone are not necessary.

Page 10 provides interesting information about employer-provided clothing. To summarize, if employees are required to wear certain clothing as a condition of their employment and the clothes are not suitable for everyday wear, the value of the clothes need not be included in the employees' taxable incomes.

This newsletter is one of several valuable, free newsletters the IRS provides and I recommend signing up to receive it.

If you have any questions about the issues raised in this alert, or any other employee benefits issue, please contact the Carlton Fields attorney with whom you usually work, or the author of this Legal News Alert.

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