



City Council Agenda Memo

Crest Hill, IL

Meeting Date:	July 10, 2023
Submitter:	Lisa Banovetz, Director of Finance / Glen Conklin, Treasurer
Department:	Treasurer's Office
Agenda Item:	Continuation of City Owned Vehicles and Clothing Allowance ~ Stipend Discussion

Summary: Councilman Dyke requested at a previous City Council meeting to discuss City owned/purchased vehicles at a future Council Work Session. This item was discussed at the June 12, 2023 City Council Work Session and it was a request of Council that the City reach out to other municipalities to determine how City owned vehicles and clothing allowance ~ stipends are addressed by other municipalities.

Vehicle Discussion

The City reached out to Bolingbrook, Frankfort, Mokena, Monee, New Lenox, Plainfield, Romeoville, and Shorewood.

The following questions were asked:

Does your municipality allow municipal vehicles to be taken home by municipal employees? If this is allowed, how is the personal use of the vehicle taxed? The answers are listed below:

Bolingbrook: This is not allowed

Frankfort: Only the Administrator, Assistant Administrator or Department Heads may take vehicles home. Employees who have take-home municipal vehicles are taxed pursuant to the IRS rules based on the personal usage of the mileage of the vehicle.

Mokena: The Village Administrator approves all vehicles that are taken home. Personal use of a take home municipal vehicle is taxed on the respective employee's W-2 unless the vehicle is a police vehicle with a light and siren.

Monee: Only a few directors and one supervisor take a municipal vehicle home. The Village is short on space so some of the Public Works employees are taking vehicles home.

New Lenox: The Police Chief and two Deputy Police Chiefs along with the Safe Communities Coordinator take a vehicle home. The Safe Communities Coordinator is taxed using the

commuting rule method on the bi-weekly check. There is no tracking of mileage. Personal use is commuting to work and back only.

Plainfield: - Did not hear back.

Romeoville: Employees who take municipal vehicles home are taxed on their respective W-2 through payroll.

Shorewood: The Village Administrator, Police Chief, Police Deputy Chief, Police Detectives, Public Works Foremen take vehicles home. They are taxed on their W-2 for their personal use of the vehicle and the Village follows IRS publication 15-B for this calculation.

Currently City of Crest Hill employees are not taxed on the any benefit they receive for using a City issued vehicle for personal use.

The City does address City vehicle use in its current employee handbook under Section 9.2. I have included the entire Crest Hill Employee handbook as an attachment but have also included the section in the handbook that addresses City Vehicles below:

SECTION 9 SAFETY & EQUIPMENT USE

9.2 CITY VEHICLES, EQUIPMENT & FACILITIES

On Duty

All vehicles, equipment, and facilities shall be utilized appropriately, safely, and in a manner that will not damage any particular item. Any willful negligence or avoidable accident resulting in damage to City property may be cause for disciplinary action. Vehicles, equipment, and facilities shall only be used for City business and activities, or as authorized by the City Administrator, or by the conditions of an individual City employment agreement. These shall not generally be used for personal errands or other personal reasons. Only City employees shall ride as passengers in City vehicles or use City equipment or facilities except as may be necessary in carrying out City business or as specifically approved by the City Administrator, or as authorized by the Department Head.

Off Duty

There shall be no use of City vehicles, equipment or facilities during off duty hours. The only exception to this rule is the granting of City vehicles to employees for the purposes of conducting City business when such arises or by the conditions of an individual City employment agreement. When a vehicle is in the possession of an employee during off duty hours, it shall be used for City business when the need arises. It shall not be used for personal errands or other activities, except for personal errands on the way to and back from work (provided this time is not compensated). No other passengers besides the authorized employee(s) shall use the vehicle during such hours.

Accidents

Any damage resulting to City vehicles, equipment, and/or facilities shall be reported immediately, but in no event later than the end of the work shift, to the employee's supervisor who shall submit a written report to the Personnel Officer. Damage to a City vehicle shall also be reported to the Police Department.

As part of this information request, the City did receive vehicle policies from Bolingbrook, Mokena, Monee, and Romeoville. These policies are included as an attachment for review.

Clothing allowances~stipends

Currently employees who receive clothing allowances or stipends do so through the City's respective Metropolitan Alliance Police (MAP) Union Contracts in addition to the International Union of Operating Engineers Local 150 Union Contracts. The only non-union employees who receive clothing stipends (other than the union employees covered under the contracts above) currently are:

- Stipend Chief of Police \$1,000 annually
- Stipend Deputy Chiefs \$ 400 annually

The City does not currently tax employees for the benefit that it provides to its employees for clothing allowances/stipends.

The City reached out to Bolingbrook, Frankfort, Mokena, Monee, New Lenox, Plainfield, Romeoville, and Shorewood and asked how each municipality handles the taxable amount realized from a municipality distributed clothing allowance/stipends.

Frankfort: Employees are taxed on the clothing allowance benefit not considered safety uniforms at the end of the year on their respective W-2.

Mokena: Employees are taxed on all stipends on their respective W-2.

Monee – N/A

New Lenox: Clothing allowance (investigators) is added to the employee's pay quarterly and is on the W-2 as income.

Plainfield – Did not respond.

Romeoville: Clothing allowances and stipends are taxed through payroll. Employees are issued an annual clothing allowance once a year in the month of May.

Shorewood: Follows IRS publication 15-B for all taxable benefits.

For clothing allowances/stipends, the IRS guidelines are listed below as to how employers should handle taxing this benefit for its employees:

Clothing Provided by the Employer

The value of work clothing provided by the employer is not taxable to the employee if:

- The employee must wear the clothing as a condition of employment; and
- The clothes are not suitable for everyday wear.

It is not enough that the employee wear distinctive clothing; the employer must specifically require the clothing as a working condition. Nor is the test met because the employee does not, in fact, wear the work clothes away from work. The clothing must not be suitable for taking the place of regular clothing. However, a detective's suit jacket and related clothing, since they are suitable for everyday wear, do not qualify as a uniform and are taxable to the employee.

The value and upkeep of work clothes provided to firefighters, health care workers, law enforcement officers or letter carriers is nontaxable to the employee. Similarly, the value of safety shoes or boots, safety glasses, hard hats and work gloves provided and maintained by the employer are not taxable. Reimbursements to employees for their purchase of any of these are excludable if the expenditures are substantiated under the accountable plan rules.

Clothing Allowances

If clothing provided does not qualify as a deductible expense (i.e. as a uniform), then the clothing, or reimbursement for the clothing, must be treated as a taxable fringe benefit and is subject to income, social security and Medicare taxes. Thus, a clothing allowance, such as for a police officer or firefighter uniform, qualifies for exclusion from income if it meets all the requirements of an accountable plan (qualified expense, substantiation, and return of excess).

If the clothing **MUST** be worn as a condition of employment **AND** the clothes are **NOT** suitable for everyday wear, then the allowance is **NOT TAXABLE**. Otherwise, the allowance would be taxable and included on his/her W-2.

Recommended Council Action: City Council to provide direction on how to proceed with future purchases of City vehicles and any recommendations to amend the City's current Section 9.2 which addresses the use of City owned vehicles issued to City employees as well as how to handle tax implications related to the benefit the employees are receiving for the personal use of City issued vehicles in addition to clothing allowances ~ stipends.

Financial Impact:

Funding Source: N/A

Budgeted Amount: N/A

Cost: N/A

Attachments

- City of Crest Hill Employee Handbook
- Village Of Bolingbrook Vehicle Policy.pdf
- Mokena Auto policy.pdf
- Monee Vehicle Use Sign Off.pdf
- Romeoville vehicle form.pdf