

Collin County, Texas

Tool Allowance Policy

Purpose: The purpose of this policy is to establish rules and guidelines to allow a tool allowance to be given to employees that have a Commissioners Court approved budget for the allowance while complying with U.S. Treasury Regulations regarding payroll taxes as well as all other laws and regulations.

Background: It is a common practice for employers to provide allowances for personal tools for employees that use the tools in connection with their job duties. There is a need to provide this allowance to certain County employees of which the 2013 Adopted Budget includes a budget of \$2,400 to pay allowances to employees in the Equipment Services department. If this is done in accordance with U.S. Treasury Regulations the employee and the County will not have to pay payroll taxes or withholding on these allowances. U.S. Treasury Regulations, Subchapter A, Section 162.2 requires payroll taxes to be paid by employers and employees that receive payments for expense allowance arrangements unless 1) the arrangement is an accountable plan, 2) the arrangement is for a business purpose related to the job of the employee, and 3) any excess funds are returned within a reasonable period of time.

Tool Allowance Definition: For the purposes of this policy a tool allowance is a budgeted payment to employees with the express purpose of purchasing personal tools so the employee can perform their job more efficiently. The tools are the personal property of the employee and are not property of the County.

Policy: A payment to employees for a tool allowance with no payroll taxes or withholdings may be paid after January 1st of each year if the following conditions are met:

- 1) The funds are budgeted by Commissioners Court for the express purpose of paying tool allowances.
- 2) All purchases with tool allowance funds must be for tools to be used in connection with the employee's job duties.
- 3) A receipt for each tool up to the amount of the employee's tool allowance payment must be approved by the department head to validate that the tool is being used in connection to the employee's job. These receipts must be submitted to the County Auditor before October 1st of the same calendar year as the allowance payment.
- 4) If the total of the receipts does not equal or exceed the total of the tool allowance the employee must reimburse the County the difference between the tool allowance paid to that employee and the total of all eligible receipts. This payment from the employee should be received by October 31st of the same calendar year. If the employee does not pay the difference to the County by October 31st the amount owed may be taken from the employee's paycheck and may make the employee ineligible for any future tool allowance payments.
- 5) The employee must submit a signed document in advance of receiving the tool allowance payment in agreement with this policy.

Terminated Employees: If receipts have not been submitted to the County Auditor at the time an employee is terminated and the employee has an outstanding tool allowance that has not been accounted for with receipts submitted to the County Auditor, the unaccounted for balance of the tool allowance will be deducted from the terminated employee's payroll.