

Gifts and Awards Policy

Revised January 2020

Policy Summary:

This policy serves to clarify the taxable status of prizes and awards gifted to College employees, nonemployees and students. Additionally, this policy specifies whether College funds may be utilized to purchase prizes and awards for the aforementioned groups.

The College's policy aligns with IRS regulations. Prizes, gifts, or awards may result in taxable income to the recipient. Additionally, the gift's purpose must further a College business purpose, and gift limits must be in line with IRS regulations.

Policy Guidance:

1) Gifts of Cash and Cash Equivalents

IRS regulations stipulate that any gift of cash, gift card, gift certificate or other cash equivalent (an item which is easily convertible to cash), must be included in the recipient's gross income.

- **Occasionally**, College funds may be used to purchase gifts or rewards of this nature to show appreciation or recognition to employees, nonemployees or students. However, the awarding of gifts in the form of cash, gift certificates, gift cards or other cash equivalents is **strongly discouraged** by the College.
- These gifts, including those purchased with a College credit card, are subject to standard purchasing and approval procedures.
 - If the recipient is a member of the College's faculty or staff, the awarding individual must complete an HRAR (Human Resource Action Request Form) and submit it to Human Resources for approval. This procedure is the same if the recipient of the award is a student employee.
 - If the recipient is a nonemployee outside of the institution, or a student who is not also an employee, the awarding individual must obtain a signed Form W-9 completed by the recipient. The completed Form W-9 must be submitted to the Business Office with a requisition, check request, credit card report or expense report.
 - Ultimately, the individual gifting the cash or cash equivalent is responsible for supplying all relevant and approved documentation to the Business Office or Human Resource Office for reporting compliance.
- Gift cards may be purchased using personal funds and are not taxable to the recipient as they have not been acquired with the use of College funds. The purchaser of these gifts however, may not request reimbursement for the purchase. If reimbursed, the College has effectively purchased the gift cards and they become taxable income to the recipients.

2) De Minimis Benefits

A de minimis benefit is any property or service provided to an employee, nonemployee or student that has so little value that accounting for it would be unreasonable or administratively impractical. You can exclude the value of a de minimis benefit you provide to an employee, nonemployee or student from the recipients taxable income.

- Under IRC Section 132(e), an employer may give tangible personal property gifts of nominal value on a tax free basis. The College has established its nominal value to be \$75 or less. Gifts exceeding \$75 require authorization by VP. The total value of any tangible personal property gift in excess of \$75 may be taxable income to the recipient.
- In lieu of gifts of cash and cash equivalents, the College recommends awarding tangible de minimis benefits to award recipients. As long as these awards are occasional and unusual in frequency, they do not create a taxable event for the recipient, nor do they create a reporting requirement for the awarding entity. Examples of de minimis benefits may include the following:
 - Holiday gifts, other than cash or cash equivalents, with low fair market value
 - Occasional meals
 - Occasional tickets for entertainment or sporting events
 - Occasional parties or picnics for employees and their guests
 - Occasional snacks, coffee, doughnuts, etc.

3) Retirement Gifts

The following guidelines have been developed in accordance with current Internal Revenue Service regulations:

- Timing – The retirement gift may not be made to an employee with fewer than five years of service.
- Dollar Limit - The spending guidelines for these gifts is \$10 for every year of service. Such gifts should not exceed \$400, the maximum non-taxable limit established by the IRS, for gifts of recognition to long-term employees.
- Form of Gift – It is recommended that retirement gifts be in the form of tangible personal property. If the gift is given in the form of cash or cash equivalent, the entire value of the gift is considered additional wages subject to tax withholding, regardless of amount.
- Meaningful Presentation – The gift must be presented as part of a special event celebration that marks the occasion, such as a departmental meeting, party, or luncheon.

4) Life Event Gifts to Employees

Gifts of tangible personal property, such as flowers, may be presented as an expression of celebration in the event of the birth or adoption of a child to the employee, an expression of concern in the event of an illness, hospitalization, or surgery of the employee, or an expression of sympathy in the event of the death of the employee or a member of the employee's immediate family or household.

- Gifts of this nature should align with the criteria of a de minimis benefit at item 2 above.

5) Achievement Awards

Achievement Awards include the value of any tangible personal property (not cash) that the College gives to an employee as an award for length of service or safety achievement.

- The College will present a service plaque to employees upon completion of their first five years of employment. The plaque is updated every five years to represent additional subsequent years of service completed. At 25 years of service, additional tangible gifts may be awarded at the discretion of the College.
- Achievement Awards may be excluded from an employee's income when they are within the College and IRS guidelines. Gifts of cash, cash equivalents, gift certificates, meals, lodging, and vacation packages do not qualify to be excluded from the employee's income. Achievement awards cannot discriminate in favor of highly compensated employees and must meet the following IRS criteria:
 - Be given for length of service or safety achievement
 - Be tangible personal property (not in the form of cash or cash equivalent gift cards/certificates)
 - Be given under conditions and circumstances that do not create a significant likelihood of the payment being disguised compensation
 - Be awarded as part of a meaningful presentation
 - Be no more than the specified dollar limits (generally, \$400 maximum per employee annually)
- For Length-of-Service awards:
 - Must be given after the employee's first five years of employment
 - Must not be given to an employee who has received another length of service award during the same year