Processing Requirements for Gifts, Prizes and Awards

We have a legal obligation and are committed to following IRS regulations.  Gifts to employees paid for with University funds (source of funding makes no difference) must be taxed as ordinary income to the employee.  Payments from endowments are not automatically exempt; they are subject to the same rules and guidelines and may be taxed.  There are some “reasonable” exceptions when a department may be able to purchase something for an employee.  These exceptions would include events like an employee’s illness or a family crisis.

Gifts, rewards, and gestures of appreciation cannot be provided to employees as disguised compensation.  The University has procedures in place where a department can appropriately pay an employee for additional duties or exceptional performance.  This should be done annually during the merit process or by completing a [**Special Recognition for Employee Form (SRE)**](http://www.du.edu/hr/download/SRE.doc) to give a bonus.

If you give an employee a cash equivalent gift, e.g. gift certificate or gift card or a non-cash gift worth more than $100, you will need to complete a [**Taxable Gift Documentation Form**](http://www.du.edu/hr/policy/TaxableGiftDocumentationForm_June2013.docx).

Holiday parties or annual celebrations when all employees in a unit are invited are usually exempt from the IRS regulations.

Also note, when paying for Student Services and Scholarships with departmental funds, all student scholarships must be processed through the Financial Aid System and applied to the student’s account.

Use the following guidelines when you are planning on giving something to an employee that has been purchased with University Funds:

* **What is considered a gift, prize or award?**

**Gifts** are typically remissions of cash, gift certificates/gift cards or tangible personal property given to University employees in recognition of, or in connection with the holiday season, retirement, or some other purpose.

**Prizes and awards** are typically remissions of cash or tangible personal property bestowed on University employees in recognition of outstanding achievement in teaching, research, academic performance or other performance-related activities.

1. **Are gifts, prizes and awards distributed as cash or non-cash personal property considered taxable income to the recipient?**

**Cash** gifts are **always** included in the recipient's gross income if the payment is made by the University.  This type of payment is considered supplemental wages and must be processed through the Payroll Office with appropriate taxes withheld and reported.  The department requesting a **cash** gift is required to submit a [**Special Recognition for Employee Form (SRE)**](http://www.du.edu/hr/download/SRE.doc) to the Provost’s Office for approval.  The Payroll Office will process all approved requests.

**Non-cash** gifts in the form of **gift certificates** or **gift cards** are **always** includible in the recipient’s gross income for income tax withholding and reporting purposes.  Departments providing gift certificates or gift card, regardless of dollar amount, are required to submit to the Payroll Office a [**Gift Documentation Form**](http://www.du.edu/hr/policy/TaxableGiftDocumentationForm_June2013.docx) for each University employee receiving a gift certificate or gift card.

**Non-cash** gifts, prizes and awards of tangible personal property (excluding gift certificates and gift cards) of **$100 or less** are excluded from gross income.  Similarly, the value of a turkey, ham or other item of merchandise of comparable nominal value distributed to an employee at the holiday season is not taxable.  However, any non-cash gift/prize/award of tangible personal property exceeding the $100 amount is considered completely taxable, from the first dollar given.  Departments providing non-cash gifts/prizes/awards exceeding $100 are required to submit to the Payroll Office a [**Gift Documentation Form**](http://www.du.edu/hr/policy/TaxableGiftDocumentationForm_June2013.docx) for each University employee receiving such benefit.

1. **How will this information be reported to the IRS?**
2. The information will be reported on the individual’s annual W-2 issued in January for the previous calendar year.
3. **Can the University issue a gift, prize or award to non-employees?**
4. Yes, if appropriate.  If the recipient of the item is a non-DU employee, the gift, prize, or award amount will be reported on a 1099-MISC form, provided to the recipient in January. Accounts Payable will also provide the information to the IRS. This information will only be provided if all payments to the recipient exceed $600 during the calendar year.
5. **Questions?**

We anticipate that this policy will not address all circumstances. If you have additional questions about the taxability of gift, prize or award payments, call the Controller’s Office at 1x3044. If your question relates to payroll tax issues, call the Payroll Office at 1x3744.