Taxation of Gifts
Policy 501.18

1 Introduction
1.1 One of the ways in which the University seeks to reward employee service and achievement is through departmental and campus recognition programs. Gifts, prizes, and awards are given to employees under certain circumstances in recognition of their efforts. This policy provides guidance on the taxability of these forms of recognition. Taxable gifts, prizes, and awards shall be reported to Payroll and included on the employee's Form W-2.

2 Scope
2.1 This policy applies to all faculty and staff.

3 Definitions

4 Policy and Procedure Statements

4.1 Taxability of Cash and Non-Cash Awards

4.1.1 Cash Gifts
4.1.1.1 Cash gifts, prizes and awards given to employees that are paid with University funds (including grant funds, contract funds, gift funds) constitute gross wages subject to federal and state income and FICA taxation.

4.2 Non-Cash Gifts
Non-cash gifts, prizes and awards given to employees are subject to federal and state income and FICA taxation unless these items of recognition qualify as one of the following within the definitions below:

1. a 'de minimis' fringe benefit
2. a length of service award
3. a safety achievement award

4.2.1 'De minimis' Fringe Benefits
4.2.1.1 The University may reward an employee's noteworthy, work-related accomplishments by presenting an item of tangible personal property without tax consequences provided the value of the item, in addition to other gifts (including gift cards and gift certificates), prizes or awards presented throughout the calendar year to the employee, does not exceed $100. The rationale is that these items of recognition constitute ?de minimis? fringe benefits that are considered so small that accounting for them would be unreasonable or administratively impracticable.

4.2.2 Length of Service Awards
4.2.2.1 Length of service awards may qualify as a non-taxable benefit provided:
1. the employee has at least five years of service with the University,
2. the employee has not received a length of service award within the last five years,
3. the awards are limited to $400 per employee per year,
4. the awards are presented as part of a meaningful presentation, and
5. the awards are made under conditions and circumstances that do not create a significant likelihood of disguised pay.

4.2.2.2 Traditional retirement gifts of $400 or less are excluded from taxation if they meet the length of service award criteria mentioned above. Appalachian State University Policy on Taxation of Gifts, Prizes and Awards Should an employee receive a length of service award that exceeds $400, the excess amount shall be reported to Payroll and included as taxable wages on the employee's Form W-2.

4.2.3 Safety Achievement Awards
4.2.3.1 Safety achievement awards that recognize an employee’s accomplishments for maintaining or promoting defined safety standards may qualify for exclusion from taxation provided:

1. the awards are limited annually to less than 10% of total employees,
2. the awards are not presented to managers, administrators, clerical and professional employees,
3. the awards are limited to $400 per employee per year,
4. the awards are presented as part of a meaningful presentation, and
5. the awards are made under conditions and circumstances that do not create a significant likelihood of disguised pay.

4.2.4 Processing and Reporting Guidelines

4.2.4.1 P-Cards should not be used to purchase employee gifts, prizes or awards. If reportable through Payroll, departments should process a One Time Pay Contract. Otherwise, the Procurement Request should be used for all other transactions. Expense account code 786860 should be used. The employee’s Banner ID will also need to be included. Accounts Payable will review individual disbursements for taxability, and taxable items will be forwarded to Payroll for inclusion on the employee’s Form W-2. The initiating department should indicate the proposed taxable portion on the Procurement Request. If the initiating department does not believe the award is taxable, comments should be provided. Accounts Payable will still review the individual disbursements for taxability.

5 Additional References

6 Authority

7 Contact Information

8 Original Effective Date

9 Revision Dates