TAXATION OF GIFTS, PRIZES AND AWARDS TO EMPLOYEES

Policy Summary

This policy provides guidance regarding the tax implications of gifts, prizes and awards made to employees so that: 1) proper communication is given to the employee at the time of receipt; and 2) the university is in compliance with federal and state tax laws and regulations. Any question concerning the taxability of a gift, prize or award should be reviewed with the Tax Department prior to processing the transaction.

Related Regulations

Payments made from university funds, or items of value given to employees, are considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2, unless a specific exemption applies.

Who is Governed by this Policy

Faculty and staff

Policy

The university supports the recognition of outstanding employee contributions through the use of gifts, prizes and awards. However, all payments made from university funds or items of value given to employees are considered compensation, and are subject to federal, state and employment tax withholding and reporting on Form W-2, unless a specific exemption applies. The taxation of gifts, prizes and awards is summarized in the three categories below. Generally, departments may not use the P-Card to purchase gifts, prizes or awards since
reporting to the individual recipient is required. See Procurement Card (P-Card) Policy for more detail.

I. Cash and Cash Equivalents

Cash gifts, prizes or awards, including gift certificates and gift cards (cash equivalents), are considered supplemental wages and are always reportable as taxable compensation, regardless of the dollar amount and beginning with the first dollar. Gifts, prizes or awards of cash and cash equivalents must be processed through Payroll Services and are subject to federal, state and employment tax withholding. The gift, prize or award must also be included in the employee’s year-end Form W-2, Wage and Tax Statement.

II. Non-cash Valued at $100 or Less

A gift, prize or award may be considered a de minimis fringe benefit and not taxable compensation to the employee if: 1) it is a non-cash gift of property such as food, flowers, clothing, etc.; 2) it is valued at $100 or less; and 3) it is given only on an occasional basis. Gifts, prizes or awards meeting the de minimis fringe benefit criteria may be paid or reimbursed through Accounts Payable via the Accounts Payable Payment Request Form.

III. Non-cash Valued at More than $100

A non-cash gift, prize or award valued at more than $100 is taxable beginning with the first dollar and must be processed through Payroll Services. Such gifts, prizes and awards are reportable as taxable compensation to the employee, subject to appropriate federal, state and employment tax withholding, and must be included in the employee’s year-end Form W-2, Wage and Tax Statement.

Exception to the General Rule-Employee Achievement Awards

Special rules apply to non-cash awards based on an employee’s safety achievement or length of service with the university. A safety or length of service award may be excluded from the employee’s income, if specific criteria are met pertaining to the form and timing of the award, its dollar value, and its method of presentation. Departments or schools should consult the tax department prior to making such awards.

Definitions

AWARD: A cash or non-cash item given to show thanks, support, goodwill, or recognition of an outstanding accomplishment. Examples include achievement in
teaching, research, retirement, or other job performance related activity. A bonus could be one type of an award.

GIFT: A cash or non-cash item given as a gesture of goodwill or appreciation, or in recognition of, or in connection with a holiday season, or some other purpose not specifically related to regular job performance. Examples may include holiday or birthday gifts.

PRIZE: A cash or non-cash item given at random or as a result of chance, not directly related to job performance. Examples include random door prizes and raffles at university sponsored events.

NON-CASH ITEM: A gift of tangible personal property such as a plaque, electronic equipment, T-shirts, flowers, etc. Tangible personal property doesn’t include cash, cash equivalents, gift cards, gift coupons, certain gift certificates, tickets to theater or sporting events, vacations, meals, lodging, stocks, bonds, securities, and other similar items.

DE MINIMIS: A non-cash gift or award that is so small that accounting for it would be unreasonable or administratively impractical. De minimis gifts, prizes or awards may only be provided on an occasional basis and must be small in amount. Only non-cash gifts of property valued up to $100 are considered de minimis. Cash awards, gift cards and gift certificates are never considered de minimis.

Procedures

https://taxdepartment.gwu.edu/sites/g/files/zaxdzs1251/f/downloads/Processing%20Procedures_0.pdf

Forms

Accounts Payable Payment Request Form

Related Information

Procurement Card (P-Card) Policy

Internal Revenue Code §74(c) – Exception for Certain Employee Achievement Awards

Internal Revenue Code §132(e) – De Minimis Fringe

Internal Revenue Code §274(j) – Employee Achievement Awards
## Contacts

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<thead>
<tr>
<th>Contact</th>
<th>Telephone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Department</td>
<td>571-553-8313</td>
<td><a href="mailto:tax@gwu.edu">tax@gwu.edu</a></td>
</tr>
<tr>
<td>Payroll Services</td>
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<tr>
<td>Accounts Payable Department</td>
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<td><a href="mailto:acctspay@gwu.edu">acctspay@gwu.edu</a></td>
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_Reporting of non-compliance with this policy can be done through the Office of Ethics, Compliance, and Privacy website._