0550.20 Employee Gifts, Prizes and Awards

Generally, all awards, prizes, and gifts given to employees are subject to taxation and withholding unless specifically excluded by the Internal Revenue Service.

Note: This policy does not apply to payments to human subjects for their participation in projects.

For additional legal guidelines on raffles, visit Raffles - UMS General Counsel

Cash or Cash Equivalent (including gift cards/certificates) Awards, Prizes, and Gifts

a. Considered wages subject to Federal Insurance Contributions Act (FICA) and federal income tax withholding.
   a. Prize, Award or Gift Form: Submit this form to report a taxable event for an award, prize or gift.
   b. Additional Compensation: Submit this Additional Compensation form to pay an employee directly through Payroll for a cash award.

Non-cash Awards, Prizes, and Gifts

a. Non-cash awards, prizes, and gifts to employees will be considered wages subject to FICA and federal income tax withholding, unless they meet the exception described below
   i. Awards or gifts given for length of service, including retirement, will not be subject to taxation, up to a $400 award/gift value (limited to one item). However, any other gift given to the employee within that tax year and the following four tax years will be subject to taxation. Awards for length of service can be made only once every five years and can never be given during the first five years of service
   ii. A non-cash award, prize, or gift to employees valued at less than $20 may be considered a de minimis fringe benefit and not taxable to the employee. To be considered a de minimis benefit, the award, prize, or gift can only be given on an occasional basis. Payment of a non-cash award, prize, or gift valued at $20 or more is taxable compensation to the employee.

b. An Additional Compensation Form for a one-time payment should be submitted by the department paying the cash award. The value is determined by purchase price unless the item has been personalized (inscribed). The value of personalized (inscribed) items is determined by fair market value.

e. For taxable non-cash awards, prizes, and gifts, it is the responsibility of each department to inform the recipient that federal income tax and FICA on the value of the gift will be deducted from the employee’s regular pay.

Approvals

a. Approval by (1) the appropriate vice president, provost, or vice chancellor, (2) Financial Manager, and (3) HR Business Partner must be obtained in advance of purchasing a non-cash award, prize, or gift valued at $20 or more that is to be given to an employee
b. Finance will determine the appropriateness of the funding source for the purchase.

c. Payroll will calculate the appropriate tax withholding; Federal and state income tax and FICA will be withheld at the applicable rate.

Resources