Taxability of Gifts, Prizes & Awards to Employees
Policy #: 6.1.2
Effective Date: May 15, 2014

Responsible Offices: Office of the Comptroller

Required Approver: Senior VP, CFO & Treasurer

Policy Statement

In accordance with Internal Revenue Service (IRS) 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.

Reason for Policy

This policy provides guidance regarding the taxability of gifts, prizes and awards to employees and ensures that 1) proper communication is provided to the employee at the time of receipt, and 2) the University is in compliance with federal and state tax laws and regulations.

Who Should Know This Policy?

Faculty and staff distributing or receiving gifts, prizes or awards, and departments implementing the policy, including Sourcing, the Comptroller’s Office, Human Resources, Payroll and Accounts Payable.

Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Award</td>
<td>A cash or non-cash item given to show thanks, support, goodwill or recognition of an outstanding accomplishment. Cash and non-cash items could be given in recognition of achievement in teaching, research, retirement or other job performance related activity, including length of service</td>
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<tr>
<td><strong>milestones.</strong></td>
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<td><strong>Gift</strong></td>
<td>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 a regular job performance.</td>
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<td><strong>Prize</strong></td>
<td>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.</td>
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<tr>
<td><strong>Non-Cash Items</strong></td>
<td>A gift of property such as electronic equipment, tickets for sporting events or cultural events, items of clothing etc. Gift Certificates and Gift Cards are treated the same way as cash for tax purposes; they are not considered a non-cash item.</td>
</tr>
<tr>
<td><strong>De Minimis</strong></td>
<td>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 or service with a value of $100 or less are considered de minimis. Cash awards, gift cards and gift certificates are never considered de minimis.</td>
</tr>
<tr>
<td><strong>Nonresident Alien/Foreign National</strong></td>
<td>An individual who is a citizen of any country other than the United States.</td>
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**General Statement of Procedures**

The University supports the recognition of the contributions of outstanding employees and non-employee volunteers through the use of gifts, prizes and awards. 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. Payments to non-employees may also be subject to tax reporting under certain circumstances. University
procedures and IRS-required tax treatments for gifts, prizes and awards are summarized in six categories below.

I. Cash Gifts, prizes and awards to University employees

Cash gifts, prizes or awards to University employees are considered supplemental wages and are always reportable as taxable compensation, regardless of the dollar amount and beginning with the first dollar. The cash gift, prize or award must also be included in the employee’s year-end Form W-2, Wage and Tax Statement, or the equivalent tax form (generally the 1042-S) for non-resident aliens. Since gift cards and gift certificates are considered to be the same as cash for IRS purposes, gift cards or gift certificates may not be used to recognize or compensate employees, except with respect to research studies as described in section II below.

Cash gifts, prizes, or awards to employees are to be processed through the payroll system as additional compensation payments. This ensures appropriate tax reporting and withholding.

Cash gifts, prizes and awards should be submitted as a request for a one-time supplemental payment through Payroll by completing a “Personnel Action (PA)” in the Manager Self Service tab of the BUworks Portal. The “Additional Payment” option should be selected. A memo should also be attached to the PA form documenting the reason for the supplemental payment with the appropriate supervisor approval.

II. Employees participating in Boston University Research Studies

From time to time Boston University employees participate in research studies as research study subjects. IRS regulations allow employees participating in research studies to be compensated outside of the Payroll system for this activity, as long as the nature of the activity performed by the employee is separate and distinct from the responsibilities of their position with the University. Contact Post-Award Financial Operations for more information about record keeping, taxation, and procedures for payments to research study subjects.

III. Non-Cash gifts valued at less than $100

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 or service 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 purchased through the PCard, through Accounts Payable via the Disbursement Request Form or via Shopping Cart using the Terrier Marketplace (use link: TM).
IV. Non-Cash Gifts Valued at More than $100

Except for qualifying length of service awards (see Section IV), any non-cash gift, prize or award valued at more than $100 is taxable beginning with the first dollar and must be processed through Payroll. 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 (or related tax form for nonresident aliens – Form 1042-S). Non-Cash Gifts valued at more than $100 require management approval. See Appendix A for instructions on what information to provide to the Payroll Department when reporting non-cash items valued over $100.

V. Employee Length of Service Awards

Special IRS regulations apply to non-cash awards based on an employee’s length of service with the University. A length of service award may be excluded from the employee’s income if specific criteria are met, including:

- Award cannot be a disguised wage
- Must be awarded as part of a meaningful presentation
- Must be an item of tangible personal property (Cannot be cash, cash equivalent, vacations, meals, lodging, theater or sports tickets, stocks, bonds.)
- Must have a fair market value of less than $400

An award would not qualify if:

- The employee received the award during his or her first 5 years of employment at the University, or;
- The employee received another length-of-service award (other than one of very small value) during the same year or in any of the prior 4 years.

Generally, non-cash gifts awarded as part of Boston University’s service recognition events meet these criteria and are not taxable to the employee.

VI. Gift Cards and Gift Certificates to Non-Employees and Students

Gift cards and gift certificates may be used to recognize non-employees who provide special services to the University; guest speakers, student mentors, and the hosts and sponsors of events at other Institutions are just a few examples. The University is required to report these awards, considered as cash equivalents, to the IRS if the amount of the award to any single individual exceeds $600 in a calendar year. Departments must report awards exceeding $600 in a given year to any single individual to Accounts Payable for inclusion on a Form 1099, and should report such awards on a quarterly basis. Information reported to Accounts Payable should include the amount and date of the award or awards, and a W-9 form for each individual receiving cash payments and/or gift certificates exceeding $600.
Gift cards and gift certificates may be awarded to students who are not also University employees; for students who are also University employees, the rules regarding gift cards and gift certifications in Section I above, apply.

**How to Purchase a Gift Certificate or Gift Cards**

Gift certificates/gift cards awarded to research study subjects and non-employees must be purchased via Shopping Cart using the Terrier Marketplace (use link: TM) or reimbursed to the purchaser with a Disbursement Request Form. The P-Card may NOT be used to purchase gift cards/gift certificates.

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<th>Related Documents</th>
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<td>See Appendix A</td>
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**Disbursement Request Form**

**P-Card Policy**

**Related Policies**

Human Subject Payment Policy

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<tr>
<th>Contacts</th>
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<tbody>
<tr>
<td><strong>Contact Name</strong></td>
</tr>
<tr>
<td>Matt Abrams</td>
</tr>
<tr>
<td>Emmons, Gillian</td>
</tr>
<tr>
<td>Hartigan, Gretchen</td>
</tr>
<tr>
<td>Department HR Consultant</td>
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Appendix A

Form for Processing Non-Cash Gifts, Prizes, and Awards to Employees over $100 **

Please provide the following information for a non-cash gift to an employee with a fair market value of more than $100. (All non-cash gifts with a value of more than $100 must be approved by the employee’s supervisor and the departmental financial administrator.)

1) The employee’s name: ______________________

2) The employee’s University Identification Number (UID): ____________________

3) The amount or value of the award: $______________

4) Date of award: __________________

5) Description of the award:

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Approvals

Supervisor approval: ________________________ Date: _______

Department Financial Administrator approval: __________________ Date: _______

Once completed with the appropriate approvals, please forward to the Payroll Department for processing in the employee’s payroll check. Any questions should be directed to Matt Abrams, Director of Accounts Payable and Payroll at (617) 353-6600, or abramsm@bu.edu.

** Note; non cash gifts to employees with a fair market value of more than $100 are taxable to the employee; as a result, such gifts must be reported to the Payroll Department for inclusion in the employee’s W-2.