GIFTS, PRIZES & AWARDS (EXCLUDING SCHOLARSHIPS) FROM UNIVERSITY FUNDS TO EMPLOYEES, STUDENTS AND NON-EMPLOYEES

Purpose

From time-to-time the University, or certain component parts of the University, seek to recognize employees, students or non-employees in a tangible way. The purpose of this Policy is to provide guidance to employees of the University as to the circumstances under which such tangible recognition may be provided, and to describe the possible income tax consequences to the recipient. More specifically, this Policy ensures:

1. That the University is in compliance with federal tax regulations instituted by the Internal Revenue Service (IRS); and
2. That gifts, prizes and awards are reasonable and do not conflict with the University’s not-for-profit tax status and primary mission of education, research and public service; and
3. That University funds shall not be used for purposes that are personal in nature or do not have a clear business purpose and that the University’s budget dollars are spent as effectively as possible.

Scope of Policy

This Policy applies to the University and full-time and part-time managers, full-time and part-time faculty and staff, all matriculated and non-matriculated students and non-employees; and applies to United States citizens, resident aliens and non-resident aliens.

Policy

Gifts, Prizes and Awards to Employees — U.S. Citizens, Resident Aliens and Non-Resident Aliens:

Cash and cash equivalents, such as gift certificates and gift cards, are never considered De Minimis (defined below) and should not be purchased for use as a gift, prize or award to an employee. Salary bonuses or merit salary increases must follow the University’s salary program policy and procedures and under no circumstances may compensation be disguised as a gift, prize or award.

In almost all circumstances, gifts prizes and awards provided to employees that do not meet the exceptions noted below will be reported as taxable compensation. This requires the completion of a Personnel Action Form ("PAF") approved by the Division Officer and must be processed through Payroll.
Limited exceptions apply and are outlined as follows:

1. University departments may incur an expense, in the form of a De Minimis gift, on behalf of an employee or an employee’s immediate family, for the events listed below. A general guideline is that there would be one gift per Division and it must be approved prior to purchase by the Division Officer.
   - Illness of an employee requiring hospitalization; or
   - The death of an employee or an employee’s immediate family member.

2. Also certain work-related achievement awards to employees are not taxable if they are conducted and authorized pursuant to a University-approved program and all of the following conditions are met:
   - Given for length-of-service; and
   - Awarded as part of a meaningful presentation; and is
   - An item of tangible personal property that does not exceed $1,600 (cannot be cash, cash equivalent [defined below]), vacations, meals, lodging, theater or sports tickets).

3. Employee recognition of a gift, prize or award, approved by the Division Officer, that is De Minimis as to value as for expressions of congratulations, such as a modest reception or lunch to recognize the departure or retirement of a long-standing employee.

   **Note:** Holiday gifts for faculty, staff, students and volunteers that are funded by the University are not allowable. Also, gifts to honor an individual for personal reasons (e.g. birthday, wedding, baby shower, housewarming, promotion, etc.) may not be charged to University funds. Personal contributions among colleagues should be the method of providing such gifts.

**Gifts, Prizes and Awards to Students:**

Gifts, prizes and awards that are given to students and are related to services performed for the University are treated the same as gifts, prizes, and awards to employees. Cash and cash equivalents, such as gift certificates and gift cards, are never considered De Minimis (defined below) and should not be purchased for use as a gift, prize or award to a student performing services for the University. See the Gifts, Prizes and Awards to Employees section above.

Gifts, prizes and awards that are given to students and are unrelated to services performed for the University that are not De Minimis or not funded from an Endowed Restricted Fund must have prior approval from the Division Officer and are treated as follows:

- **De Minimis gifts, prizes and awards are not considered taxable income and are the preferred method of tangible recognition.**
- **Gifts, prizes and awards that are not De Minimis may be considered taxable income and, therefore, may require reporting by the University. These gifts should be processed in one of the following manners:**
Prizes or awards that are monetary should be submitted via a Check Request form to Accounts Payable along with the “Gifts, Prizes or Awards Recipient Information Form.”

Tangible items that are not De Minimis should be purchased using a University P-Card to purchase the gift, prize or award. Submit the itemized receipt accompanied by the “Gifts, Prizes or Awards Recipient Information Form” to Purchasing with your P-Card monthly statement as well as a copy of the documentation to Accounts Payable.

If gifts, prizes and awards are purchased through other means, such as the University account at the RWU Bookstore, then the same reporting requirements apply. The issuing department is responsible for providing the appropriate documentation to Accounts Payable in a timely manner.

If the student cumulatively receives gifts, prizes and/or awards exceeding $600 in any given calendar year, the University will issue an IRS Form 1099-MISC to that student.

Gifts, Prizes and Awards to Non-Employees:

De Minimis token gifts, prizes and awards to non-employees such as volunteers are allowed provided there is a clear business purpose. Vendor gifts are generally not allowed and other than De Minimis will require approval of the Division Officer prior to the purchase. Institutional funds may also be used to provide gifts or awards to donors and/or other persons as recognition of achievements to the community and/or benefits to the University. Prior approval of such gifts that are not De Minimis shall be made by the President of the University. Any approved gesture of goodwill or appreciation to non-employees that is not De Minimis should be processed in one of the following manners:

Submit a Check Request form to Accounts Payable along with the “Gifts, Prizes or Awards Recipient Information Form” and an itemized receipt.

Use a University P-Card to purchase the gift, prize or award. Submit the itemized receipt accompanied by the “Gifts, Prizes or Awards Recipient Information Form” to Purchasing with your P-Card monthly statement as well as a copy of the documentation to Accounts Payable.

If gifts, prizes and awards are purchased through other means, such as the University account at the RWU Bookstore, then the same reporting requirements apply. The issuing department is responsible for providing the appropriate documentation to Accounts Payable in a timely manner.

If the non-employee cumulatively receives gifts, prizes and/or awards exceeding $600 in any given calendar year, the University will issue an IRS Form 1099-MISC to that non-employee.

Special Rules for Gifts, Prizes and Awards – Non-Resident Aliens:

There are special withholding rules related to payments made to non-resident aliens (faculty, staff, students and non-employee recipients). Please contact the University Assistant Controller for these requirements.
Exceptions to Policy:

In general, gift certificates used as gifts, prizes or awards are in violation of current policies. However, the Executive Vice President for Finance and Administration may approve a policy waiver.

Definitions:

Cash Equivalents: The IRS has issued an opinion that gift certificates, gift cards, and gift coupons which have a face value on them are considered cash equivalents and therefore are subject to employment taxes without regard to their value. This includes gift certificates which cannot be converted to cash. It may also include theater tickets and tickets to sporting events.

De Minimis: Gifts, prizes and awards are defined by the IRS as non-cash items so small in value that it is not reasonable or practical to account for their value. Cash and cash equivalents, such as gift certificates and gift cards, are never considered De Minimis as defined by the IRS and should not be purchased for use as a gift, prize or award. For University purposes, De Minimis is defined as non-cash items having a value of $75 or less and must be provided on an occasional basis only.

Division Officer: The Vice President (or Dean of the School of Law) in charge of the operating unit where the gift, prize or award is to be funded from.

Gifts: Gifts typically given voluntarily without payment in return to show favor to an employee, student or non-employee, honor an occasion, or make a gesture of assistance. Gifts are typically given to employees in connection with events not related to job performance and are not covered under the University’s salary program policy.

Prizes and Awards: Prizes and Awards are typically presentations bestowed upon employees, students or non-employees in recognition of outstanding achievement or other performance related activities and are not covered under the University’s salary program policy.

Further Guidance:

Questions: The University recognizes that this Policy will not address all circumstances. Specific questions not answered by this Policy should be addressed to:

David Gilmore  
Vice President for Accounting & Treasury Management  
Bridge House  
(401) 254-3843  
E-Mail – dgilmore@rwu.edu
Frequently Asked Questions:

1. **What is considered a taxable gift, prize or award?**

   Taxable prizes and awards, as defined by the IRS are as follows:

   - Cash or cash equivalent awards such as general merchandise gift certificates; or
   - Recognition awards, cash or non-cash, for job performance unless they are qualifying De Minimis fringe benefits; or
   - Merit awards for performance, such as outstanding customer service, employee of the month, or highest productivity; or
   - Achievement awards, cash or non-cash that do not meet the qualified plan award rules (see frequently asked question number two); or
   - Non-cash prizes (unless De Minimis) won by employees from random drawings at employer sponsored events

2. **Are there any exceptions to what is considered a taxable gift, prize or award?**

   Yes. De Minimis tangible property is not reportable. Also, certain employee achievement awards are excludable from gross income as a qualified plan award. A qualified plan award allows for gifts in recognition of employee work-related achievement or years of service provided they are through an official recognition program authorized by Human Resources and all of the following conditions are met:

   - Given for length-of-service;
   - Awarded as part of a meaningful presentation; and is
   - An item of tangible personal property that does not exceed $1,600 (cannot be cash, cash equivalent, vacations etc.)
3. **How do I process an academic award or prize for a student?**
   Academic awards and prizes won by students, such as “Best Tutor” and “Best Poet” must be processed through Accounts Payable via Check Request and reported at year end on IRS form 1099-MISC if the payments cumulatively exceed $600. Please be sure to complete the “Gifts, Prizes and Awards Recipient Information Form” and attach to the Check Request.

4. **What if the prize or award is donated to the University?**
   This policy is applicable only to Gifts, Prizes & Awards purchased with RWU funds. Tangible property donated to the University must be coordinated with Advancement prior to distributing the item(s).

5. **What is the best way to recognize a volunteer’s contributions to the University?**
   A tangible gift of $75 or less, such as a plaque or an invitation to lunch is an acceptable token of appreciation to a non-employee. Gift cards/ certificates and cash should not be used as a means to compensate non-employees.

6. **Can I donate my prize or award?**
   Certain prizes and awards given in recognition of charitable, scientific, artistic or educational achievement are not taxable if the recipient transfers them to a charitable organization. The following requirements must apply for a transferred award to be excludable from wages:
   - Award is for achievement
   - Recipient is selected without entering any contest
   - No substantial future services are required
   - Recipient transfers the award to a charitable organization recognized under IRC 170(c) prior to receiving the benefit

To avoid a taxable event to the recipient, the award should be non-cash and presented to the recipient as a contribution to the University to support their work. Please contact Finance to coordinate this transaction.