

## Truman State University

### Policy for Awards, Gifts, and Prizes

Updated September 2014

This policy addresses the manner and extent to which the university may use resources for awards, gifts and prizes. Awards, gifts and prizes are allowed to the extent the expense is reasonable and necessary to carry out the mission of the University. They may not be lavish or extravagant, and must comply with any funding source restrictions. All awards, gifts, and prizes need to be distributed in the same fiscal year they are purchased. The proper classification of payments is necessary to differentiate between those considered scholarships, which may be tax-free, and those that are awards, gifts, or prizes, which may be taxable.

**This policy is not intended to establish guidelines that would indicate offices are required or should be expected to provide prizes, gifts or awards.** The policy is not intended to supersede more restrictive policies established at the department level.

#### De minimis Fringe Benefit

A de minimis fringe benefit is any property or service infrequently provided to an employee that has so little value that accounting for it would be unreasonable or administratively impractical. **Per IRS guidance, cash, gift cards, gift certificates, or any other cash equivalent are not excludible from taxable income as a de minimis fringe benefit so they must be reported, regardless of the amount.**

#### Awards to Employees

Awards to employees must be part of a formally established program. Awards of cash, gift certificates/gift cards will be included as taxable compensation to the employee, including student employees. Other awards (tangible property) are not considered taxable compensation to the employee if the award is valued at \$75 or less. An example of a non-taxable tangible property award would be the awards given to employees for years of service at the annual service recognition banquet.

Taxable awards must be reported as employee compensation on the employee's Form W-2 and are subject to federal withholding and FICA taxes.

#### Gifts to Employees

Per State of Missouri policy, University funds may not be used to purchase gifts for employees.

#### Gifts and Awards to Non-Employees

Awards may be given to non-employees for valid business reasons. Gifts may be presented as a token of appreciation to a donor, dignitary, guest, student, volunteer, visitor, or in lieu of an honorarium when a valid and documented business purpose exists such as to recognize contributions to the University or to honor a distinguished visitor. Awards to students that are related to academic performance are considered financial aid and, as such, are not subject to the provisions of this policy. Departments may contact Financial Aid for questions on this topic. Gifts or awards given to non-employees are generally considered reportable as taxable income, however, non-cash awards that have little intrinsic value (defined as \$75 or less) such as medals, trophies, and plaques are not reportable. The University will file a Form 1099-MISC to report the gift or award when the value of cash and the fair market value of non-cash awards to an individual total \$600 or more in a calendar year.

#### Prizes

Drawings for prizes may be held on a limited basis for documented business reasons. Federal law requires the University to report prize winnings to the IRS and to the recipient on a calendar year basis. Federal regulations also require that a specific percentage of the winnings must be withheld under certain conditions. Non-cash winnings are reported at their fair market value.

Offices considering non-cash prize drawings where the prize will exceed \$75 should contact Accounts Payable (for non-employee recipients) and Payroll (for employee recipients) to discuss tax handling prior to awarding the prize.

### **Awards, Gifts, and Prizes to Nonresident Aliens**

Gifts, prizes and awards to nonresident aliens are generally subject to 30% withholding and reported on an IRS Form 1042-S. Accounts Payable should be consulted prior to distributing a gift, prize, or award to a nonresident alien.

### **Responsibilities**

#### **Approving Authority**

**All awards-gifts-prizes must be preapproved prior to the purchase of such an item.** The preapproval is obtained by completing the **Preapproval form for Awards-Gifts-Prizes** that is available on the Business Office website. An approving authority is a person to whom authority has been delegated to approve gift, award or prize expenses in accordance with the university's policies and the limitations outlined in these guidelines. The first approver would be the individual with budgetary authority over the funds being used. The second approver, if applicable would be the first approver's supervisor.

#### **Departmental**

Departments are responsible for providing information on a timely basis to the business office to allow for appropriate tax classification by submitting the **Reporting form for Awards-Gifts-Prizes** that is available on the Business Office website. The department is also responsible for documenting the business purpose of the payment. Departments should work with Payroll regarding prizes or awards to employees (including student employees) or with Accounts Payable regarding gifts, prizes or awards to non-employees. Departments are also responsible for communicating to recipients that the award, prize, or gift may be taxable under IRS regulations.

#### **Business Office Responsibility**

The Payroll and Accounts Payable Departments are responsible for reporting taxable awards, gifts or prizes consistent with IRS rules and guidelines, for maintaining up-to-date information on the IRS rules, and for answering departmental questions regarding this policy.

#### **Policy Revision**

This policy will be reviewed annually or more often if IRS regulations change. Suggestions for revisions to this policy should be referred to the Comptroller.