



**THE GEORGE  
WASHINGTON  
UNIVERSITY**  
WASHINGTON, DC

**Responsible University Official:** Tax  
Manager

**Responsible Office:** Tax Department

**Last Revised Date:** July 25, 2007

## **TAXATION OF GIFTS, PRIZES AND AWARDS TO EMPLOYEES**

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### **Policy Statement**

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. Any question concerning the taxability of a gift, prize or award should be reviewed with the Tax Department prior to processing the transaction.

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### **Reason for Policy**

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.

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### **Who is Governed by this Policy**

Faculty and staff

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## Policy

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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. See Appendix A for processing procedures.

### 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. See Appendix A for processing procedures.

#### *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 considering such awards should consult the Tax Department prior to making such awards.

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## Definitions

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**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 property such as a plaque, tickets for a sporting or cultural event, electronic equipment, T-shirts, flowers, etc. Gift certificates are treated the same way as cash for tax purposes.

*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*.

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## Procedures

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Appendix A: Processing Procedures

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## Forms

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[Accounts Payable Payment Request Form](#)

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## Related Information

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[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

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## Contacts

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Contact	Telephone	Email
Tax Department	(571) 553-8313	tax@gwu.edu
Payroll Services	(571) 553-4280	payroll@gwu.edu
Accounts Payable Department	(202) 994-2500	acctspay@gwu.edu

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## Document History

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- **Last Reviewed Date:** May 2, 2017
- **Last Revised Date:** July 25, 2007
- **Policy Origination Date:** September 2003

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## Who Approved This Policy

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Louis H. Katz, Executive Vice President and Treasurer

Beth Nolan, Senior Vice President and General Counsel

*This policy, as well as all [university policies](#), are located on the [Office of Compliance and Privacy's](#) home page.*

## Appendix A

### Processing Gifts, Prizes and Awards to Employees

**Taxable** gifts, prizes and awards must be processed via the **payroll system**. Prior to giving the gift, prize or award, the department must submit a memo to Payroll Services that includes:

- 1) The employee's name;
- 2) the employee's Gwid number;
- 3) the amount or value of the gift, prize or award;
- 4) a description of the gift, prize or award; and
- 5) appropriate approval signatures from the head of the department giving the gift, prize or award. This memo is then forwarded to Payroll Services for processing in the employee's payroll check.

**Non-taxable** gifts, prizes and awards may be paid or reimbursed by **Accounts Payable** via the [Accounts Payable Payment Request Form](#). The form should indicate:

- 1) That the payment is a gift, prize or award;
- 2) the employee's name and Gwid number;
- 3) the purpose of the gift, prize or award; and
- 4) a clear description as to why the payment is not taxable (e.g. non-cash valued at \$100 or less, length of service or safety award).

These payments should be made using account 52615, Employee Special Activity. Please note that account 57121, Prizes and Awards, should not be used for payments to employees. This account is for expenses associated with academic or athletic prizes and awards to university students only.