

Gifts, Prizes, and Awards from University Funds to Employees, Students, and Non-Employees

Purpose

At times, Northern Michigan University seeks to recognize/reward employees, students, and non-employees in a tangible way. This policy is intended to clarify the taxability of these prizes, gifts, and awards, purchased using University funds, to ensure that NMU stays in compliance with federal tax regulations.

Definitions

A **prize** recognizes performance as part of a judged competition (best idea pitch, best short story, music or art competition, etc.) Student recognition by college departments for academic achievement is considered a prize by the IRS. Prizes won by students are taxable, but are not considered wages, even if the University employs the student. Prize amounts given to students will be treated as 1099 income.

A **gift** is typically given voluntarily to show favor to a student, employee, or non-employee, to say thank-you for something, or make a gesture of assistance. Gifts are usually given to employees in connection with events not related to job performance. Depending on the type and value of the gift, it may be taxable to the recipient.

An **award** is typically given to a student, employee, or non-employee in recognition of outstanding achievement or other performance related activities. Depending on the type and value of the gift, it may be taxable to the recipient.

De Minimis: A non-cash gift or award that is so small that accounting for it would be unreasonable or administratively impractical. An award/gift is only considered de minimis if it is provided on an infrequent basis. For University purposes, only non-cash gifts or awards of tangible items valued up to \$75 are considered de minimis. ***Cash awards, gift cards, and gift certificates are never considered de minimis.***

Cash and Cash Equivalents are any items which can be used to “purchase” merchandise or which can be easily converted to cash. This includes gift certificates, gift cards, and account credits. These items are always taxable to the recipient, no matter how small the dollar amount is, and can never be excluded as de minimis.

Tangible Award/Gift is any non-cash item provided to an employee in recognition of special circumstances. These items are generally non-taxable, as long as they are provided infrequently and their value is less than \$75. Examples include flowers, books, plaques, memento items, pennants, or similar items. Tangible personal property does not include cash, cash equivalents, gift cards, gift coupons, most gift certificates, tickets to theater or sporting events, vacations, meals, lodging, stocks, bonds, securities, and other similar items.

A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances. The recipient must only have the right to select and receive tangible personal property from a limited array of such items pre-selected or pre-approved by the University for it to be excludable.

Gifts, Prizes, and Awards to Employees

In almost all cases, gifts, prizes, and awards paid for with University funds and given to employees will be reported as taxable compensation. They will be taxed through the Payroll system, and included on the recipient's W-2 at calendar year end. Only non-cash items that meet the de minimis requirements will be non-taxable.

Gifts, Prizes, and Awards to Student Employees

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 given to employees. They will be processed through the Payroll system and applicable taxes will be taken. These items will be reported on the recipient's W-2 at calendar year end. Only non-cash items that meet the de minimis requirements will be non-taxable.

If the prize/award is not related to the student's employment, it is still taxable income to the student, but will be 1099 reportable instead of being processed through the Payroll system. If the student cumulatively receives gifts, prizes, and awards unrelated to their employment that exceed \$600 in a calendar year, the University will issue an IRS Form 1099 to that student. This will include academic achievement prizes, and anything won as the result of a judged competition. Only non-cash items that meet the de minimis requirements will be non-taxable.

Gifts, Prizes, and Awards to Students and Non-Employees

Gifts, prizes, and awards given to non-employees are still considered income to the recipient. If the individual cumulatively receives gifts, prizes, and awards exceeding \$600 in a calendar year, the University will issue an IRS Form 1099 to that non-employee. Only non-cash items that meet the de minimis requirements will be non-taxable.

Reporting

All gifts, prizes, and awards, regardless of the dollar amount, must have a valid business purpose, and must comply with all NMU purchasing, expense, and approval procedures.

Purchases of gifts, prizes, and awards made on a University credit card must be settled in a timely fashion. These items are reportable to the recipient in the calendar year they are received.

For tracking purposes, the information listed below will need to be obtained and sent to the Controller's Office for each prize, gift, and award given out. If you will be giving items to multiple recipients, please track this info in an excel file, and send to the Controller's Office once completed.

- Last Name
- First Name
- NMU IN
- Amount
- Description of Item
- Business Purpose
- Employee Y/N

Taxability Matrix for Awards, Gifts, and Prizes

	Employees	Student Employees	Non-Employees
<p style="text-align: center;">Cash, Gift Card, Gift Certificates, Credits to Account</p> <p><i>Examples : Amazon/Target gift cards; gift certificates to local stores/restaurants; Dining Dollars credited to NMU acct</i></p>	Taxable regardless of dollar amount	Taxable regardless of dollar amount *Employment Related - Reported on W-2 *Unrelated to employment - Cumulative total over \$600-Form 1099	Taxable regardless of dollar amount Cumulative total over \$600-Form 1099
<p style="text-align: center;">Tangible Award/Gift Under \$75</p> <p><i>Examples: Books, Flowers, Plaques, Pens, NMU Logo Items</i></p>	Non-taxable if meets de minimis definition	Non-taxable if meets de minimis definition	Non-taxable if meets de minimis definition
<p style="text-align: center;">Tangible Award/Gift \$75 and Over</p> <p><i>Examples: Furniture, Large Flower Arrangement, Kayak, Bike</i></p>	Taxable	Taxable *Employment Related - Reported on W-2 *Unrelated to employment - Cumulative total over \$600-Form 1099	Taxable - Cumulative total over \$600-Form 1099

Frequently Asked Questions

Can I purchase gifts with NMU funds to celebrate an employee's birthday, wedding, new baby, promotion, housewarming, etc? No. Gifts to honor an individual for personal reasons may not be purchased with University funds. Personal contributions among colleagues should be the method of funding such gifts.

What if I give my student worker a gift card the day after graduation? The gift card will be taxable to the student. Please consider giving them a tangible item with a value of less than \$75 instead, such as a book or NMU logo item, which would not be taxable to them.