

Policy: Award, Gift & Prize Policy	Policy Number: I-2.4
Policy Owner(s): Human Resources	Original Date: 6/3/2020
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- I. **POLICY:** The Internal Revenue Code (IRC) states that under certain circumstances the value of awards, gifts and prizes to individuals is considered taxable income.

John Carroll University is committed to compliance with IRC regulations regarding taxation of awards, gifts and prizes in all areas of its operations. Accordingly, the practices set forth below ensure that the University finds meaningful ways to recognize its students and employees, while also complying with IRC regulations.

All awards, gifts, prizes, and tokens of appreciation paid for with University funds - whether given to employees or non-employees, including students - are always subject to the availability of funds and should support the strategic goals of the University.

- II. **PURPOSE:** The purpose of this Award, Gift and Prize Policy is to ensure compliance with the Internal Revenue Code (IRC) and associated Treasury Regulations regarding the taxation of awards, gifts, prizes, and other tokens of appreciation.
- III. **SCOPE:** All faculty, staff and students of John Carroll University
- IV. **DEFINITIONS:**

Cash or Cash Equivalents: Cash, gift cards, gift certificates, money orders, money transfers, checks, or gift cards for purchase of goods (i.e., groceries, movies, etc.)

- V. **PROCEDURES:**

A. **Awards, Gifts or Prizes to Employees**

1. Gifts or prizes of [Cash or Cash Equivalents](#) given to employees using University funds are not permissible. Gifts or prizes of [Cash or Cash Equivalents](#) given to employees create administrative burdens for the University and the employee because all [Cash or Cash-Equivalent](#) awards and gifts are reported as taxable income to all employees (including U.S. citizens, foreign nationals, and resident and nonresident aliens), including student employees.

2. In some circumstances as provided in this policy, the University may choose to give a gift or token of appreciation to its employees as long as such gifts are not [Cash or Cash Equivalents](#) and fall within the following two categories:

a. [De minimis fringe benefits/gifts](#). A de minimis benefit/gift is an occasional tangible good or service provided to an employee that has so little value that accounting for it would be unreasonable or administratively impractical. De minimis benefits/gifts include: 1) tangible goods or services, other than [Cash and Cash Equivalents](#), with a fair market value of less than \$100 (such as for special occasions, holidays etc.), and 2) occasional parties/picnics or tickets for entertainment/sports for employees and their guests provided by the University.

Gifts of [Cash or Cash Equivalents](#), no matter how little, are never excludable as a de minimis fringe benefit and are always taxable to the employee.

b. [Employee Achievement Awards](#). Gifts of tangible personal property (other than [Cash or a Cash-Equivalent](#) item, or lodging, meals, vacation, or entertainment tickets) given as 1) an award for length of service or a safety achievement is excluded from taxable income, up to a cost of up to \$400 received during the year, or 2) if the value of the gift or award is minor (e.g., John Carroll merchandise such as clothing, mugs, etc.).

3. To be compliant with the IRC, the University must include all [Cash and Cash Equivalent](#) gifts or prizes, and gifts or prizes of tangible goods over \$100, in an employee's taxable income. Since this is administratively burdensome, departments should not give employees gifts or prizes of [Cash and Cash Equivalents](#) or gifts or prizes of tangible goods in excess of \$100 (unless the tangible good is an Employee Achievement Award noted in b above).. Any gifts or prizes of [Cash or Cash Equivalents](#) to an employee must be paid through the University Payroll Department for proper withholding and reporting. As such, awards, gifts or prizes of [Cash or Cash Equivalents](#) are not permitted for University employees except:

- a. for established University sponsored awards that are processed through Payroll (e.g. Culicchia, Staff Service Award, Staff Council Service Recognition Awards, etc.), or
- b. in the rare case where authorization for such award, gift or prize is received in advance from the Vice President for Finance and Administration.

4. Unauthorized gifts or prizes of [Cash or Cash Equivalents](#), including those inappropriately purchased using the University Purchasing Card (P-card), will be treated as a personal expense of the purchasing employee and will not be reimbursed by the University.

B. Awards, Gifts or Prizes to Non-Employees

1. The University may choose to give a gift or token of appreciation to non-employees such as donors, key constituents or students. Approval for such gifts must be obtained in advance from the President or a Divisional Vice President or designee.
2. In order to receive reimbursement for gifts made to non-employees on behalf of the University, the following documentation must be provided to the Business Office: name of gift recipient, business purpose of gift, description of gift item, original receipt with date of purchase and amount of gift, and vendor name from whom the gift was purchased.
3. [Cash or Cash Equivalents](#) or tangible property over \$100 given to non-employees must be reported to the University Business Office on the [Gift Card/Certificate Reporting Form](#) for record-keeping purposes and/or inclusion in IRS Form 1099 or 1042-S database for year-end tax reporting.
 - a. For U.S. citizens and U.S. resident aliens, no IRS Form 1099 is generated unless all payments received by U.S. citizens or U.S. resident aliens from the University exceed the IRS reporting threshold of \$600 annually.
 - b. For foreign nationals/non-resident aliens, IRS Form 1042-S is generated for all payments received and reported for foreign national/non-resident aliens. Because the IRS-required tax will not have been withheld, the department will be charged the applicable tax, based upon the amount of the Cash or Cash Equivalent provided. Non-US citizens may be subject to additional tax rules, depending on circumstances and treaty status.
4. Any questions regarding the reporting rules should be directed to the University Business Office.

C. Gifts for Research Participants or Survey Respondents

1. Gifts of [Cash or Cash Equivalents](#) may be provided for research participants, human subject research subjects, or non-employee survey respondents. Institutional Review Board pre-approval may be required before giving any gifts of [Cash or Cash Equivalents](#) to human subject research participants, and research investigators should consult with the University's Office of the Institutional Review Board. Questions regarding gifts or payments to research participants or non-employee survey respondents should be directed to the University's [Office of the Institutional Review Board](#) or [Office of Sponsored Research](#).
2. Departments conducting research or surveys should maintain all relevant payment information for possible tax reporting.

D. The [Gift Card/Certificate Reporting Form](#) should be used for reporting [Cash or Cash Equivalent](#) or other gifts as taxable income.

E. CROSS REFERENCE:

[Gift Card/Certificate Reporting Form](#)

F. ATTACHMENTS: