**Policy on Taxation of Gifts, Prizes, and Awards to Employees**

As with all purchases utilizing University funds, expenditures for awards, gifts and celebrations must be in accordance with federal and state laws, bargaining agreements, grant restrictions and University policies and procedures. Departments must be aware of tax implications and limitations before awarding employees.

1. **Cash Awards and Gift Certificates**

   *Employees who handle cash and gift certificates must follow UI cash handling procedures. See http://www.uiowa.edu/~cashhand/index.html*

   **A. Cash Awards**

   University funded cash awards to employees constitute gross wages and are subject to payroll tax withholding.

   Procedures:
   - Cash awards to non-student employees must be processed utilizing the Special Compensation form in the HR Transaction System.
   - Cash awards to student employees must be processed through MAUI Scholarship Workflow.

   **B. Gift Certificates**

   Gift certificates, including gift cards, gift vouchers, etc. are considered cash equivalents by the IRS and therefore, are treated as cash payments.

   *Gift certificates may not be given to employees to reward performance. See procedures under Section A – Cash Awards.*

   Gift certificates given as research subject compensation do not fall under the Policy on Taxation of Gifts, Prizes, and Awards to Employees. They are included in the Research Subject Compensation Policy & Procedures. See http://gao.fo.uiowa.edu/grant-and-contract-management/general-administration/research-subject-compensation-policy-procedures

   Gift certificates have limitations:
   - Gift certificates are considered money/compensation. Therefore, they may not be given to contract covered employees. All compensation to contract covered employees is established under their bargaining contract.
   - The cumulative value of all gift certificates given to a single employee must not exceed $100 within a calendar year.
   - University affiliated and non-profit organizations are preferred vendors for gift certificates.
   - Professional employees who are rewarded for extra-meritorious performance must be awarded through the HR Transaction System as a special compensation payment.
   - Faculty may be rewarded for performance utilizing the Faculty Award form in the HR Transaction System.
   - Gift certificates should not be used to recognize an employee’s personal event such as births, weddings, birthdays, or holidays.

   Procedures:
• All gift certificates to University employees, **regardless of the amount** must be reported to University Payroll annually.
• Departments must maintain a list of gift certificates given to employees, including gift date, purpose of gift, certificate amount, employee name and University ID.
• Departments must submit the list as an Excel file to University Payroll by November 15 for awards given from November 16 of the previous year to November 15 of the current year.
• Gift certificates to employees who are leaving the University must be reported to University Payroll as soon as the gift certificate is awarded so appropriate payroll tax withholding can occur.

C. **Non-cash Awards**

Non-cash awards (tangible personal property) given to employees are subject to taxation **unless** the annual value of all non-cash awards is less than $100 (amount considered de minimis) or the non-cash award meets one of the exceptions indicated in Section 2.

**Procedures:**

• Departments must track the value of all non-cash awards provided to employees.
• If the annual cumulative value of non-cash awards for an employee exceeds $100, departments must submit the entire list of all non-cash awards (not just the amount exceeding $100) as an Excel file to University Payroll by November 15 for awards given from November 16 of the previous year to November 15 of the current year. (Note: 100% of the value of the gift is taxable, not the amount is excess of $100.)
• If the annual cumulative value of non-cash awards to a terminating employee exceeds $100, departments must submit the information to University Payroll as soon as possible so appropriate payroll tax withholding can occur.
• Non-cash gifts to contract covered employees to recognize performance are not allowed unless the gift is given to the entire department. For example, treats or a fruit basket may be presented to the contract covered employee to recognize their performance if the treats or fruit basket is shared with the entire department. The employee may not take the non-cash gift home for their personal use or consumption.

2. **Exceptions for Length of Service, Retirement and Safety Awards**

A. **Length of Service and Retirement Awards**

A non-cash length of service award may qualify as a non-taxable benefit provided all of the following requirements are met:

1) the employee has at least five years of service with the University,  
2) the employee has not received a length of service award within the last five years, and  
3) the awards are presented as part of a meaningful ceremony and should not be determined based on an employee’s classification

The amount of the award should not exceed $1,600. For instance, a college/department may provide to an employee an award of a framed photograph of the Old Capitol or other historical site at a cost of $400.

B. **Safety Achievement Award**

Safety achievement awards that recognize an employee’s accomplishments for maintaining or promoting defined safety standards may qualify for exclusion from taxation provided all of the following requirements are met:
1) the award is limited annually to less than 10% of total eligible employees,
2) the award is not presented to managers, administrators, clerical and professional employees, and
3) the awards are presented as part of a meaningful ceremony

3. **Appropriate Funding Sources:**

Funding for gifts, prizes, and awards should be evaluated based on the department’s current budget, the type of expenditure, and justification for the purchase. Non-general education fund resources are preferable and departments should refer to grant restrictions before utilizing grant sources.