

GIFTS and AWARDS

CASH AWARDS

Cash awards to employees from an employer are always considered income and are subject to Federal Income Tax (FIT) and FICA. Gifts and awards must, therefore, be processed through Payroll. See University Regulation 05.02.07.F.

CASH-EQUIVALENT AWARDS

Cash-equivalent awards to employees from an employer are always considered income and are subject to Federal Income Tax (FIT) and FICA. Cash-equivalent awards include all gift certificates, vouchers, check cards, etc. no matter the value of the certificate. If the certificate is for a commodity, then the fair market value of the item or service is considered cash-equivalent award. Therefore, these transactions must be processed through payroll. See University Regulation 05.02.07.F.

NON-CASH AWARDS

Non-cash awards or gifts to employees are normally considered subject to FIT and FICA, but may be exempt in certain limited circumstances.

Exceptions:

- Non-Cash awards that are infrequent and have a fair market value of less than \$25.00 are considered de minimis and are not subject to FIT and FICA. **Note: Gift certificates are always taxable-** See CASH-EQUIVALENT AWARDS.
- Items given as retirement or length of service awards are considered exempt if they meet all of the following requirements:
 - The award has a value of less than \$400.00.
 - It is awarded as a part of a meaningful presentation.
 - It is awarded under conditions and circumstances that do not create a significant likelihood of disguised pay.
 - The employee receives the award after his or her first 5 years of employment or the employee did not receive another length-of-service award (other than one of very small value) during the same year or in any of the prior 4 years.

If the individual is not able to pay the FICA taxes, the amount will have to be grossed up to allow withholding of the required taxes and the required taxes will be paid by the department.

AWARD CHECKS

Before an award check is processed, there must be a document produced authorizing the award on letterhead and signed by the approver sent to Payroll. The document should state whom to pay, what amount to pay, whether the amount is net or gross and what account number to charge. The document must be signed by an approver who is authorized to charge the account that is to be used.

Awards may be paid by manual or computer printed paychecks and are normally processed in an Adjustment run.

Federal Withholding is deducted at a flat rate from cash awards.

FICA taxes are deducted from awards –if applicable.

Retirement is deducted from awards –if applicable.

Pension is **not** charged on awards.

Awards are not compensation for personal services and are normally below the threshold for levies and garnishments.

Child support deductions must be handled as per the child support order.

All other deductions/benefits do not apply.

Only staff benefits, no leave benefits, are charged on the award gross amount.