

Policy on Gifts, Gift Certificates, Prizes and Awards

The use of University funds for gifts, prizes and awards must withstand the test of scrutiny by the University's constituencies. Students, trustees, alumni/ae, donors and granting organizations must be assured that funds are wisely spent for purposes related to the University's mission.

The Internal Revenue Service places strict reporting requirements on the University when persons (faculty, staff, students, independent service providers, or volunteers) are paid miscellaneous income. Cash, no matter how little, is never excludable from income and is subject to all income and FICA withholding taxes. In most cases, gift certificates are treated as cash. The IRS allows exclusion of certain gifts, prizes and awards as a "de minimis" benefit. The definition of a de minimis benefit is "any property or service that you provide to an employee and has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable." Which means nearly all gifts, prizes, and awards are taxable to the recipient unless it can be excluded. Please call the Business Office if you have questions. Also, it is important that you inform the recipients of the tax consequences of the gifts.

Gifts must be a professional token of appreciation or recognition and not a personal gift from one employee or student to another. The University will not pay for nor reimburse for personal gifts. All expenditures need to be approved by a supervisor, department chair, and/or Vice President of that department depending on the department policies prior to committing University funds.

Your cooperation is requested in processing these items, which typically come to Accounts Payable's attention when an employee requests reimbursement for the gifts they have purchased. When requesting reimbursement, you **MUST** identify the recipient(s) of these gifts. You will also need to include their social security number, full address, and indicate the amount given as a gift to each individual (or the equivalent fair market value of each gift if property is given). We will be unable to process the request for reimbursement without this information. The same information must be provided for items purchased with the NWU Mastercard.

Cash and Gift Certificates

If the recipient is a University employee, the amount of the gift **MUST** be included in the recipient's W-2 and is subject to all income and FICA withholding taxes. If the recipient is an independent service provider or volunteer, the gift information will be reported on form 1099-MISC. Gift certificates for students are not allowed. If you would like to give a student a cash award for outstanding work performance you need to complete a Request for Payment form and it will be included in the next student payroll. Appropriate taxes will be withheld. [If you don't agree with the previous sentence for handling student cash gifts—the following sentence is my second choice] If the recipient is a University student, the gift information will be reported on either form W-2 or form 1099-MISC, depending on whether they are a current employee of NWU.

Gifts, Awards and Prizes of Tangible Personal Property

Gifts, prizes and awards of tangible personal property of \$25 or less are excluded from gross income. Gifts, prizes and awards of tangible personal property of greater than \$25 must be included in the recipient's W-2 and is subject to all income and FICA withholding taxes. This includes gifts for a wedding, baby shower, graduation, housewarming, etc. if University funds were used.