Benedictine University	S.O.P. 109
APPROVED	Date 2/21/08

TAXATION OF GIFTS, PRIZES, AND AWARDS
Gifts, prizes, and awards are given to employees under certain circumstances in recognition of their efforts. This policy provides guidance on the taxability of these forms of recognition.

General Information
To comply with Internal Revenue Services regulations the University Payroll Office must:

a) Report the value of an employee's award/gift/prize to the IRS by including the value in that individual's taxable income on Form W-2, or
b) Report the value of a non-employee's award/gift/prize by issuing a Form 1099-MISC at calendar year-end when the total of awards/gifts is $600 or more, or
c) Issue a form W-2G for all raffle winnings, regardless of employment status.

Included in this policy are:

a) All awards/gifts/prizes that are given via cash or gift certificates, regardless of the dollar amount, and
b) All other types of awards/gifts/prizes (non-cash) that have a value over $25.

Awards, gifts, and prizes are included in this policy regardless of whether the award/gift/prize was purchased by the University or donated by another organization.

Exceptions:
The IRS limits the value of the achievement awards to $400 per year per employee for tax purposes. These awards and additional criteria are as follows:

a) A "length of service" award is not reportable as taxable compensation if it is granted to an employee not more frequently than every 5 years.
b) A "safety award" is not reportable as taxable compensation if both the following conditions are met:
   1. It is provided to no more than 10% of eligible employees
   2. Managers, administrators, clerical, and professional staff are ineligible for the award.

For example, the facilities department may give a plaque that costs $250 to a worker who demonstrates excellence in maintaining safety standards. Should an employee receive safety achievement awards that exceed $400 during the calendar year, the excess amount shall be reported to Payroll Services and included as taxable wages on the employee's Form W-2.