



## University Policy: Gift, Prize & Reward Payment Policy

**Policy Category:** Operational Policies

**Subject:** Gift, Prize & Reward Payment Policy

**Responsible Executive:** Chief Financial Officer, Vice President & Treasurer

**Office Responsible for Review of this Policy:** Office of Finance and Treasurer

**Related University Policies:** Accounts Payable Policy, Corporate Card Policy, Procurement and Contracts Policies, Procedures & Guidelines, Student Payment Policy

### Table of Contents

I.	SCOPE .....	2
II.	DEFINITIONS .....	2
III.	POLICY STATEMENT .....	3
IV.	TAX IMPLICATIONS .....	3
V.	HOW TO PROCESS GIFT, PRIZE & REWARD PAYMENTS.....	3
VI.	OTHER CONSIDERATIONS.....	4
VII.	EFFECTIVE DATE AND REVISIONS.....	4

## I. SCOPE

The American University Gift, Prize & Reward Payment Policy addresses the giving of monetary payments or non-monetary items by the University in recognition of an achievement or event outside of the recipient's regular job performance or to show appreciation. Recipients may include, but are not limited to, AU faculty and staff members and AU affiliates.

For all other payment types (i.e., gifts to the University, financial aid, payroll, compensation for participation in a sponsored research study, business related expenses, etc.) please refer to the AU policies page at <http://www.american.edu/policies/>.

*Note: All payments made to students, including students employed by the University, should follow the processes outlined in the Student Payment Policy (<http://www.american.edu/loader.cfm?csModule=security/getfile&pageid=4289858>) prior to referring to the guidance herein.*

## II. DEFINITIONS

**AU Faculty & Staff Members** – an individual employed by the University. (Student employees are excluded from this definition for the purposes of this policy.)

**AU Affiliates** – AU affiliates include, but are not limited to, survey and contest participants, AU alumni and other individuals participating in AU sponsored events.

**Compensation for Services** – A monetary payment (cash or cash equivalent) or non-monetary item given for activities performed for the direct benefit of the University. An example includes payment in exchange for setting up chairs for an AU event.

**Gift from AU**– A monetary payment (cash or cash equivalent) or non-monetary item given by the University to show appreciation or goodwill. An example may include a retirement gift.

**Monetary** – A payment of cash or cash equivalent. An example of a cash equivalent includes gift certificates, which must be treated the same way as cash for tax purposes.

**Non-monetary** – The giving of property including, but not limited to, a plaque, tickets for a sporting or cultural event, electronic equipment, T-shirts and flowers.

**Prize** – A monetary payment (cash or cash equivalent) or non-monetary item given in recognition of extraordinary artistic, charitable, civic, educational, literary, or scientific achievement or as a result of chance, not directly related to job performance. Examples may include the item offered to the winner of a contest or a raffle at a university sponsored event.

**Reward** – A monetary payment (cash or cash equivalent) or non-monetary item given to show appreciation or recognition of an outstanding accomplishment. Examples may include the staff awards given during staff appreciation week.

### III. POLICY STATEMENT

The recipients of a gift, prize or reward payment may include faculty and staff members or AU affiliates. Approval must be obtained from a dean, director or department head prior to issuing the payment to the recipient. All monetary payments and non-monetary items above the *de minimis* threshold, with a few exceptions, qualify as taxable compensation to the recipient and are subject to federal, state, and employment tax withholding and reporting.

### IV. TAX IMPLICATIONS

All monetary payments or non-monetary items over the reportable threshold, unless otherwise excluded by the tax code, are includable in gross income (IRS Code Sec. 61 and 74 (a); Reg. § 1.61-2 and § 1.74-1(a)).

The IRS defines *de minimis* benefits as follows:

“A *de minimis* benefit is any property or service you provide to an employee that has so little value (considering how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable. Cash and cash equivalent fringe benefits (for example, use of gift card, charge card, or credit card), no matter how little, are never excludable as a *de minimis* benefit, except for overtime meal money or transportation fare.”

For **U.S. and resident aliens who are AU employees**, all monetary payments for gifts, prizes and rewards and non-monetary items over the reportable threshold must be reported by the University to the IRS on Form W-2.

For **U.S. and resident aliens who are not AU employees**, all monetary payments for gifts, prizes and rewards, as well as non-monetary items over the reportable threshold, must be reported by the University to the IRS on Form 1099-MISC if the total value of all items received by the individual in the relevant calendar year exceeds the reportable threshold. It is the responsibility of all prize recipients, regardless of the type of the prize, to comply with the IRS reporting requirements for taxable prizes, which may include reporting the items on their personal income tax returns.

For **non-resident aliens**, the University is required to withhold 30% tax on the full amount of the gift, prize or reward. The payment amount will be reported to the IRS and to the individual on Form 1042-S.

### V. HOW TO PROCESS GIFT, PRIZE & REWARD PAYMENTS

When university funds are used to give a **monetary** gift, prize or reward payment to a U.S citizen or resident alien, the payment **must**, with a few preapproved exceptions, be processed using the AU Rewards card. AU Rewards cards can be requested from the Controller’s office using the ‘AU Rewards Gift, Prize, Rewards’ form located on the portal at <https://myau.american.edu/finances/Controller/Pages/default.aspx>.

When university funds are used to give a **monetary** gift, prize or reward payment to a non-resident alien, the payment **must**, with a few preapproved exceptions, be processed through the Foreign National Payment Specialists in Payroll.

When university funds are used to give a **non-monetary** gift, prize or reward item below the *de minimis* threshold, no reporting is required. However, all non-monetary items given above the *de minimis* threshold must be reported to the Controller's Office using the 'Payment/Value Received Acknowledgement' form located on the portal at <https://myau.american.edu/finances/Controller/Pages/default.aspx>.

**Gift, prize and reward payments should never be made to individuals using cash, EagleBucks, the AU Corporate Card, gift certificates or gift cards.**

## **VI. OTHER CONSIDERATIONS**

Exceptions to the guidelines delineated above may be made in the following scenarios:

### ***Length of Service and Safety Achievement Awards***

Non-monetary awards granted to university employees for length of service or safety achievements are subject to unique tax guidelines. Specifically, non-monetary awards with a fair market value below the reportable threshold (reference IRS Pub 525 <https://www.irs.gov/publications/p525/ar02.html>) in recognition of an employee's length of service or safety achievement may be non-taxable if they meet the IRS guidelines. If the fair market value of the non-monetary award is greater than the reportable threshold, only the amount exceeding the threshold is taxable.

### ***Others Specified in Tax Regulations***

Other exceptions to the taxability guidelines delineated above may be made for scenarios specified in tax regulations. Information on tax code, regulations, and official guidance is available on the Internal Revenue Service's website at [www.irs.gov](http://www.irs.gov).

Gift, prize and reward payment recipients with questions pertaining to how the receipt of the gift, prize or reward payment impacts their personal tax obligations should seek guidance from their tax advisor.

## **VII. EFFECTIVE DATE AND REVISIONS**

This Policy is effective as of October 1, 2017.