

Occidental College Prize, Gifts, and Awards Policy

I. POLICY STATEMENT.

Occidental College is committed to compliance in all areas of its operation and complies with all IRS regulations concerning the giving of prizes and awards/gifts to faculty, staff, and students of the College. The policy and practices set forth below are meant to ensure that community members can find meaningful ways to recognize our students and employees, while also complying with the IRS regulations. This policy (1) clarifies the taxable status of prizes, gifts, and awards to College employees and students and (2) specifies whether College funds may be used to purchase prizes, gifts, and awards.

II. APPLICABILITY.

This Policy applies to the purchase of prizes, gifts, and awards for employees (faculty, staff, administrators) and students. This Policy does not apply to scholarships, which are administered by the Financial Aid Office.

III. DEFINITIONS.

Award/gift - An award/gift is something of value given to recognize a term of service, safety record, exceptional performance, special achievement, etc. Awards/gifts to students are taxable unless they qualify as scholarships and are directly applied toward tuition, required fees, books, and/or equipment. Student recognition by College departments for academic achievement is considered a prize (see below).

Cash equivalent award/gift - A cash equivalent award/gift is any item which can be used to "purchase" merchandise or which can be easily converted to cash. Under IRS code, this includes cash, gift cards, and gift certificates. **Gift cards and gift certificates are not permitted and therefore will not be reimbursed if you purchase them.** For gift card payments to human research subjects, please refer to the Human Research Subjects Policy.

A certificate that allows an employee to receive a specific item of personal property that is minimal in value (e.g. a certificate for a holiday turkey or ham), provided infrequently, and is administratively impractical to account for, may be excludable as a *de minimis* benefit, depending on facts and circumstances.

***De minimis* benefit** - A *de minimis* benefit is any property or service provided to an employee that has so little value that accounting for it would be unreasonable or administratively impractical. Under IRS code, cash and cash equivalent fringe benefits (i.e. gift cards/certificates), no matter how small, are never excludable as a *de minimis* benefit.

Incidental Expenses – Incidental expenses are expenses such as room, board, travel, research, equipment, or supplies that are not required for either enrollment or attendance at an educational institution but are incidental to an independent educational opportunity.

Prize - A prize recognizes performance as part of a judged competition (e.g. best design, highest score, academic achievement, etc.), or winnings from a raffle or drawing. Prizes are taxable, but are not considered wages – even if the individual is employed by the College. Student recognition by College departments for academic achievement is considered a prize by the IRS.

Purchased with College funds - Purchased with College funds means purchases processed through Accounts Payable, Oxy Visa, reimbursed to an employee, and/or purchased with petty cash.

Tangible award/gift - A tangible award/gift is any non-cash item, such as flowers; books; trophies or plaques; apparel such as OXY-branded merchandise; and movie tickets.

Taxable period - The taxable period is the calendar year i.e. January 1 through December 31.

IV. POLICY.

A. Taxability Guidelines

Pursuant to the Internal Revenue Code, the value of prizes and awards/gifts to individuals is considered taxable income under certain circumstances. IRS regulations stipulate that, for employees and students, any cash equivalent award/gift is considered taxable income, subject to withholdings, that must be included in the recipient's gross income, *regardless of the amount involved*. There is no minimum value threshold. (See "de minimis benefit" in the Definitions section). **Therefore, the value of these prizes and awards/gifts to faculty, staff, and students (including student employees) must be reported to HR (for employees) and/or Payroll (for non-employee students).**

IRS regulations also stipulate that a tangible award/gift exceeding taxable limits (as shown in the table in section C, below) must be included in the recipient's gross income. **Where the value of these prizes and awards/gifts to faculty, staff, and students (including student employees) must be reported to HR (for employees) and/or Payroll (for non-employee students).**

Non-US citizens – including international student workers – may be subject to additional tax rules depending on circumstances and treaty status. Where applicable, taxable income will be reported on Form 1042-S and may be subject to 14-30% withholding.

Please contact Shirley Wang at swang@oxy.edu or x2953 in advance to discuss specific tax impact.

B. Purchasing Guidelines & Taxable Prize or Award/Gift Form

College funds may be used to purchase gifts or awards to show appreciation or recognition to employees and students. Cash equivalent award/gifts are **not permitted**. Tangible award/gifts are **allowed**. Purchases are subject to the College's standard purchasing and approval procedures. The following awards/gifts must be submitted to Accounts Payable with a [Taxable Prize or Award/Gift Form](#) (which must be attached to the Expense Reimbursement Form or Visa Card Expense Report): any prize or award/gift that appears in the "Taxable" column of the Taxability of Prizes and Awards/Gifts table below.

C. Taxability of Prizes and Awards/Gifts

	Non-Taxable	Taxable
Miscellaneous awards/gifts		
Cash equivalent award/gift (please see the Human Research Subject Policy for payment procedures)	Not Allowed	Not Allowed
Tangible awards/gift (except food) valued up to \$100	Non-taxable up to \$100 in value	Taxable only if value exceeds \$100
Length-of-service tangible awards/gifts – special rules apply		

Awards/gifts to employees with <u>more than 5 years</u> of service	Non-taxable up to \$500 in value	Taxable only if value exceeds \$500
Awards/gifts to employees with <u>less than 5 years</u> of service		ALWAYS taxable (No minimum amount)
Awards/gifts to employees who previously received an award/gift during the current or preceding four years, regardless of length-of-service		ALWAYS taxable (No minimum amount)
Prizes (includes academic achievement)		
To STUDENTS, <u>regardless of whether they are employees</u>		ALWAYS taxable (No minimum amount)
To EMPLOYEES		ALWAYS taxable (No minimum amount) – must be processed through HR.

D. Frequently Asked Questions

Is this policy really necessary?

Yes! The rules we are adopting comply with prevailing IRS tax code. They apply universally to all employers – not just Occidental, and not just colleges and universities. We are providing options for gifts and awards that avoid a taxable situation to help avoid inconvenience and ensure compliance.

Can I use donated gift cards to recognize employees?

Yes! Only gift cards/certificates purchased with College funds are taxable to the recipient. If a vendor gives you a gift card free of charge, you may award it to an employee without worrying about taxation.

What if I purchase gift cards personally?

Gift cards you purchase using personal funds are not taxable to the recipient because you are not the employer. However, you may not request reimbursement for the purchase

What if I give my student worker a gift card the day after graduation?

Please don't do this! The IRS considers the gift card taxable. You will not be able to be reimbursed for this. If you purchased the gift card with an Oxy credit card, you will need to reimburse the College.

What if my student worked the first semester and I gave them a gift card at the end of the academic year?

Please don't do this! The IRS considers the gift card taxable. You will not be able to be reimbursed for this. If you purchased the gift card with an Oxy credit card, you will need to reimburse the College.

Does this policy apply to non-employees?

Prizes are always taxable, regardless of amount and regardless of whether the recipient is an employee. Prizes with an accumulated value in excess of \$600 in a given year, will be reported to the IRS at year-end via Form 1099-Misc. Awards/Gifts to students in excess of tuition, fees, books, and equipment are taxable, regardless of whether the student is also an employee.

Are the flowers I sent to celebrate an employee's new baby taxable to the recipient?

Technically yes, but if the flowers (or other tangible award/gift) are valued at less than \$100, they are considered *de minimis* and are neither taxable nor reportable to the IRS.

What if I have other questions?

If you have any questions please contact Lupe Salmeron, Controller, lsalmeron@oxy.edu or at x1423.

V. POLICY HISTORY.

Responsible Officer(s): Controller

Effective Date: [unknown]

Last Revised Date: November 2023

VI. RELATED POLICIES AND RESOURCES.

[Employee Taxable Prize and Award/Gift Form](#)

[Expense Reimbursement Policy](#)

[IRS website](#)

[Non-Employee Taxable Prize and Award/Gift Form](#)

[Payment Processing Guidelines](#)

[Taxes FAQ](#)