



GUIDELINES FOR AWARDS, GIFTS AND PRIZES

The Internal Revenue Service states that, under certain circumstances, the value of gifts, prizes and awards to individuals is considered taxable income. Non-US citizens may be subject to additional tax rules depending on circumstances and treaty status. This policy addresses the payment or awarding items of value to students or non-employees. It must be noted that Scholarships are not addressed in this policy since the Financial Aid Office processes those documents.

The Attorney General of Alabama has ruled that the purchase of gifts for employees is unallowable. The IRS considers a student worker an employee for tax purposes.

These guidelines do not indicate offices are required or should be expected to provide awards, gifts or prizes.

AWARDS, GIFTS AND PRIZES

1. An award is something that is bestowed for performance.
2. A gift is something given as a present.
3. A prize is something that is awarded in a contest or won by chance.

The use of University or student funds for awards, gifts or prizes must withstand the test of scrutiny by the auditors, trustees, students, and donors. The expense should be reasonable and necessary to carry out the mission. Restrictions regarding funding source must be complied with. An example of this type of expenditure would be SGA using promotions or door prizes to entice event participation or survey completion, etc.

Payment for research participation by students would not be considered a gift. Store merchandise (gift) cards may be used to pay students participating in a University research project as allowed by the appropriate funding authority.

When gift cards are being purchased with grant funds, costs for such incentives must (1) be included in the grant budget, and (2) allowed by terms of the specific grant.

The IRS dictates that gift certificates, gift cards, and gift coupons with a stated face value are considered cash equivalents and therefore are subject to income taxes, regardless of their value.

Payments to individuals who are non-employees or not student workers are considered taxable income to the recipient. Tax reporting will be done in accordance with IRS requirements.

It is the responsibility of all recipients, regardless of the amount of income received, to include it on their personal tax return. The University does not provide tax consultation services. Each taxpayer should consult with their tax consultant.

Non-cash benefits may be presented as a token of appreciation to a donor, dignitary, guest, or volunteer when a valid documented business purpose exists to recognize contributions to the University or to honor a distinguished visitor. Examples are token items such as mugs and tee-shirts.

Non-cash benefits are controlled by the IRS *De Minimis* (Minimal) policy which covers property or services provided to an individual with a value so small that accounting for it is unreasonable or administratively impracticable. The value of the benefit is determined by the frequency it is provided to each individual, or if this is not practical, to the group as a whole. The IRS has given advice in a special situation that items having an annual cumulative value of \$100 or less provided to an individual over a calendar year would qualify as *de minimis*. A small trophy or plaque would probably not be taxable.

Gift cards may not be used to issue student academic awards. All student awards must be processed through the financial aid office.

DEPARTMENTAL PROCEDURES

The University's compliance effort requires a sharing of responsibility by University Departments and Administrative Offices. University Departments are responsible for completing the Prize / Award Tax Data Collection Form and submitting it to Accounting and Financial Reporting within 10 working days.

Your cooperation is requested in processing these items, which come to General Accounting, Accounts Payable or Procurement Services for reimbursement of gifts purchased.

The following guidelines should be followed:

1. Gift cards must be treated with a high level of security. Gift cards are the same as cash and must be handled accordingly, ensuring adequate controls are in place to safeguard, store and prevent loss. Cards should be kept in a secure, locked device.
2. A single individual must be designated custodian of the gift cards. This individual will be responsible for ensuring that all purchasing, security, dispensing, and replenishing procedures are followed.

3. Custody may be transferred temporarily from the designated custodian to other departmental personnel. A receipt acknowledging the transfer of responsibility should be signed and dated by both parties.
4. A distribution log for gift cards should be maintained if the card issuance volume is sufficient to warrant a record for inventory control. The log should have the date, card number, vendor, the number of cards purchased by amount, the number of cards distributed, and the balance on hand. The log must be submitted to Accounting & Financial Reporting monthly.
5. A reconciliation of gift cards should be conducted every time gift cards are purchased, or at least on a monthly basis. The reconciliation should consist of verifying that the number of cards purchased minus the number of cards disbursed agree with the cards on hand. The inventory needs to be performed by an individual who is not responsible for the issuance or custody of the gift cards while in the presence of the custodian.
6. The maximum value allowed for a gift card is \$50.
7. At no time may an employee of the University be allowed to use a gift card.

The following items should be completed before purchase of gift cards or submission of the reimbursement request:

1. The purchase of gift cards, awards or prizes should have prior written approval by an Authorized Approving Official.
2. Prepare Prize / Award Tax Data Collection Form. This form should be completed when the distribution is made to the ultimate recipient. Each data field must be completed. If a field is not applicable, please note "N.A."
3. Inform recipient of the possible tax implications.
4. Do not submit for reimbursement until all recipient forms are completed and attached to the request

[Prize Tax Data Form](#) (PDF fillable format)