

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 these 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.

IRS FORM 1099-MISC REPORTING REQUIREMENTS

The Internal Revenue Service (IRS) requires businesses, including not-for-profit organizations, to issue a Form 1099-MISC to any individual or unincorporated organization paid \$600 per calendar year for services rendered or awarded appreciation gifts, etc. This is required whether these payments are spread out over the course of the year or paid in one lump payment. This form is generally not required to be issued to corporations.

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.

Payments to individuals who are non-employees or not student workers are considered taxable income to the recipient. The IRS requires the reporting of awards, gifts and prizes received when \$600 is reached on Form 1099-MISC

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 employment taxes, regardless of their value.

Non-cash benefits are controlled by the IRS De Minimis policy which states 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, by the group as a whole. The IRS has given advice in a special situation that a value of \$100 did not qualify as de minimis. A small trophy or plaque would probably not be taxable.

All payments to each individual in the amount of \$600 or greater must be reported by the University to the IRS on 1099-MISC. It is the responsibility of all recipients, regardless of the amount of the taxable 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.

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.

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

The Prize / Award Tax Data Collection Form must be provided to Accounts Payable even if the gift is purchased directly through the Purchasing system.

The following guidelines should be followed:

1. Gift cards must be treated with a high level of security.
2. The maximum value allowed for a gift card is \$25.
3. At no time may an employee of the University be allowed to use a gift card.

The following items should be completed before 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.
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.

Non-Resident Aliens

Non US citizens including international student workers may be subject to additional tax rules depending on circumstances and treaty status. The attached alien tax information form will be beneficial in determining the appropriate tax status.

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