

**ELIZABETH CITY STATE UNIVERSITY**  
**Employee Gifts, Prizes, and Awards Policy**

**Preamble**

One of the ways in which Elizabeth City State University (ECSU) seeks to reward employee service and achievement is through departmental and campus recognition programs. 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. The applicable Internal Revenue Service publication is IRS Publication 15-b "Employers Tax Guide to Fringe Benefits." Taxable gifts, prizes, and awards shall be reported to Payroll Services and included on the employee's Form W-2.

**1. Taxability of Cash and Non-cash Awards**

- A.** Cash gifts, prizes and awards given to employees constitute gross wages subject to federal and state income and FICA taxation. For purposes of this policy, **cash** includes gift certificates.
- B.** Non-cash gifts, prizes and awards given to employees are subject to federal and state income and FICA taxation unless these items of recognition qualify as one of the following within the definitions below: a *de minimis* fringe benefit; a length of service award; and a safety achievement award.

**1. *De minimis* Fringe Benefits**

- a. The University may reward an employee's noteworthy, work-related accomplishments by presenting an item of tangible personal property without tax consequences provided the value of the item, in addition to other gifts, prizes or awards presented throughout the calendar year to the employee, and does not exceed \$99. The rationale is that these items of recognition constitute *de minimis* fringe benefits that are considered so small that accounting for them would be unreasonable or administratively impracticable. Examples of *de minimis* items include Elizabeth City State University logo items, items that acknowledge life events such as births or deaths, tickets to sporting or cultural events, or other similar items.
- b. Cash is never a *de minimis* fringe benefit and therefore any cash gift or award to an employee must be processed through payroll. Gift coupons provided by the university to an employee, redeemable at a retail establishment are also not included as a *de minimis* fringe benefit and therefore should be processed through payroll, regardless of value. The Internal Revenue Service has concluded that accounting for

cash or gift cards is not impracticable and therefore should be included in gross income.

## **2. Length of Service Awards**

- a. Length of service awards may qualify as a non-taxable benefit provided: the employee has at least five years of service with the University; the employee has not received a length of service award within the last five years; the awards are limited to \$400 per employee per year; the awards are presented as part of a meaningful presentation, and the awards are made under conditions and circumstances that do not create a significant likelihood of disguised pay.
- b. For example, a department may provide an employee with an award of a plaque or a framed photograph of a University landmark at a cost of \$200 without reporting the benefit to Payroll Services as taxable wages provided: the employee has worked at the University for at least five years, and the employee has not received any other length of service awards from the University within any of the prior 4 years.
- c. Traditional retirement gifts of \$400 or less are excluded from taxation if they meet the length of service award criteria mentioned above. For example, a department may give an employee a gold watch for retirement from the University having a value of up to \$400 without tax implications if the length of service criteria is met.
- d. Should an employee receive a length of service award that exceeds \$400, the excess amount shall be reported to Payroll Section of the Accounting Office and included as taxable wages on the employee's Form W-2.

## **3. Safety Achievement Awards**

- a. Safety achievement awards that recognize an employee's accomplishments for maintaining or promoting defined safety standards may qualify for exclusion from taxation provided: the awards are limited annually to less than 10% of total employees; the awards are not presented to managers, administrators, clerical and professional employees; the awards are limited to \$400 per eligible employee per year; the awards are presented as part of a meaningful presentation, and the awards are made under conditions and circumstances that do not create a significant likelihood of disguised pay.
- b. For example, the facilities management 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.

## **2. Additional Guidance**

Departments should contact the University Accounting Office for further assistance.