

TAXATION OF GIFTS, PRIZES, AND AWARDS

PURPOSE

The purpose of this policy is to ensure that Westfield State University complies with all applicable laws and regulations, communicates expectations, and encourages ethical practices, socially responsible behavior, and fiscal responsibility with regard to the procurement and issuance of university funded gifts, prizes, and awards.

POLICY

Payments made from university funds, or items of value given to employees, are considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2, unless a specific exemption applies. Payments made or items of value given to students and non-employees are considered gross income to the recipients reportable on Form 1099-MISC, unless a specific exemption applies. Departments are required to provide the Financial Accounting office with identifying information for all recipients of gifts, prizes, and awards.

DEFINITIONS

Employee – Any individual currently performing services at the university which are compensated through the payroll office and receiving a Form W-2 at the conclusion of a calendar year.

Student – Any individual enrolled in a minimum of one course for credit at the time in which a gift, prize, or award is issued.

Non-employee – Any individual not defined as an employee and/or student as described above.

In the case where an individual defined as a student is also defined as an employee, and vice versa, the circumstances of why a gift, prize, or award was issued will determine the prevailing role for taxation purposes.

Gift – A cash or non-cash item given as a gesture of goodwill or appreciation, or in recognition of, or in connection with a holiday season, or some other purpose not specifically related to regular job performance. Examples may include holiday or birthday gifts.

Award – A cash or non-cash item given to show thanks, support, goodwill, or recognition of an outstanding accomplishment. Examples include achievement in teaching, research, retirement, or other job performance related activity.

Prize – A cash or non-cash item given at random or as a result of chance, not directly related to job or academic performance. Examples include random door prizes and raffles at university sponsored events.

De minimis – A threshold or maximum amount for single item, single event gifts, prizes, and awards where tracking for tax purposes is unreasonable and administratively impractical. The de minimis principle applies only for non-cash or cash equivalent gifts, prizes, and awards which are only given on an occasional basis.

Non-functional item – Any gift, prize, or award which is personalized or engraved, making it unable to be re-sold or used. Such items are deemed only to have sentimental value and no market value; therefore these items qualify as de minimis. Examples of valid items include engraved plaques and floral arrangements. Items composed of valuable metals or materials (e.g. gold or silver) do not qualify as resale is still possible after engraving or personalization.

Single item – A single gift, prize, or award granted to a single individual for a single distinct purpose at a single defined event.

Event – For the purposes of this policy, an event is considered to either be any occasion taking place during one day or a specifically defined occasion that may take place over multiple days.

NON-TAXABLE ITEMS

1. De minimis gifts, prizes, and awards are items valued below \$50 and meeting all requirements of the definitions of *de minimis*, *single item*, and *event* stated above.
2. Employee recognition awards given only for length-of-service or safety are not taxable when meeting the following criteria:
 - a. They are awarded in a meaningful presentation that emphasizes the purpose of the award.
 - b. The value of the award funded by the University may not exceed \$400 per year per employee.
 - c. Must not be cash or a cash equivalent.
 - d. For length-of-service, they must not be granted more frequently than every 5 years.
 - e. For safety, they cannot be given to greater than 10% of eligible employees during a calendar year, and managers, administrators, clerical, and professional staff are ineligible for the award.

3. Other items may not be taxable. If there is any question on whether a gift, prize, or award is taxable or not, the department must request that a determination be made by the Associate Vice President of Finance.

PROCEDURES

A. PROCUREMENT

1. Gifts, prizes, and awards are allowed to the extent the expense is reasonable and necessary to carry out the mission of the University. They may not be lavish or extravagant and must comply with any funding source restrictions. This is in accordance with the Trust Fund Guidelines of the Massachusetts Board of Higher Education and of Westfield State University.
2. Proper classification of payments is necessary to differentiate between awards, gifts, prizes, or any other items.
3. All procurement policies and procedures must be followed.
4. The purchase of gift cards/certificates is strictly prohibited.
5. Gifts and awards for student-athletes are additionally governed by NCAA policies. Departments must be in compliance with these policies when completing requisitions to purchase items of this nature.

B. ISSUANCE

1. Gifts, prizes, and awards must not be issued without first collecting identifying information on all recipients.
2. Information must be documented on the **Gift/Prize/Award Reporting Form**. The form is located on the myWestfield Documents and Policies SharePoint. For large quantities of recipients in a single event, a spreadsheet may be attached.
3. All recipients must sign the Gift/Prize/Award form or a log sheet to certify that they received an item.

C. PAYMENT

1. All Gift/Prize/Award forms must be included when submitting Authorization-to-Pay (ATP) forms for purchased gifts, prizes, and awards.

2. Financial Accounting staff will determine taxability and person status based on the information provided on Gift/Prize/Award forms. Employee information will be forwarded to the Payroll office for entry onto the individual's next paycheck; tax and FICA withholdings will be made. Students and non-employees' information will be entered into the 1099-MISC database of the Banner accounting system. Form 1099-MISC is only issued to individuals with a calendar year total income of at least \$600.

EMPLOYEE ACCEPTANCE OF GIFTS

All employees of the University (benefitted and non-benefitted) are considered state employees for the purposes of the Massachusetts Conflict of Interest Law (MGL c. 268A). In accordance with this law, employees may not accept gifts and gratuities valued at \$50 or more given to influence their official actions or because of their official position. Exemptions for MGL c. 268A are included in Massachusetts regulations 930 CMR 5.00.

ENFORCEMENT

Identifying information must be provided to the Financial Accounting department so that tax reporting can occur in compliance with the Internal Revenue Code and any state regulations. Violations of this policy will result in a written warning being issued to the department head. Repeated warnings will result in the department having all non-essential purchases frozen for a period of time as determined by the Vice President of Administration and Finance.

TRAINING AND COMMUNICATION

The Financial Accounting department will offer training documents for complying with this policy as needed. Individual, department, or university-wide training sessions will be offered based on demand. Additionally, this policy will be communicated with the campus via email no less than two times per calendar year.

REVIEW

This policy shall be reviewed every three years by the Associate Vice President of Finance.