

Gifts and Awards for University Employees

- Authority** This Guide Memo was jointly approved by the Vice President of Human Resources and the Controller.
- Applicability** This policy applies to all faculty, academic staff, and regular staff as defined in Guide Memo 23.1, Definitions, http://adminguide.stanford.edu/23_1.pdf.
- Summary** This Guide Memo provides specific guidelines for conferring non-taxable gifts or awards upon eligible University employees. Section headings are:
1. POLICY STATEMENT
 2. PURPOSE
 3. STAFF LENGTH OF SERVICE/RETIREMENT AWARDS
 4. FACULTY RETIREMENT AWARDS
 5. NOMINAL GIFTS
 6. GUIDE TO SUPERVISORS – PROCEDURES
 7. RESOURCES

1. POLICY STATEMENT

At the discretion of each department or school, gifts or awards may be made to University employees for non-performance related recognition, such as to acknowledge years of service or celebrate retirement. The expense of such gifts or awards must come from appropriate University funds. In addition, the succeeding award guidelines must be followed or all or part of the value of gifts or awards will be reportable to the Internal Revenue Service (IRS) as taxable income to the employee.

This policy does not cover ordinary business expenses in the promotion of employee morale. Examples of such business expenses are: occasional business lunches; office gatherings; or flowers for bereavement, hospitalization, or family crises. Nor does this policy cover performance-based awards or bonuses, which are generally taxable to the recipient and are processed through Payroll.

Furthermore, this policy does not preclude individual faculty or staff members from giving personal gifts to their colleagues provided University funds are not used for this purpose.

2. PURPOSE

Stanford University understands the importance of maintaining morale by recognizing employee length-of-service, retirement or other special occasions. This guide memo provides specific guidelines regarding the value and type of gifts or awards that are nontaxable income.

3. STAFF LENGTH-OF-SERVICE/RETIREMENT AWARDS

A regular staff employee and an academic staff employee must be in active service on his/her anniversary date to receive the length-of-service award. Length of service is determined by computing the period of service as defined in Guide Memo 22.5, Vacations, at http://adminguide.stanford.edu/22_5.pdf, Section 1.a.

The following length-of-service/retirement award guidelines have been developed according to IRS regulations. Awards which adhere to the following parameters and are given to eligible employees are not subject to taxes:

- a. **Timing** – The length-of-service/retirement award may not be made within the employee's first five years of service or more frequently than every five years.

Length-of-service and/or retirement awards given within the first five years of service or more frequently than every five years will be taxable in full and must be reported as such to the Controller's Office.

- b. Dollar Limit** — The value or cost of the award should not exceed \$400. Also, it is recommended that the value or cost of the award be commensurate with the number of years of service being recognized (e.g., the 15-year service award is greater than the 10-year service award). Length-of-service or retirement awards with a value or cost over \$400 will be taxable to the extent the value or cost exceeds the dollar limit (e.g., if a \$450 award is given, then \$50 will be taxable).

If the staff employee elects to retire the same year he/she becomes eligible for a length-of-service award, then the maximum value or cost of the award(s) should not exceed \$400 for the award(s) to be nontaxable.

In rare circumstances the non-taxable amount of the award may be higher than \$400. Any exceptions must be approved in advance by the Associate Controller that oversees Disbursements. (See <http://financialgateway.stanford.edu/docs/orgchart.pdf>).

- c. Form of Awards** — In order to avoid tax reporting as income, the award must be in the form of tangible personal property. The IRS does not consider gift certificates to be tangible personal property, and accordingly, they are subject to tax. If the award is in the form of cash, check, or gift certificate, the value of such items is treated as additional wages regardless of cost or value (see Section 5.a. below for an exception for nominal gifts).
- d. Meaningful Presentation** — The award must be presented as part of a special event or celebration that marks the occasion, such as a departmental meeting, party, or luncheon. Every attempt should be made to give a length-of-service/retirement award during the year the anniversary occurs. To avoid tax liabilities to the attendees, departments or schools should ensure that special presentation events are conducted only on an occasional basis and that the costs of the events are reasonable.

Deans/Directors/Vice Provosts/Vice Presidents are responsible for ensuring that award programs at different levels within their organization comply with all the above IRS requirements for nontaxable gifts.

4. FACULTY RETIREMENT AWARDS

Faculty members with more than 5 years of service are eligible to receive an award from the University upon retirement or departure from the University to recognize their service and contribution. (Faculty members do not participate in the staff 5-year incremental length-of-service award.) For retirement awards to be nontaxable to the recipient, they must meet the 5-year service requirement noted in this section as well as the requirements listed under Sections 3.b. to 3.d. of this policy. Any award that does not meet the IRS requirements will be taxable income and must be reported as such to the Controller's Office. For example, if an award is granted prior to 5 years of service or is a gift certificate, the entire award amount is taxable income. Also, if the award value/cost exceeds \$400, then any amount over \$400 will be taxable (e.g., if a \$600 retirement award is given, then the \$200 over the dollar limit will be taxable income).

It is the Department Chair's responsibility to ensure that awards comply with the IRS requirements.

In rare circumstances the non-taxable amount of the award may be higher than \$400. Any exceptions must be approved in advance by the Associate Controller that oversees Disbursements. (See <http://financialgateway.stanford.edu/docs/orgchart.pdf>).

5. NOMINAL GIFTS

Each department or school determines who is eligible and what occasions warrant the gift. To ensure these gifts are nontaxable to the recipient(s), departments need to follow the IRS regulations outlined below:

- a. Dollar Limit** — The aggregate gift value should not exceed \$50 per individual. If the value of the gift(s) exceeds \$50, then the entire gift will be taxable. Qualifying gift certificates in amounts not exceeding \$50 will be considered nominal and not taxable. To qualify, a gift certificate must be one that requires the recipient to exchange the certificate for tangible personal property from the issuing vendor, and cannot be convertible to cash or used to reduce the balance of the recipient's account with the company issuing the gift certificate.

- b. **Frequency** – The gift should be given only on an occasional basis. Gifts given to an employee(s) on a regular or routine basis do not qualify for nontaxable treatment and must be reported as taxable income.
- c. **Noncash Gift** – The gift must be tangible personal property. That is, it may not be a check, or a gift certificate over \$50. (see qualifying gift certificate description in 5.a. above).

6. GUIDE TO SUPERVISORS – PROCEDURES

- a. **Nontaxable Gifts/Awards** – The cost of the nontaxable gift and/or award may be paid personally and reimbursed by the University using the Oracle Financials reimbursement application or purchased using a university PCard. The name of the employee and the occasion for the gift (e.g., 10-year service) must be included on the request or included in the PCard verification information to ensure timely processing. For more information see Guide Memo 36.4, Reimbursement of Expenses, at http://adminguide.stanford.edu/36_4.pdf.
- b. **Taxable Gifts/Awards** – The cost of gifts or awards that fail to meet one or more of the IRS requirements outlined in this policy may be paid personally and reimbursed by the University using the Oracle Financials reimbursement application or purchased using a University PCard. The name of the employee, his/her employee ID number and occasion for the gift must be included on the request, or included in the PCard verification information, to ensure timely processing of the request. All reimbursements processed for these types of gifts will be sent to the Payroll Department and the amounts will be included in the employee's W2 or 1099 forms. For more information, see Guide Memo 36.4, Reimbursement of Expenses, at http://adminguide.stanford.edu/36_4.pdf. Any gift purchased using the PCard must be clearly identified in the business purpose as being a gift. The PCard verifier must be able to provide tax information to Disbursements upon request in order to properly complete any required tax reporting to the recipient. Failure to do so will result in loss of card privileges.

7. RESOURCES

For more information about employee gifts, please contact the appropriate local human resources manager.