



## Gifts, Prizes, Donations, and Awards from University Funding Sources

### Administrative Procedure

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### Administrative Procedure Statement

Wake Forest University includes gifts, prizes, donations and/or awards in the taxable income of the recipient in accordance with federal and state regulations. This administrative procedure outlines the tax implications and procedures for documenting such gifts paid by University funding sources.

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## **Related Policies**

<http://finance.wfu.edu/policies-and-procedures>

Gifts to Other Not-for-Profits and Other Charitable Organizations

Student Disbursement Policy

Business Expense Policy

## **Related Documents**

WFU Student Disbursement Form, <http://finance.wfu.edu/forms>

## **Procedures**

Most gifts, prizes, and awards are given to faculty, staff, and students under various circumstances to recognize outstanding effort or achievement in teaching, research, academics, or other performance related activities. This Administrative Procedure does not apply to retirement or length of service awards that are administered through Human Resources, safety awards, or gifts paid personally by individuals without reimbursement or donation receipt by the University. For the purposes of this procedure, we shall refer to gifts, prizes, and awards to employees simply as “gifts.”

The following guidance must be followed when processing items, which typically come to our attention when an employee requests reimbursement, submits an invoice for payment, PCard, or has transactions charged directly to the department for the gifts they have purchased for someone else at the Wake Forest University Bookstore or other entity or department. When personnel spend University funds for gifts, or administer donations to be used as gifts, Financial and Accounting Services (“FAS”) needs personnel to identify the recipient(s) and provide an adequate business purpose for the gift(s). When the recipient is University faculty, staff, or student, include the employee identification number (otherwise, the social security number) and indicate the amount given as a gift to each (or the equivalent fair market value of each gift, if property other than cash is given). FAS will be unable to process the request for payment without this information. When social security numbers are provided, Wake Forest University understands the importance of safety and identity protection and engages appropriate procedures to safeguard social security numbers.

## **Employees**

Most gifts, prizes, and awards are given to faculty and staff under various circumstances to recognize outstanding effort or achievement in teaching, research, academics, or other performance related activities. The Internal Revenue Service regulations require that most gifts given to employees be included on Form W-2 as taxable income to the recipient. As provided in the Appendix, gifts of cash, including certain gift certificates and gift cards, are fully taxable to the recipient. If recipients are unrecorded, taxable income will be added to the individual with approval authority over the funds used. Tax Regulations do not provide an exception for de minimis cash or cash equivalents. For the [de minimis](#) exclusion to apply, gifts must be of nominal value, [infrequently provided](#), and consist of [tangible personal property](#) or University provided services. The facts and circumstances of each gift will allow FAS to determine whether the item, cash, or other benefit, is taxable income to the recipient and whether it must be included on the employee’s Form W-2.

When the gift is determined to be taxable, according the procedures herein, the recipient should be informed that the gift will be taxable. Therefore, with the acceptance of the gift, the recipient acknowledges its taxability.

### **Exclusions from taxability**

Employees may receive an item of [tangible personal property](#), complimentary tickets to university events, or use of campus services (e.g. use of office copier, dining services, office event, etc.) on an [infrequent basis](#) with no tax effect when the item has nominal value or its provision qualifies as a de minimis fringe benefit. Refer to the Appendix for examples that meet this exclusion. It is essential that the WFU Bookstore gift card is redeemed at one of the Reynolda Campus locations. These cards are not eligible for cash refunds or cash equivalents. If any item, service or WFU Bookstore gift card is provided on the basis of employee job performance, then the de minimis exclusion will not apply and the value of the gift will be considered Form W-2 compensation. For this reason, the business purpose of the gift is required. Gift requests submitted without a specific business purpose will be deemed compensatory and added to Payroll.

There may be different tax reporting and tax withholding regulations with respect to non-resident aliens (foreign nationals). It is advisable to contact the Payroll Office (4861) or Tax Office (3760) for guidance prior to purchasing any gift. Gifts to foreign nationals must be reported directly to the Payroll Office at campus telephone 4861.

### **Students who are also employed by the University**

All prizes and awards given to students relating to [services performed](#) must be processed as compensation through the Payroll Office. Please refer to Appendix, Taxability of Gifts to Employees, for further guidance. For example, a departmental gift to a graduating or exiting student who has worked in the department creates compensation. All applicable taxes will be withheld. Prizes and Awards that are considered compensatory and taxable will be reported on Form W-2 along with the applicable withholdings.

### **Students who are not employed by the University**

All prizes and awards which are [not compensation](#), e.g. Freshman of the Year Award, Senior Leadership Award, Senior Academic Award, or The Bynum G. Shaw Prize in Journalism, may be taxable to the student but not on Form W-2. The value of the non-compensatory prize or award is reported on Form 1099 and subject to the IRS threshold for reporting. Student Award payments must be submitted on the WFU Student Disbursement Form located at <http://finance.wfu.edu/forms>. Refer to the Student Disbursement Policy for further instructions on student payments.

### **Donors, Visitors, and other Non-Employees**

Non-employees, donors, spouses, dependents, contractors, trustees, and other affiliated or unaffiliated persons who receive gifts will have any taxable amounts reported on Form 1099-MISC, if the total of annual gifts exceeds the \$600 IRS reporting threshold during a calendar tax year. Nontaxable gift items must comply with the Business Gift exclusion of the Internal Revenue Code (2013 rate, \$25 annual value) or the donor insubstantial benefit (low cost article) exclusion (in 2013, \$10.20) or the de minimis fringe exclusion of IRC Section 132(e). Non employees may receive de minimis fringe benefits if they are (1) low in cost, (2) infrequent, and (3) consist of tangible personal property or University services such as tickets to sporting events. Other fringe benefits, such as a spouse's invitation to a Departmental picnic, will also not be taxable under the de minimis regulations. When gifts are proximal to or connected with charitable contributions, donors may have a decrease in the amount they are allowed as a deductible charitable contribution.

### **Donations to other Non-Profit Organizations**

Donations of University funds to other charitable organizations must meet certain criteria established by the policy, *Charitable Contributions Made by the University*, and have the approval

of the Associate Vice President for Finance & Controller, or designee. This includes sponsorships, memorials, tributes, gala events, and similar payments. Any charitable gift acknowledgements received from payment of University funds should be forwarded to the Associate Vice President for Finance & Controller.

## **Summary**

- **Tell recipient when a gift is probably taxable** (cash, gift certificate, and gift cards are ALWAYS taxable, unless the gift is self-funded)
- **Provide cash amount or fair market value of gift** on reimbursement request or procurement card transaction
- **Provide the Recipient's name and relationship to the University**
- **Provide the Recipient's WFU identification number for an employee, student, or existing donor or social security number for all other recipients.**

## **Definitions**

**De Minimis Fringe Benefit** - Any property or service, provided to an individual, which is (after taking frequency into account) so small as to make accounting for it unreasonable or administratively impracticable. Examples would include local phone calls, a personal letter printed from a business computer, occasional personal copies, and similar items. Other exclusions from taxable income would be occasional group cocktail parties, employee picnics, group meals, and traditional birthday or holiday gifts. Because of the complexity of this exclusion, FAS must look at the facts and circumstances surrounding each gift. Gifts that have a nominal value and are infrequent are usually excludable from gross income. For example, a turkey, ham, or voucher for same, or other item of merchandise of similar nominal value given to an employee to celebrate a holiday will be considered de minimis and not taxable. But cash or any cash equivalent, such as gift certificates or gift cards, are fully taxable to the recipient. Retirement gifts provided by the employer under a written award program are also non-taxable de minimis fringe benefits.

**De Minimis University provided services** include occasional university sports or theatre tickets, entrance into University events, occasional group (cocktail) parties, picnics, infrequent use of university facilities, telephone, copiers or similar low value services.

**Infrequently Provided** – a non-compensatory gift, prize, or award that is provided no more than once or twice a year, depending upon the facts and circumstances, to any individual or individuals.

**Intangible Personal Property** – personal property that cannot actually be moved, touched, or felt, but instead represents something of value that does not depend on its physical existence, such as negotiable instruments, security; personal property having no physical substance that is apparent to the senses, often evidenced by documents (e.g. stocks, bonds, notes, judgments, franchises) having no intrinsic value. Cash is intangible and gift certificates are intangible because they have value over and above the cost of the plastic or paper. Vacations, meal coupons, lodging allowances, airline flights, etc. are all intangible. The de minimis exclusion covers only tangible personal property and university services.

**Prize** – a prize is cash or property that is won through a contest, competition, or game of chance that is unrelated to employment services. If the University held a raffle that anyone could enter and the winner happened to be an employee, the prize would still be reported as a prize (Form 1099) rather than additional compensation (Form W-2). The only exception to this rule is when a “prize” won by a student is required to be used to pay tuition and other educational costs. In this case, the IRS allows the “prize” to be characterized as a scholarship and reported on Form 1098-T rather than Form 1099-MISC.

**Self-funded** - Means paid personally. Individuals may purchase gifts with either their own personal money or from a departmental “pass the hat” with no tax consequences. They may not seek reimbursement from the University. Self-funding the gift is the better choice when there is concern about the taxability of the gift to the recipient. Self-funded gifts are personal exchanges between colleagues/friends and, therefore, are not taxable events for the recipients.

**Tangible Personal Property** - An item which can be held, touched, seen, and whose entire value is the object or item itself. For example, a basket of fruit has no value other than as a basket of fruit; therefore, it is tangible personal property. WFU Stores Gift Card (for use at Reynolda Campus location only) also qualifies because the University owns and operates the Bookstore, making the ultimate gift from Wake Forest an item (or items) of tangible personal property and allows the recipient determination of the item being received.

## **Contact(s)**

Policy Contact:	AVP for Finance & Controller	x5233
Procedure Contacts:	University Payroll Director	x4861
	University Tax Director	x3760
	University Accounts Payable Director	x5183

## **Web Address**

Finance Policy and Procedure Library at <http://finance.wfu.edu/policies-and-procedures>

## **Appendices**

Examples of allowable items (nominal value and infrequent in nature) and taxability to employees  
FAQ - Frequently Asked Questions

## Appendix – Taxability of Gifts to Employees

Examples of allowable items (nominal value and [infrequent](#) \*\* in nature):

Example	Up to \$99	More than \$99
Cash	Taxable	Taxable
Gift certificate	Taxable	Taxable
Gift card	Taxable	Taxable
Flowers, fruit basket, books, WFU logo items, and other tangible personal property that are provided to employees under special circumstances (e.g. illness, family crisis, or outstanding performance). *	Not taxable	Not taxable
WFU Stores Gift Card (Reynolda Campus)	Not taxable	Taxable
Small trophy, plaque, memento, etc.	Not taxable	Not taxable
Tangible (non-cash) item	Not taxable	Taxable
<a href="#">Self-funded</a> gift (cash or non-cash)	Not taxable	Not taxable
Congratulatory Dinner**	Taxable	Taxable

\*Gifts, including flowers, for celebratory occasions are not allowed under this Procedure. For more guidance on allowability of flowers, please see the Business Expense Procedure-Schedule for Non-Allowable Items. Tangible personal property gifts related to performance must be non-compensatory.

\*\*Although infrequent departmental parties are allowed, they cannot be for the benefit of a single individual unless it is a professional achievement award ceremony or retirement dinner.

# FAQ – Frequently Asked Questions

## **1. How are dinners, dinner certificates, and/or dinner tickets treated by the IRS?**

Dinners, dinner certificates, or dinner tickets are not considered items of tangible personal property, but are entertainment services under the Internal Revenue Code. Because of this, the regulations allow dinners only under IRC §274, the travel and entertainment rules. Consequently, most entertainment services are taxable to the recipient. For example, dinners, lunches, and other meals are taxable to the recipient(s) unless a bona fide business purposes is provided. Meals are also excluded from taxation when they are part of travel away from home for business purposes, e.g. conferences and seminars for faculty and staff. Infrequent departmental outings, picnics, parties, or professional award presentation dinners are not included in taxable income.

## **2. I'd like to give a gift to donors or alumni who visit the Department. What is the proper way for me to handle that?**

In general, non-employees, donors, and other affiliated persons receiving gifts will have taxable amounts reported on Form 1099-MISC, when exceeding the IRS reporting threshold. Non-taxable gift items must comply with the Business Gift exclusion of IRC §274 (2013, \$25 or less annual value) or donor insubstantial benefit (low cost article) limitation of §513(h)(2) (for example the 2013 rate is \$10.20).

## **3. We have a Judge visiting who is not able to receive an honorarium because of the conflict of interest requirements. Can we provide cash or a gift in appreciation of his lecture or time?**

Judges are often not allowed to receive gifts, cash, or other tokens of appreciation. You must determine whether the visiting judge is allowed to receive a gift before the purchase. Gifts in excess of the \$25 business gift rule (see Q2) will be reported as taxable income on Form 1099-MISC. If possible, the Department should rather provide a tangible memento of the visit, like a framed picture or plaque, which can be excluded as a de minimis fringe benefit.

## **4. I would like to thank my staff for a job well done, so I am going to bring in a massage therapist (or other personal service provider). Is this allowed as a tax-free fringe benefit?**

Massages, spa treatments, and other such personal services are not an allowable business expense; please refer to the University Business Expense Policy.

## **5. Can I give my student employee a gift?**

The gift rules for students are more similar to non-employees than employees. If the gift is tangible personal property (see Appendix for limitations), or below the \$25 annual business gift exclusion, it will probably meet the IRS requirements for exclusion as taxable income. If the gift is in excess of that amount, it will be considered additional

compensation. To qualify as tax free, a “gift” must be tangible personal property (see Appendix for limitations) or not services, gift certificates, or cash.

**6. If we have an event and each person is given a door prize ticket, is the door prize (from the random drawing) taxable to the winner?**

No, as long as these are random and infrequent and valued at less than \$99.