



Tax Department

Responsible Executive: Controller
Responsible Department: Tax
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Gifts, Prizes and Awards

POLICY STATEMENT

The treatment of gifts, prizes and awards continues to be an area of focus for the IRS. The purpose of this policy is to ensure these items have been reported properly for tax purposes.

In general, the tax reporting rules are the same for gifts as they are for prizes and awards, i.e., they are treated as taxable income to the employee. The amount of a gift from the University must be included in the recipient's W-2, and is subject to all income and Social Security withholding taxes, which will be deducted from the recipient's paycheck subsequent to their receipt of the gift.

Please note that beginning in 2010, the following policy allows gifts, prizes and awards of tangible personal property (other than cash or cash equivalents, such as gift certificates) of \$90 or less to be excluded from gross income. Any gift of cash or gift certificates is considered completely taxable, from the first dollar given.

Gifts funded with University funds should be submitted either on an individual travel and expense form using travelND or on a check requisition. In addition to the name of the recipient, an ND ID (or SSN for a non-employee) is required along with the amount of the gift (or the equivalent fair market value of each gift, if property other than cash is given).

Following this Policy Statement are common FAQ's regarding gifts, prizes and awards.

UNIVERSITY OF NOTRE DAME
GIFTS, PRIZES, AND AWARDS
FAQ's

I. *What is considered a gift, prize or award?*

Prizes and awards are typically gifts of cash or other tangible personal property bestowed on Notre Dame faculty, staff or students in recognition of outstanding achievement in teaching, research, academic performance or other performance-related activities. Gifts are typically gifts of cash or other tangible personal property given to Notre Dame faculty, staff or students based on the discretion of the department head for a purpose not specifically related to job performance. Notre Dame departments also present prizes and awards to non-Notre Dame faculty, staff and students.

II. *Are gifts, prizes and awards considered taxable income to the recipient?*

In almost all circumstances, gifts, prizes and awards are includible in the recipient's gross income, if the gift is paid for (either directly or indirectly) by the University. If the recipient is a member of the Notre Dame faculty/staff (or their spouse), the gift, prize or award is considered supplemental wages and must be processed through the Payroll system with appropriate federal, state, county and Social Security taxes withheld. The gift, prize or award is then included in the recipient's Form W-2, *Wage and Tax Statement*.

Gifts, prizes and awards of tangible personal property (other than cash or cash equivalents, such as gift certificates) of \$90 or less are excludable from gross income. Similarly, the value of a turkey, ham or other item of merchandise of similar nominal value distributed to an employee at Christmas is not taxable. This exclusion of \$90 is only allowable if all gifts of this type for the calendar year to an individual are less than \$90 in total. However, any gift of cash (including gift certificates) is considered completely taxable, from the first dollar given.

You should note that gifts that should be reported to Accounts Payable are not just those items for which you are requesting reimbursement. Gifts (as well as prizes and awards) that must be reported as income would also include items directly charged to your budget unit (e.g. something purchased at the bookstore). Note also that gifts should not be purchased using the University procurement card.

For non-Notre Dame recipients, the prize or award can be processed without tax withholding but is still considered income to the recipient (except for payments to non-resident aliens which may be subject to withholding-see [Note](#) below.) Such payments are reported as taxable income to the recipient using Form 1099- MISC, *Miscellaneous Income*. (Note that Form 1099-MISC is only required if the total payments to the recipient exceed \$600 in the calendar year.)

For Notre Dame students, if the prize or award is related to services performed for Notre Dame (e.g., outstanding student worker in a department), the prize or award must be processed as supplemental wages through Student Employment and Payroll with appropriate income taxes withheld. However, if the award is not related to services (e.g., the Beta Alpha Psi Accountancy Award), it is still taxable income to the recipient and must be reported on Form 1099-MISC, but it is not subject to withholding.

Note: There are special withholding rules related to payments made to non-resident aliens (faculty, staff, students, and non-ND recipients.) Please call Becky Laskowski at 631-7051 regarding these requirements.

III. ***Are there any exceptions?***

Yes. Certain employee achievement awards (items of tangible personal property) are excludable from gross income if awarded to an employee as part of a meaningful presentation for length of service or safety achievement under circumstances that do not create a significant likelihood of disguised compensation. If you believe the prize or award you are processing qualifies under this exception (note that it must be tangible personal property, and not gift certificates), please clearly note this on the form submitted.

Of course, if a gift is paid for by an individual, and not reimbursed by the University, then that gift is not taxable to the employee who is the recipient.

IV. ***How do I request prizes and awards?***

Faculty/staff: If the prize or award is service-related, the payment should be requested on a [Faculty/Staff Additional Payment for Services form](#). Requests for prize or award payments for Notre Dame faculty/staff should be made using the [Check Requisition form](#), only if the prize or award is unrelated to services provided by the recipient.

Students: If the prize or award is service-related, it should be requested on a Student Personnel Action Form (PAF), which can be found on the Office of Student Employment website (<http://studentemployment.nd.edu/>) and forwarded to the Student Employment office. However, all non-service payments of prizes and awards to Notre Dame students should be processed using the [Check Requisition form](#), with a clear indication of the purpose of the prize or award.

Non-Notre Dame recipients: Requests for prize or award payments to non-Notre Dame recipients should be made using the [Check Requisition form](#). On the form, you must indicate that the recipient is not a Notre Dame faculty/staff member, and the form will be processed through Accounts Payable without tax withholding (unless it is a non-resident alien payment, which may be subject to withholding. See [Note](#) in II. above.)

V. ***How should I describe the prize or award?***

Please describe the prize or award as explicitly as possible on the form, or attach supporting documentation, including name of the recipient and their NDID number. Your explicit explanation and/or support will save review and processing time for the payment.

VI. ***How do I report the gifts I distribute?***

We would ask that you identify the recipients of these gifts, include their NDID number or net ID, and indicate the amount given as a gift to each individual (or the equivalent fair market value of each gift, if property other than cash is given). We will be unable to process the request for reimbursement if this information is not provided. *Please note that this information must be provided to Accounts Payable even if the gift is directly charged through a budget unit. Further, gifts should not be purchased using the University procurement card.*