PEOPLEPAY QUICK TIPS
FOR
“AWARDS, PRIZES, OR GIFTS”

Tax Department website http://www.finance.umich.edu/tax

There is more clarification on A/G/P for Cash, Gift Cards, and De Minimis (non-Cash) types for UM EMPLOYEES!

FOR EMPLOYEES (permanent and temporary—including students)

- Cash Gifts – ALL A/G/P amounts are subject to taxes.
- Gift Cards, Gift Certificates/Vouchers may be subject to taxes.

> NO Taxes – if:
  1. Gift Cards from One Vendor less than $50 (in a calendar year)
     - Limit the purchases of items to one vendor
     - Cannot be transferred to another individual
     - Cannot be redeemed for cash

  NOTE: if an individual gets more than $50 for a calendar year, taxes will apply.

> YES Taxes – if:
  1. Gift Cards that are same as Cash (in any amount) - Visa, MasterCard, or Amazon
     - Gift Card allows the employee to choose items from multiple vendors
     - Can be transferred to other parties
     - Can result in the receipt of cash in lieu of the item purchased

  2. Gift Cards from One Vendor more than $50

FOR NON-EMPLOYEES

- Awards, gifts, and/or prizes that are given to individuals who are not University employees is not subject to taxes unless the aggregate amount is $600 or more for a calendar year.

ALL PeoplePay Awards/Gifts/Prizes forms should be sent to Peggy Sturtz in Financial Services & Budget (pegsturm@umflint.edu).
Giving a UMF Student an Award, Prize, or Gift CAN AFFECT their Financial Aid Award if the value is $50 or More!

Per Lori Vedder, Director of Financial Aid:

Faculty and Staff at UM-Flint need to be cognizant when a student’s financial aid could be impacted upon granting an award, gift, prize, scholarship, grant or payments to a student, etc. If the intent is to help with costs directly related to any of the educational cost components listed below then the Office of Financial Aid must be notified of the amount, and for what student (name, UM ID, etc.).

The components are:
- Tuition/fees - to reduce costs as displayed on the student’s account
- Books/supplies - includes gift cards to a bookstore, Amazon, etc.
- Transportation - gas cards, car repairs, car loans, insurance, etc.
- Room/Board - rent (regardless if in apartment, house, First Street, Riverfront, etc.), house payment, food
- Personal/Miscellaneous - laundry, toiletries/health beauty aids, clothing, etc.

On an exception basis childcare is sometimes included in a student’s cost components. If funds are given toward such cost, Financial Aid must review to make sure these costs are not being covered by both Financial Aid and the award, gift, prize, scholarship, grant or payment to the student.

Above only addresses the listed cost components. This does not address reimbursement for or gifts, awards, grants, scholarships or payments made when a student attends a conference or training that is directly tied to their degree, for example when Fran Frazier Travel awards are granted.

FINANCIAL SERVICES & BUDGET WILL FORWARD ALL FORMS TO FINANCIAL AID!
Awards, Gifts, and Prizes

I. Policy Statement

On occasion, a department may recognize the achievements of its faculty, staff, or other individuals by presenting awards, gifts, or prizes paid for out of University funds, as tokens of appreciation for outstanding work-related achievements, significant contributions, or major milestones.

As with all expenditure of University funds, money spent on awards, gifts or prizes must be spent ethically and in accordance with the law, delegated authority, and University policies and procedures. Certain awards, gifts and prizes must also be treated as taxable income for the recipient and processed accordingly by the University, as outlined in this policy and on the Tax Department website (http://www.finance.umich.edu/tax).

This policy does not apply to research subject fee payments, honoraria, or payment for services rendered, moving expense allowances, tuition support, raffles (which are governed by Michigan law and subject to licensing and taxation requirements: see the Office of the General Counsel website for guidance: http://ogc.umich.edu/faq_raffle.html) or items purchased using non-University funds.

II. Departmental Responsibilities when Giving Awards, Gifts, or Prizes

A. Faculty and Staff Recipients

Departments must assess whether the award, gift, or prize being given to a faculty or staff member is taxable, by reference to the information and exceptions contained in the Policy on Taxation of Gifts, Prizes, and Awards available on the Tax Department website. If it is taxable, payment must either be made through payroll or the value must be reported through PeoplePay (via University Business in Wolverine Access), to ensure that tax is withheld and the payment is included in the employee’s Form W-2 in the calendar year in which it is received.

B. Student Recipients

Awards relating to a student’s academic pursuit or achievements must be reported to the Office of Financial Aid (see SPG 601.30). All other awards, gifts, and prizes received by students are treated the same as staff recipients (if the student is also an employee) or as non-university recipients (if the student is not an employee).

C. Non-University Recipients

For awards, gifts, and prizes that are presented to individuals who are not University employees, the University is not required to withhold income tax. The payment or value of the item will be reported if the aggregate amount is $600 or more for the calendar year.

D. Decision Guide

A decision guide for the processing of awards, gifts, and prizes can be found at:

E. Use of Gift Cards

The use of gift cards as awards, gifts, or prizes requires certain controls that can be found on the Office of Internal Controls website (www.finance.umich.edu/controls).

F. Procedure for Payment

i. To request payment or to record the value of payments made directly by a department, use the “Request or Record Payment of Awards, Prizes or Gifts” form available in PeoplePay (via University Business in Wolverine Access).
ii. If a department pays or provides an item to a faculty or staff recipient directly, the Payroll Office will charge the amount of the taxes owed to the department (by “grossing-up” the award, gift, or prize value to include taxes) in order to withhold it on behalf of the recipient. If payment is made through the Payroll Office, the department must decide whether to take tax from the award amount or “gross-up” the amount to cover taxes.

iii. The costs for awards, gifts, and prizes should be charged to account 502300 for employees and 614573 for non-employees.

For questions and additional information about the issuing or taxation of awards, gifts or prizes, please contact giftstoemployees@umich.edu

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<tr>
<td>Printable PDF of SPG 501.12</td>
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SPG number: 501.12  
Date issued: April 1, 2012  
Next review date: April 1, 2016

Related policies:  
Payments/Reimbursements to Students for Non-Employment Purposes

Related links:  
U-M Tax Department  
Office of the General Counsel  
U-M Finance Decisions Guide  
Office of Internal Controls

Hard copies of this document are considered uncontrolled. If you have a printed version, please refer to the University SPG website (spg.umich.edu) for the official, most recent version.
### Prizes, Gifts and Awards Decision Process

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**For What:**

- Prizes, Gifts and Awards Decision Process.
There is a stipend of $700 for an employee or non-employee and it is not a recognition award.

Use account 502900.

These gifts are worth hundreds of dollars.

1) WM offers a birthday gift every 10 years to employees; what account and process should be used for this? Some of the gift fees are similar to gift cards.

Use account 613100 - subject fees.

2) Department gives a gift card as in 1) to a non-employee to fill out a survey; what account should be used?

If monetary, the amount will rollover to the employee’s normal salary expense account and it would be taxable.

3) $5,000 gift card to Target (difference between employee and non-employee)?

Employee - 502900, non-employee 614573

Employee - 502900, non-employee 614573

Employee - 502900, non-employee 614573

Employee - 502900, non-employee 614573

Frequently Asked Questions:
Policy on Taxation of Gifts, Prizes and Awards to Employees,
as referenced in SPG 501.12 - Awards, Gifts and Prizes

1. Cash gifts, prizes and awards, and gift certificates, including gift cards, gift vouchers, etc.

   A. Cash gifts, prizes and awards to employees that are paid for by University funds constitute gross wages subject to federal and state income and FICA taxation. Note that an exception for FICA taxation applies to student-employees as noted in SPG 201.01.

   B. Gift certificates, including gift cards, gift vouchers, etc., are considered the equivalent of cash unless they meet a narrowly tailored exception. To qualify for this exception, the certificate must meet the following criteria: (1) it must be $50 or less, (2) it must limit the purchase of items to one vendor, (3) it must not be transferable to another individual, and (4) it must not be redeemed for cash. Non-transferable requires either that the name of the recipient be included on the certificate or that the unit abides by a policy that requires the employee to use the certificate.

   An example of a non-taxable gift certificate is a $30 gift card in the name of an employee to Gandy Dancer restaurant that is understood to be used and enjoyed by the employee and that includes no cash redemption feature.

   On the other hand, a gift certificate that allows an employee to choose items from multiple vendors, such as Mastercard, Visa, or Amazon, or that will be readily transferred to other parties, or that can result in the receipt of cash in lieu of a purchased item, is deemed the equivalent of cash and is taxable income as wages to the employee. The rationale is that without appropriate restrictions on the use of the card, the employee has the same options as if it were cash.

   The unit is responsible to ensure that, in the aggregate, the employee has not received gift certificates for the calendar year in excess of $50.

2. Non-cash gifts, prizes and awards (excluding gift certificates/cards)

   A. Such tokens of appreciation given to employees are subject to taxation unless the items of recognition qualify as one of the following (subject to limitations):

      - a bereavement gift,
      - a 'de minimis' fringe benefit,
      - a length of service award,
      - a safety achievement award, or
      - a traditional retirement gift.

   B. Bereavement

   Gifts that express sympathy for a recent death or major illness of an employee or an employee's family member may qualify as a nontaxable benefit, provided, the value of the gift is not in excess of $400.

   C. 'De Minimis' Fringe Benefit

   The University may reward an employee's noteworthy, work-related accomplishments by presenting an item of tangible personal property, such as, a plaque or a memento without tax consequences provided the value of the item, in addition to other gifts, prizes or awards presented throughout the year to the employee, is not in excess of $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 occasional tickets to theater or sporting events.
For instance, a school may provide turkeys or hams as part of a holiday celebration to those employees who demonstrate excellence in the workplace. So long as the cost of this benefit in addition to other gifts, prizes or awards given to that employee during the year does not exceed $99, the benefit does not need to be reported to the Payroll department as wages subject to income taxation. However, items of recognition given on an annual basis that exceed $99 and that do not meet the exceptions provided below should be reported as taxable wages to the Payroll department.

D. Length of Service Award
A length of service award may qualify as a non-taxable benefit; provided,
1) the employee has at least five years of service with the university,
2) the employee has not received a length of service award within the last five years.
   (This award includes items of appreciation given to employees at the university service awards program as provided under SPG 201.54, however, items given as part of holiday recognition programs sponsored by schools, colleges and units are excluded.)
3) the awards are presented as part of a meaningful ceremony and should not be determined based on an employee's classification, and
4) the cost of the awards cannot exceed $400. The excess amount is reported to the Payroll department.

For instance, a school may provide to an employee an award of a framed photograph of the Michigan Union or other historical site at a cost of $200 without reporting the benefit to the Payroll department 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, including the university service awards program, within any of the prior 4 years.

Should these awards exceed $400, the excess amount should be reported as taxable wages to the Payroll department accordingly.

E. Safety Achievement Award
Safety achievement awards that recognize an employee's accomplishments for maintaining or promoting defined safety standards may qualify for exclusion from taxation; provided,
1) the award is limited annually to less than 10% of total eligible employees,
2) the award is not presented to managers, administrators, clerical and professional employees, and
3) the award is limited to $400 per employee per year.

For instance, each year the transportation department may give a plaque that costs $250 to a driver who demonstrates excellence in maintaining safety standards. Should these awards exceed $400, the excess amount should be reported as taxable wages to the Payroll department accordingly. Importantly, based on the nature and application of this award, the scope is generally limited to certain employees, such as drivers in Parking and Transportation Services or helicopter pilots employed by the health system.

F. Traditional Retirement Gifts (treated separately from achievement awards)
For instance, a school may give an employee a gold watch for retirement from the University up to $400 without tax implications. The limitations on achievement awards discussed above do not apply. Any amount paid in excess of $400 should be reported to the Payroll department.

Please contact Tax Compliance and Planning (a Division of Finance) for further guidance at 734-763-3282.