



University of Richmond Tax Reporting for Gifts, Prizes and Awards

General Statement

The use of University funds for gifts, prizes and awards must withstand the test of scrutiny by the University's constituencies. Students, trustees, alumni/ae, donors and granting organizations must be assured that funds are wisely spent for purposes related to the University's mission.

If the recipient is a University employee, the amount of the gift must be included in the recipient's W-2 and is subject to all income and FICA withholding taxes. If the recipient is a University student, the gift information will be reported on a 1099-MISC form. Be aware that, 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 recipient. Therefore, when giving a gift, prize, or award, please inform the recipient of the income tax consequences of the item. The IRS rules and guidelines are clear on these reporting requirements and the University must comply with them.

Your cooperation is requested in processing these items, which typically come to Accounts Payable's attention when an employee requests reimbursement for the gifts they have purchased for someone else at the University or when Accounts Payable receives the departmental purchasing card statement with the gift charges. When requesting reimbursement or using your purchasing card, you must identify the recipients of these gifts. Please provide the name and UR id of the gift recipient. Please 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). The "Gifts/Prizes/Awards Reporting form" is available on our website <http://controller.richmond.edu/common/pdf/accounts-payable/forms/gifts-prizes-awards-reporting.pdf> to help in the collection of the appropriate information. We will be unable to process the request for reimbursement without this information. For gifts purchased using a departmental purchasing card, failure to provide the gift reporting information is a violation of the Purchasing Card Program Policy. **Please note: The same procedure must be followed for items charged to a departmental index at the University Bookstore, 8:15 at Boatwright, or other areas on campus.**

We thank you for your continued cooperation.

Revised 12/2012

Processing Requirements

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

Prizes and awards are typically gifts of cash or tangible personal property bestowed on University 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, gift certificates or tangible personal property given to University faculty, staff or students in recognition of, or in connection with the holiday season, retirement, or some other purpose.

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

Yes, in almost all circumstances, gifts, prizes and awards are included 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 University faculty/staff, and the gift, prize or award is cash, it is considered supplemental wages and must be processed through the Payroll system with appropriate taxes withheld. Non-cash gifts, prizes or awards are reported to Payroll by the Accounts Payable Office and included in the recipient's Form W-2. These amounts are taxed according to the W-4 on file for the recipients.

Gifts, prizes and awards of tangible personal property which cost \$50 or less are excluded 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. However, any gift of cash (including gift certificates) is considered completely taxable, from the first one dollar (\$1) 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 that must be reported as income would also include items directly charged to the departmental purchasing card and items purchased at areas on campus and directly charged to the department's index, if those items are tangible personal property that cost more than \$50. If the items purchased are gift certificates, the item is reported as taxable income, regardless of the dollar amount.

III. How will this information be reported to the IRS?

If the recipient of the gift/prize/award is a University employee (faculty or staff), the information will be reported on the individual's W-2. If the item was a non-cash item and was not processed through Payroll, the Accounts Payable Office will provide Payroll with the gift/prize/award information for W-2 reporting.

If the recipient of the item is a University student, the gift, prize, or award amount will be reported on a 1099-MISC form, provided to the recipient in January. Accounts Payable will also provide the information to the IRS. This information will only be provided if all payments for gifts, prizes, or awards to the recipient total \$600 or more within the calendar year.

IV. Are there any exceptions?

Yes. Certain employee achievement awards (items of tangible personal property) are excluded 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 this is typically not gift certificates), please clearly note this on the form submitted. The Controller’s Office will use your information to determine taxability.

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

V. How should I describe the gift, prize or award?

Please describe the gift, prize, or award as explicitly as possible on the Gifts/Prizes/Awards Reporting form, or attach supporting documentation, including the name and UR id of the recipient. Your explicit explanation and/or supporting documentation will save review and processing time for the payment.

VI. How do I report the gift, prize or award to the University?

You must identify the recipients of these gifts, include their full name and UR id number, 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 (as with the University Bookstore) or purchased using the Purchasing card.

If the recipients of these gifts are unknown at the time of purchase, i.e., door prizes or drawings please do not submit a request for reimbursement until the recipient information is known. **The request cannot be processed without this information.**

We anticipate that this Policy will not address all circumstances. If you have additional questions about gift, prize or award payments, call Jean Hines at 289-8181. If your question relates to Payroll tax issues, call Sharon Condrey at 289-8171.