UNIVERSITY OF CALIFORNIA, DAVIS

Employee Noncash Award or Prize Department Guidelines
Length of Service/ Safety Awards use Taxable Achievement Form

Use these guidelines to determine the University's tax reporting and withholding obligations with respect to noncash awards and prizes given by UCD employees.

Guidelines for Noncash Awards & Prizes Received by Employees

- Per-person limits and tax treatments applicable to awards and prizes received by employees:
  - Business and Finance Bulletin G-41 "Employee Non-Cash Awards and Other Gifts" provides the following description of allowable employee noncash awards.
  - UCD PPM section 380-50, Employee Non-Cash Awards, provides local procedures.

Award or Gift Type	Per person limit	Tax treatment if limit exceeded
Employee recognition – including spot	$75	If the cost (or value) of the award or gift exceeds $75, the *entire amount* is taxable.
Prizes and Other Gifts	$75	
Sympathy Gift – Tangible Personal Property	$75	
Employee recognition: one-month parking or transit pass	$260[1]	If the cost (or value) of a monthly pass exceeds the per person limit, only the excess amount is taxable.
Retirement	$400	If the cost (or value) exceeds $400, only the excess amount is taxable to the employee.
Sympathy Gift – Cash Contributions	$200	Since a contribution made to a charity must be made in the name of the University, there is no tax consequence if the limit is exceeded

- The department or event organizer is responsible for issuing the "Statement of Taxable Noncash Award or Prize – Employee" for employee completion only if the award or prize is taxable.   The award or prize will be fully or partially taxable if:

  - The per-person limit applicable to that type of award has been exceeded
                                    OR
  - The employee receives more than three recognition awards during the calendar year.

- The taxable portion of the award of prize will be include on the employees W-2 (1042-S for nonresidents) subject to the applicable federal and state income tax and employment tax withholding.

---

[1] The award amount conforms to the to the monthly pretax transportation limits that are indexed for inflation by the IRS. The adjusted limits are announced annually by the Associate Vice President – System wide Controller.

- Applicable withholding will occur on the next regularly scheduled payday once the completed form is remitted to Tax Reporting and Compliance.

  o The department is responsible for tracking all noncash awards received by the employees during the calendar year to ensure that the per-person limits for each type of award are not exceeded.

- **Examples of taxable awards and prizes**

  o <u>Employee Recognition awards</u> **–** To meet the IRS tests for exemption, such awards should be occasional and presented infrequently. Awards presented to an employee on a regular or routine basis do not meet the IRS test and can be viewed as compensation. An employee should not receive a recognition award more than 3 times per calendar year and each award should not exceed the per-person limit ($75 for recognition awards other than a one-month parking permit or transit pass). If any of the awards exceed the per-person limit, the full value of the award is taxable.   For example:

    - If an employee receives three spot awards during the calendar year and each one is equal to or under $75, none of the awards are taxable.

    - If an employee receives three spot awards during the calendar year in the amounts of $75, $100, $50, the $100 award is fully taxable.

    - If the employee receives four spot awards during the year, the total of all cash awards received for the year is taxable.

  o <u>Raffle and door prizes and incentive gift cards:</u>   The $75 per-person limit is also applicable to these prizes. For example, if an employee wins a camera worth $200 as a door prize at a department party, the entire $200 is taxable.

  o <u>Unallowable awards -</u>   The following are non- allowable under policy:

    - Yearly gifts to employees at the holidays or end of fiscal year.
    - Gift cards or gifts to improve morale