

# ROSALIND FRANKLIN UNIVERSITY

OF MEDICINE AND SCIENCE

## Accounting/Business Office

### Employee Gifts and Awards

#### **POLICY STATEMENT**

Rosalind Franklin University of Medicine and Science (the "University") allows the bestowal of gifts and awards to recognize employees for outstanding work-related achievements, significant contributions, or major milestones, such as promotion or retirement.

#### **REASON FOR POLICY**

The University recognizes the services of its employees while complying with federal, state, and or other sponsor guidelines. Establish cost-effective practices that are consistently applied.

#### **WHO SHOULD READ THIS POLICY?**

- Department heads, administrators, and managers;
- Employees who initiate, review, approve, process, or record financial transactions on behalf of the University;
- Employees who receive gifts and/or awards from the University.

#### **INTRODUCTION**

On occasion the University or department will recognize employees for outstanding work-related achievement, a significant contribution, or a major milestone such as a promotion or retirement.

This policy provides specific guidelines regarding the value and type of gifts or awards to employees and whether or not they are subject to payroll taxes.

When these occasions arise, we are reminded that:

1. Federally sponsored funds should never be used to charge employee gifts, morale building events, or celebratory/work related achievement events;
2. Departmental funds may be used at the discretion of the department within the criteria of this policy and the departmental budget.

The following guidelines have been developed according to the IRS regulations concerning gifts and awards to employees.

This policy does not cover ordinary business expenses in the promotion of employee morale. Examples of such business expenses are: occasional business lunches and office gatherings. Nor does this policy cover performance-based awards or bonus, which are generally taxable to the recipient and are processed through Payroll.

This policy is not applicable to prizes/awards given for established student events.

Furthermore, this policy does not preclude individual faculty or staff members from giving personal gifts to their colleagues provided University funds are not used for this purpose. Such personal gifts will not be reported as taxable income to the recipient.

### **GENERAL GUIDELINES**

1. It is not appropriate to spend any University funds in recognition of employees for non work-related achievement or events such as birthdays, holidays (Christmas, Hanukkah, Kwanza, etc.) weddings, baby showers, housewarming, etc.
2. All gifts and awards other than University-wide recognition programs for length of service or retirement awards must be charged to object code 61162.
3. Gifts and awards received by employees are taxable and must be reported as additional earnings if their value exceeds the following dollar thresholds:
  - Cash or gift certificates greater than \$25 (the IRS considers most gift certificates or any savings bond to be a cash equivalent even if the property or service acquired with the gift certificate would normally be excludable);
  - Gifts or awards of tangible personal property with a value greater than \$100 (gifts and awards of tangible personal property to employees are "de minimis" when they are awarded infrequently and are not greater than \$100);
  - Gifts or awards of tangible personal property greater than \$400 for a length of service or retirement award (these awards may not be made within the employee's first five years of service or more frequently than every five years).
4. All taxable gifts and awards will be net of Federal, State, City and FICA payroll taxes. In other words, the total expense charged to the departmental funding source will equal the specified award amount, however the amount received by the employee will be net of the applicable taxes withheld. Extra compensation, which represents reportable income, is not subject to the University's fringe benefit rate but is subject to the University's matching FICA tax of 7.65%.

### **WORK-RELATED ACHIEVEMENT AWARD GUIDELINES**

Recognition may take the form of celebratory events such as a department-wide luncheon, dinner, or party. Appropriate circumstances for such recognition include:

- To mark achievement of a major departmental goal;
- To honor an employee in connection with a work-related employee recognition program;
- To honor an employee who is leaving the University or department;
- To honor a retiree (other than University-wide recognition programs).

These costs should be treated consistent with the University's general business expense guidelines.

Recognition may also be in the form of a gift. Appropriate circumstances for recognition by gifts include:

- To honor an employee for achievement of a work-related goal or objective (non-bonus);
- To honor a long-service employee, outside of a University-wide recognition program;
- To honor an employee departing the University or department.

**WHAT MAY NOT BE CHARGED**

Celebratory events and gifts to honor an individual for personal reasons (e.g., wedding, baby shower, birthday, housewarming, holiday, etc.) may not be charged to University funds. Personal funds should be used to pay for these and other kinds of staff parties and for gifts for such events.

**Flowers:** The University will not pay or reimburse for payment of flowers, other than flowers of nominal cost sent upon the hospitalization of an employee or a death in the employee's family.

**Holiday Cards:** The University will not pay or reimburse for payment of holiday cards for interoffice mailing. External mailings are allowable for purposes such as alumni and donor relations.

**TAXABLE AWARDS**

Taxability of Awards to Employees

Scenario	Taxability of Scenario
Cash and gift certificates value greater than \$25	Taxable
Tangible personal property - occasional and value not greater than \$100	Not Taxable
Tangible personal property - value greater than \$100 (this category does not include a length of service or retirement gift)	Taxable
Tangible personal property valued in the range of \$0 - \$400 for length of service or retirement	Not Taxable
Tangible personal property valued greater than \$400 for length of service or retirement. (Only the amount greater than \$400 is taxable or reportable).	Taxable

This policy was approved by the President's Cabinet on February 23, 2005 and effective February 23, 2005.

Questions regarding this policy should be addressed to the Accounting/Business Office.

**RELATED DOCUMENT**

University Policy

Compliance Policy 116 - Accepting Gifts - Contact Compliance Office.