Awards, gifts, and prizes are allowed to the extent the expense is reasonable and necessary to carry out the mission of the University. They may not be lavish or extravagant, and must comply with any funding source restrictions. Proper classification of payments is necessary to differentiate between those considered scholarships, which may be tax free, and those that are awards, gifts, or prizes, which may be taxable.

DEFINITIONS

**Awards:** Cash, gift certificates, or noncash merchandise given for meritorious performance, productivity, or other reasons connected with employment; or for nonemployees, given in recognition of an accomplishment, achievement or activity that does not require the performance of a service, as well as for other valid business reasons.

**Gifts:** Noncash items of nominal value given to express appreciation or gratitude; not related to job performance and no negotiation conducted in advance.

**Prizes:** Cash or items of value received as a result of a game of chance, drawing or contests of skill, either with or without the purchase of a chance or ticket.

**Chance or Ticket:** Something of value that is given to participate in a game or contest.

**AWARDS TO EMPLOYEES**

Awards to employees are an acceptable practice. However, they may only exceed $100 in value if given as part of an established campus-wide program, or if approved by the President, Chancellor, or designee.

In most cases, awards provided to employees will be reported as taxable compensation. This may include Staff Recognition Awards, Employee of the Month Awards, awards to boost employee morale, as well as awards originating with a gift to the University from a third party.

The award must be reported as employee compensation on the employee's Form W-2 and is subject to federal withholding and FICA taxes. Since the award must be recorded in the Payroll system the department presenting the award must notify Payroll unless the award qualifies for one of the exceptions below.

1. **Certain achievement awards** of tangible property (not cash or gift certificates redeemable for cash) may not be reported as taxable to an employee if they are awarded in a meaningful presentation that emphasizes the purpose of the award. The value of the
award funded by the University may not exceed $400 per year per employee. These awards and additional criteria are as follows:

A "length of service" award is not reported as taxable if it is not granted to an employee more frequently than every 5 years. A retirement gift generally will not be reported as taxable if **given as a “length of service” award and does not exceed $400 per year per employee.**

A "safety award" is not reported as taxable so long as **the award does not exceed $400 per year per employee and** both of the following conditions are met:

- It is provided to no more than 10% of eligible employees; and,
- Managers, administrators, clerical, and professional staff are ineligible for the award.

2. **Noncash, de minimis awards** are not reported as taxable to an employee unless readily convertible into cash. IRS regulations use the example of holiday gifts of property with a low fair market value to define "de minimis." For University purposes, de minimis is defined as having a value less than or equal to $100. Gift certificates and gift cards are considered cash awards for purposes of this policy, and do not meet the de minimis award exception. Bee BPM 220 for specific policy on Gift Cards and Certificates.

**AWARDS TO NONEMPLOYEES**

Awards may be given in recognition of past accomplishments or activities as well as for other valid business reasons. Granting/awarding financial aid is not considered an award for purposes of this policy. Awards to students that are related to academic performance are considered financial aid and, as such are not subject to the provisions of this policy.

Awards given to nonemployees are generally considered reportable as taxable income, regardless of value. Noncash awards to nonemployees that have little intrinsic value, such as medals, trophies, and plaques are not reportable. The University will file a Form 1099-MISC to report the awards when the value of cash and the fair market value of noncash awards to an individual total $600 or more in a calendar year. The taxpayer identification number (e.g., Social Security number) must be provided for reporting purposes.

**GIFTS**

To qualify as a gift, there should be no negotiation in advance for the gift. Cash and gift
certificates redeemable for cash, are not allowed as gifts. Gifts should be of nominal value and, ideally, bear the University's licensed logo. Gifts less than or equal to $100 are usually not reportable to the IRS.

**GIFTS TO EMPLOYEES**

In limited circumstances, flowers or other gifts to employees are allowed if approved by the President, Chancellor or designee, and unrestricted non-operating funds or restricted gift funds approved for that purpose are used. (See also Length of Service Awards.) Gifts - including those for birthdays, weddings, showers, and other personal events - are usually not allowable expenditures of University funds. At their discretion, co-workers may contribute personal funds for this purpose.

**GIFTS TO NONEMPLOYEES**

Noncash gifts may be presented as a token of appreciation to a donor, dignitary, guest, volunteer, visitor (or in certain circumstances, customer or client) when a valid and documented business purpose exists such as to recognize contributions to the University or to honor a distinguished visitor. Examples are token items given to donors by the Alumni Association or mugs given to conference attendees.

**PRIZES**

Cash and noncash prizes may be awarded to individuals for participation in games of chance or contests of skill. Games of chance include raffles and door prize events. Raffles and games of chance must be approved by campus or UM Business Services. Examples of contests of skill include an essay-writing contest and basketball shooting contest. In certain instances, the purchase of a chance or ticket may be required.

Prizes may only be awarded where benefits are expected to accrue to the University, such as a fund raising event. No prize may be awarded to a University employee except where the individual’s employment is incidental to the basis in which the prize is awarded. For example, a University employee would be eligible to win a door prize awarded at random or an essay-writing contest.

The department or organization sponsoring the contest must maintain detailed records of all receipts and expenditures associated with the contest, including the winner’s name, address, taxpayer identification number (e.g., Social Security number), amount spent for a chance or ticket (if any), and the value of the prize won. All contests associated with games of chance or
skill must be conducted in accordance with Missouri state law.

Federal law requires the University to report prize winnings to the IRS and to the recipient on a calendar year basis. Federal regulations also require that a specific percentage of the winnings must be withheld under certain conditions. Noncash winnings are reported at their fair market value. Prizes of $600 or more that involve the purchase of a chance or ticket are reported on a Form W-2G if the winnings are at least 300 times the amount of the chance or ticket. Prizes of $600 or more that do not involve the purchase of a chance or ticket are reported on a Form 1099-MISC if the recipient is not an employee. Noncash prizes given to employees having a value of $100 or less that do not involve the purchase of a chance or ticket will be considered de minimis and will not be reported. Prizes awarded to an employee that do not involve the purchase of a chance or ticket are reported on a Form W-2 if cash, or noncash over $100 value. Contact the accounting office on your campus for further details.

<table>
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<tr>
<th>Type</th>
<th>Recipient</th>
<th>Form Used to Report to IRS and to Recipient</th>
<th>Cash, Gift Cards and Gift Certificates</th>
<th>Other Than Cash, Gift Cards and Gift Certificates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td>Less Than or Equal to $100</td>
</tr>
<tr>
<td>Award</td>
<td>Employee</td>
<td>W-2</td>
<td>Reported as Taxable</td>
<td>Not Reported as Taxable (5)</td>
</tr>
<tr>
<td>Award</td>
<td>Nonemployee</td>
<td>1099-MISC</td>
<td>Reported as Taxable (2)</td>
<td>Reported as Taxable (2) (6)</td>
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<tr>
<td>Gift</td>
<td>Employee</td>
<td>W-2</td>
<td>Not Allowable</td>
<td>Not Reported as Taxable (3)</td>
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<tr>
<td>Gift</td>
<td>Nonemployee</td>
<td>1099-MISC</td>
<td>Not Allowable</td>
<td>Not Reported as Taxable (2)</td>
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<tr>
<td>Prize (with purchase of ticket or chance)</td>
<td>Employee</td>
<td>W-2G</td>
<td>Reported as Taxable (4)</td>
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<tr>
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<td>W-2G</td>
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<tr>
<td>Prize (no purchase of ticket or chance)</td>
<td>Employee</td>
<td>W-2</td>
<td>Reported as Taxable</td>
<td>Not Reported as Taxable (5)</td>
</tr>
</tbody>
</table>
1. Unless a length-of-service or safety award that meets required criteria.

2. Reportable to the IRS and to the recipient on Form 1099-MISC when the aggregate value of cash and noncash items total $600 or more.

3. Noncash gifts to employees are allowed in limited circumstances if approved by the President, Chancellor, or designee and purchased with unrestricted non-operating funds or restricted gift funds approved for that purpose. Reportable to the IRS and to the employee on Form W-2 if value of noncash item is over $100.

4. Reportable to the IRS and to the recipient on form W-2G if $600 or more and at least 300 times the amount of the chance or ticket; subject to withholding if the amount of the winnings, less the amount of the chance or ticket, exceeds $5,000.

5. Noncash Awards or Prizes (no purchase of ticket or chance) to an employee with a value of $100 or less are considered de minimis and will not be added to the employee’s Form W-2.

6. Unless a noncash item with little intrinsic value, e.g., plaque, medal, trophy.

### AWARDS, GIFTS, AND PRIZES TO NONRESIDENT ALIENS

Prizes and awards to nonresident aliens are generally subject to 30% withholding and reported on an IRS Form 1042-S. You must contact the Nonresident Alien Tax Specialist on your campus before processing cash or noncash awards, gifts, and prizes to persons who are not U.S. citizens or Legal Permanent Residents.