

GIFTS AND AWARDS TO EMPLOYEES

Generally, University funds are not to be used to purchase gifts or awards for employees. The term "Gift" may include, for example, flowers, holiday or wedding presents, gift certificates, etc. Authorization from [Accounts Payable](#) is generally required prior to purchasing cash or cash equivalents for distribution as gifts or tokens of appreciation to employees. Please see the DePaul University "[Gifts to Employees](#)" policy for more information.

If gifts or awards are provided to DePaul employees, they are generally considered taxable income to the employee recipient and included in the employee's gross wages. In addition, such gifts/prizes are subject to income tax and/or social security and Medicare tax withholdings and will be reported to the IRS on Form W-2.

However, for DePaul purposes, there are three types of gifts or awards which may be excluded from being reported as taxable wages to the recipient. These three exceptions are (1) **Qualified scholarships**, (2) **Length of Service Awards**, and (3) **De minimis fringe gifts**.

Qualified Scholarships: Qualified scholarships are covered in more detail under the "Scholarships" section of the University Tax Services website.

Length of Service Awards: With approval from the appropriate Dean or Vice President, a unit/department may provide a modest retirement gift or award to an employee in recognition of their years of service with the University. Per the IRS, such awards, which **cost** the University up to \$400, may be excluded from the employee's reportable income **if** the following requirements are met:

- The award must be tangible property and cannot consist of cash, cash equivalent, vacations, meals, lodging, theater or sports tickets, stocks, bonds, or other securities.
- The award must be given to an employee as part of a meaningful presentation or ceremony, and
- The award cannot be disguised wages, or made under circumstances that create a significant likelihood of disguised wages (such as an award in lieu of a cash bonus).

The length of service award exclusion will **not** apply if either of the following two conditions exists:

- The employee receives the award within their first five years of employment (with the exception of a traditional retirement award. *Reg. §1.274-8(d)(2)*), or
- The employee received another length of service award (other than one of very small value) during the same year or in any of the prior 4 years.

De Minimis Fringe Gifts: An employer, under IRS rules and regulations, may provide de minimis fringe gifts to employees which are not required to be treated as taxable wages to the recipient. De minimis gifts are defined as a gift of tangible personal property (i.e. non-cash) an employee receives infrequently, and that is so small in value that the accounting for it is administratively impractical. DePaul University has set forth the following limits regarding such de minimis gifts: (1) gift must be less than \$75 in value per gift, and (2) an employee may only receive four de minimis gifts per calendar year. There is one exception to the \$75 limit which states that the value of flowers provided upon the death of an employee or of an employee's immediate family member should not exceed \$200. If a benefit is too large to be considered de minimis, the entire value of the benefit is taxable to the employee, not just the excess over a designated de minimis amount.

De minimis fringe gift includes such items as:

- Occasional ticket to a theater show;
- A lunch for an employee's birthday,
- Holiday gifts;
- Flowers for a sick employee;
- Occasional snacks, coffee, doughnuts, etc.

Certain items can never be viewed as de minimis gifts such as:

- Cash or cash equivalents (i.e. certain gift cards/certificates – *see below*);
- The use of a residence owned by the employer for a weekend;
- Season tickets to a theatrical or athletic event;

- A savings bond;

Gift Cards/Certificates: a gift card/certificate is effectively a cash equivalent because it can be used for a wide variety of items (such as a Barnes and Noble's gift card), it is not excludable as a de minimis gift. Gift certificates for a free coffee at Starbucks would likely be excluded, as they are not considered a cash equivalent, but rather a certificate that can be used solely for a particular, or limited number of goods or services. A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.

As stated above, authorization from [Accounts Payable](#) is generally required prior to purchasing cash equivalents for distribution as gifts to employees. See the [Gift Cards](#) section of the Accounts Payable website for more information regarding the proper usage of gift cards and the procedures necessary for obtaining gift card purchasing approval.

Please contact [University Tax Services](#) for more information regarding the taxability of gifts or awards to employees.