

Employee Gifts and Awards

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

INTRODUCTION

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

This document provides specific guidelines regarding the value and type of gifts or awards to employees and whether or not they are subject to payroll taxes. Refer also to [Financial Policy 2326 Gifts Based on University/Employee Relationship](#).

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 bonuses, 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) **Gifts and awards received by employees are taxable** and must be reported as additional earnings if their value exceeds the following thresholds:
 - a) **Cash or gift certificates of any value**
 - i) The IRS considers gift certificates, gift cards, or any savings bond to be a cash equivalent even if the property or service acquired with the gift certificate would normally be excludable.
 - b) **Gifts or awards of tangible personal property with a value greater than \$100**
 - i) Gifts and awards of tangible personal property to employees are “de minimis” when they are awarded *infrequently and are not greater than \$100*

c) Gifts or awards of tangible personal property greater than \$400 for a length of service or retirement award

- i) These awards may not be made within the employee's first five years of service or more frequently than every five years.

3) 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.

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
Cash, cash equivalents and other non-tangible personal property	Prohibited
Tangible personal property – occasional and value not greater than \$100	Non Taxable
Tangible personal property – value greater than \$100 (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	Non 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