Taxation of Gifts, Prizes and Awards to Employees

Dickinson College (the “College”) supports the recognition of outstanding employee contributions through the use of gifts, prizes and awards. However, all payments made from College funds or items of value given to employees are considered compensation, and are subject to federal, state, local and employment tax withholding and reporting on Form W-2, Wage and Tax Statement, unless a specific exemption applies. Taxation of gifts, prizes and awards is summarized in the three categories below.

I. Cash and Cash Equivalents

Cash gifts, prizes and awards, including gift certificates and gift cards (cash equivalents), are considered supplemental wages and are reportable as taxable compensation, regardless of the dollar amount and beginning with the first dollar. Gifts, prizes and awards of cash and cash equivalents must be processed through Payroll and are subject to federal, state, local and employment tax withholding. The gift, prize or award must also be included in the employee’s year-end Form W-2.

II. Non-cash Valued at $100 or Less

A gift, prize or award may be considered a de minimis fringe benefit and not taxable compensation to the employee if: 1) It is a non-cash gift or property such as food, flowers, plaques, etc; 2) it is valued at $100 or less; and 3) it is given only on an occasional basis. Please note, the determination of a de minimis fringe benefit is based on all of the facts and circumstances surrounding the payment, not simply the dollar amount.

III. Non-cash Valued at More Than $100

A non-cash gift, prize or award valued at more than $100 is taxable beginning with the first dollar and must be processed through Payroll. Such gifts, prizes and awards are reportable as taxable compensation to the employee, subject to appropriate federal, state, local and employment tax withholding, and must be included in the employee’s year-end Form W-2.

Exception to the General Rule – Employee Achievement Awards

Special rules apply to non-cash awards based on an employee’s safety achievement or length of service with the College. A safety or length of service award may be excluded from the employee’s income if specific criteria are met pertaining to the form and timing of the award,
its dollar value, and its method of presentation. Departments considering such awards should consult Financial Operations prior to making the awards to employees.

**Related Information**

Recognition for Services (HR)
Payments to Non-Resident Aliens
Payments to Students

**History/Revision Information**

**Responsible Office/Division:** Financial Operations

**Effective Date:**

**Last Amended Date:** October 2012

**Next Review Date:** June 2015

**Also Found In:**