Biola Policy on Tax Reporting of Gifts, Prizes and Awards

The use of university funds for gifts, prizes, and awards must withstand the test of scrutiny by the university’s constituencies. Students, trustees, alumni, donors, and granting organizations must be assured that funds are wisely spent for purposes related to the university’s mission.

If the recipient is a university employee, the amount of the gift, prize, or award must be included in the recipient's W-2 and is subject to all income and FICA withholding taxes. If the recipient is not a university employee, the amount of the gift, prize, or award must be reported on a 1099-MISC form. Be aware that, in general, the tax reporting rules are the same for gifts as they are for prizes and awards, i.e., they are treated as taxable income to the recipient. Thank you gifts to be given for work completed/service to the university or to recognize work accomplishments must be approved in advance by the Senior Director of Human Resources or the Associate Director of Human Resources to ensure Biola conformity to current labor and wage laws.

Your cooperation is requested in processing these items, which typically come to Accounting’s attention when an employee requests reimbursement for the gifts they have purchased for someone else at the university. When requesting reimbursement, you must identify the recipients of these gifts. Also please include their social security number, full address, and indicate the amount given as a gift to each individual (or the equivalent fair market value of each gift, if property other than cash is given). We will be unable to process the request for reimbursement without this information. The same procedure must be followed for items purchased with a Biola credit card.

It is also important to inform the recipient of the income tax consequences of the gifts. The IRS rules and guidelines are clear on these reporting requirements and Biola must comply with them.

Please refer to the accompanying Processing Requirements for further clarification.

Processing Requirements

1. What is considered a gift, prize or award?

   **Gifts:** A gift is something given as a present for which the dominant motive is detached or disinterested generosity or affection, appreciation or gratitude, respect, admiration, charity, or like sentiment.

   **Prizes:** A prize is something that is given as a result of a game of chance, drawing, or contests of skill, either with or without the purchase of a chance or ticket.

   **Awards:** An award is something that is given for meritorious performance, productivity, or other reasons connected with employment; or for non-employees, given in recognition of an accomplishment, achievement, or activity that does not require the performance of a service.

2. Are gifts considered taxable income to the recipient?
Yes, in almost all circumstances, gifts are included in the recipient’s gross income if the gift is paid for (either directly or indirectly) by the university. If the recipient is a Biola employee (or their spouse), the gift is considered supplemental wages and must be processed through the Payroll system with appropriate taxes withheld. The gift is then included in the recipients Form W-2, *Wage and Tax Statement*.

If the recipient is not a Biola employee, the gift is still taxable income to the recipient and must be reported on Form 1099-MISC, *Miscellaneous Income*, but it is not subject to withholding. [See Appendix A]

De minimis gifts of tangible personal property ($50 or less) are generally excludable from gross income. Similarly, the value of a turkey, ham, or other item of merchandise of similar nominal value distributed to an employee at Christmas is not taxable. However, any gift of cash (including gift certificates) is considered completely taxable from the first dollar given.

For purposes of this policy, gift certificates made to the recipient by name, which are not redeemable for cash and are not transferable, will be considered tangible personal property.

You should note that gifts that should be reported to Accounts Payable are not just those items for which you are requesting reimbursement. Gifts that must be reported as income would also include items directly charged to your budget unit (e.g., something purchased at the bookstore) or purchased using a Biola credit card.

3. **Are there any exceptions?**

Yes. Certain employee achievement awards (items of tangible personal property) are excluded from gross income if “…given to an employee for length of service or safety achievement, awarded as part of a meaningful presentation, and awarded under circumstances that do not indicate that the payment is disguised compensation.” Gift certificates of de minimis value given for coffee, doughnuts, or soft drinks, or for an occasional meal at a Biola operated facility are generally excludable from gross income. If you believe the gift you are processing qualifies under these exceptions (note that it must be tangible personal property and this is typically not gift certificates), please clearly note this on the form submitted. The Accounting Office will use your information to determine taxability.

Of course, if a gift is paid for by an individual and not reimbursed by the university, then that gift, prize, or award is not taxable.

4. **Are there university set dollar limits on gifts?**

Yes. As a means of assuring the university’s constituencies that funds are wisely spent for purposes related to the university’s mission, gift values should generally not exceed $50. In

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1 IRS Publication 15 (Rev. January 2005), p.9
2 2005 Instructions for Form 1099-MISC, p.4
3 IRS Publication 15-A (Rev. January 2005), p.10
instances where an employee gift of a higher value is deemed appropriate, such as length of service, Human Resources and the appropriate vice president must approve the gift in advance.\footnote{Biola University Handbook, Sections 4.22, 4.22M, 4.23, 4.24, 4.5, 6.71} In instances where a student gift of a higher value is deemed appropriate, the Provost must approve the gift in advance.

5. **How should I describe the gift?**

Please describe the gift as explicitly as possible on the form or attach supporting documentation, including name of the recipient and their social security number. Your explicit explanation and/or support will save review and processing time for the payment.

6. **How do I report the gift to the university?**

You must identify the recipients of these gifts, include their social security number, full address, and indicate the amount given as a gift to each individual (or the equivalent fair market value of each gift, if property other than cash is given). We will be unable to process the request for reimbursement if this information is not provided. Please note that this information must be provided to Accounts Payable even if the gift is directly charged through a budget unit or purchased using a Biola credit card.

If the recipients of these gifts are unknown at the time of purchase, i.e. door prizes or drawings, please do not submit a request for reimbursement until the recipient information is known. The request cannot be processed without this information.

We anticipate that this Policy will not address all circumstances. If you have additional questions about gift, prize, award payments, or Payroll tax issues, please call Robyn Diehm at ext. 5014.

### APPENDIX A

**Taxability of Gifts, Awards and Prizes**

**Employees and Individuals Affiliated with Biola**

The tax rules shown below apply to gifts, awards, and prizes given to U.S. citizens.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Employee Taxable?</th>
<th>Student Taxable?</th>
<th>Non-employee/Non-Student Taxable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and gift certificates for any amount</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>(non-tangible personal property)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible personal property-occasional, less</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>than or equal to $50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Dept1</td>
<td>Dept2</td>
<td>Dept3</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Tangible personal property - greater than $50 (this category does not include a length of service or retirement gift)</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Tangible personal property – for length of service or retirement</td>
<td>NO</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>