

# Monetary and Non-Monetary Award Taxing Guidelines

A key component to motivating and retaining good employees is recognition. Recognition can take the form of a memorandum, e-mail or handwritten note, or a more public announcement of a job well done. When the recognition becomes more tangible, there may be tax implications. These guidelines are meant to help ensure that you remain in compliance with federal tax law.

## Monetary Awards

Monetary awards are only allowed through approved pay processes (faculty bonus policy or classified staff pay practices) or through approved recognition processes such as the Dorris Douglas Budd Award. Because these awards are processed through the payroll, they are taxed appropriately.

## Non-Monetary Awards

Generally, non-monetary awards for service or recognition are not allowed. Noted exceptions are retirement gifts and VCU-sponsored annual service awards.

**NOTE: Non-monetary awards require prior HR approval.** For assistance, contact your HR Generalist or e-mail [hrgen@vcu.edu](mailto:hrgen@vcu.edu).

Examples of taxable and non-taxable awards follow.

- Taxable:
  - A gift certificate of any value if it can be exchanged for a variety of items and regardless of who pays for it (i.e., a gift card to a department store)<sup>1</sup>
  - Retirement gifts that exceed \$400 in value
  - Season tickets
  
- Not taxable:
  - Non-monetary awards with no cash value
  - A “de minimus” benefit <sup>2</sup>
  - A gift certificate of any value that can only be exchanged for a single, specified item (i.e., a certificate for a free pizza).
  - Flowers or plants (i.e., a bouquet for Administrative Professionals Day)
  - Gift baskets of minimal value
  - Service Awards (through the annual University-wide event)
  - Retirement gifts up to a value of \$400

Taxability of non-monetary awards depends on a variety of factors. For that important reason, departments should contact VCU's Payroll Office (828-0740) or the Controller's Office (828-0388) about the inclusion or exclusion of any payment or gift as taxable income and the tax withholding implications.

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<sup>1</sup> Internal Revenue Service (IRS) regulations state that gift certificates provided to employees are considered income that is tax reportable and subject, at a minimum, to the FICA and Medicare withholding. Specifically, the IRS stipulates that "... if your employer gives you cash, a gift certificate, or a similar item you easily can exchange for cash, you include the value of that gift as extra salary or wages, regardless of the amount involved" (from 2006 IRS Publication 525 - Taxable and Nontaxable Income).

<sup>2</sup> Awards qualify as *de minimus* fringe benefits and may be excluded from recipients' incomes if they are given occasionally, non-cash, and nominal in value. *Examples:* plaques, certificates of achievement, mentions in employee newsletters.