



University of California Business and Finance Bulletin

Office of the Executive Vice President
Business Operations
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Number G-41	Employee Non-Cash Awards and Other Gifts <i>http://www.ucop.edu/ucophome/policies/bfb/g41.pdf</i>	<p>Refer all general questions to: Michael.ONeill@ucop.edu</p> <p>Refer all campus questions to: _____</p>
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I. REFERENCES

President's letter delegating authority to the Senior Vice President--Business and Finance to establish and publish all policies and procedures related to non-cash awards for University employees, June 12, 1998.

Senior Vice President's letter re-delegating authority to the Vice President--Financial Management to establish and publish all procedures related to non-cash awards for University employees, June 17, 1998.

Outside Counsel Bertrand M. Harding, Jr., "Non-Cash Award Policy" memo to Michael O'Neill dated December 2, 2005, as modified and updated in April 2007.

Related Business and Finance Bulletins:

- G-42 Gifts Presented to Non-Employees on Behalf of the University
- BUS-79 Expenditures for Business Meetings, Entertainment, and Other Occasions

Related Accounting Manual Chapters:

- A-253-27 Administrative Fund Payments
- D-224-17 Delegation of Authority--Signature Authorization
- D-371-12.1 Disbursements: Accounting For and Tax Reporting of Payments Made Through the Vendor System
- D-371-16 Disbursements: Approvals Required

Internal Revenue Code Sections:

- Section 132 Certain Fringe Benefits
- Section 274(b) Gifts
- Section 274(j) Employee Achievement Awards

Office of Management and Budget (OMB) Circular A-21, Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions.

II. PURPOSE

This Bulletin establishes the policy and procedures related to non-cash awards presented on behalf of the University to its academic and staff employees, provides the maximum amounts authorized for an award, and specifies the University funds that may be used for such purposes. This policy also covers the provision of gifts to employees as an expression of sympathy and other employee awards and gifts. Campuses have the option to establish more restrictive procedures with respect to these awards and gifts.

III. SCOPE

This Bulletin does not apply to the Lawrence Berkeley National Laboratory. In addition, the following types of awards are not covered under this policy:

- Staff Recognition and Development Program (SRDP) or related campus award programs
- Clinical Enterprise Recognition Plan (CEMPR)
- Professional development program awards

IV. UNIVERSITY POLICY

A. POLICY

It is the policy of the University that work-related events may be acknowledged by the presentation of a *non-cash* award to an employee for a recognition, length of service, or retirement purpose. In addition, gifts as an expression of sympathy may be presented to employees as specified in Section V.C. of this Bulletin. Such awards and gifts are intended to conform to the Internal Revenue Service (IRS) regulations in order to be excludable from an employee's gross income.

B. APPROVALS

Department heads have the authority to approve requests to reimburse expenses for employee non-cash awards, sympathy gifts, and other gifts permitted under this Bulletin. A Form U242-1, Signature Authorization or Cancellation Form, or an equivalent electronic form, must be on file for individuals who have been delegated this authority.¹

C. EXCEPTIONS

Exceptions may be authorized by the President; Provost and Executive Vice President; Executive Vice President, Business Operations; Vice President--Agriculture and Natural Resources; Chancellors; Principal Officers of The

¹ For information on the documentation required for electronic processing of expenditures, see Accounting manual chapter D-224-17, Delegation of Authority--Signature Authorization.

Regents; or their designees. The approving authority for exceptions should be restricted to a limited number of high-level individuals and must be specifically delegated in writing. This authority may not be redelegated.

An exception request must specify the type of award, the purpose of the award, the special circumstances that require such an exception, and the name of the employee for whom the exception will be granted. ***Because an exception to the per-person limits specified in Appendix A would create additional taxable income for the employee, such exceptions should be avoided.***

V. PROCEDURES

A. AWARD AND GIFT LIMITS

Appendix A includes the per-person limits for the awards and gifts permitted under this Bulletin. Although awards in excess of the limits are discouraged, Appendix A provides guidance on the resulting tax treatment in those situations where the limits are exceeded due to unavoidable circumstances.

B. ALLOWABLE AWARDS

Employee recognition, length of service, and retirement ***non-cash*** awards must conform to the following requirements:

1. Employee Recognition

An item of ***tangible personal property*** may be awarded to an employee in recognition of his or her noteworthy work-related accomplishments. Such awards should be of minimal value. Examples include, but are not limited to, flowers, fruit, a book, a plaque, or similar item. In addition, a ticket to a sporting or cultural event (excluding a season ticket) or a one-month parking permit or transit pass may be provided to an employee as a recognition award. The cost of an employee recognition award is limited to the per-person amount set forth in Appendix A.

Employee recognition awards are meant to be ***occasional*** and therefore must be presented to an employee on an infrequent basis. An employee should not receive more than ***three*** such awards in a calendar year. Awards presented to an employee on a ***regular or routine*** basis do not meet the IRS test for exemption and are not allowable

Employee recognition awards should be provided within an established recognition program and based on objective criteria. Such awards must also be presented to employees on a basis that does not discriminate in favor of highly compensated employees.

a. Gift Certificates and Cards

Only *nonnegotiable* gift certificates and gift cards (i.e., stored-value bank, department store, and other retail cards) qualify as non-cash awards.² Such gift certificates and cards must confer only the right to receive tangible personal property, not cash or cash for the difference between the purchase price and the value of the gift certificate or card. Under these rules, a gift certificate or card will qualify as tangible personal property if it is:

- Inscribed with the recipient's name,
- Not transferable, and
- Cannot be redeemed for cash or used to reduce the balance due on the recipient's account with the merchant.

The IRS tangible personal property criteria do not apply if a gift certificate or card entitles an employee to choose between selecting an item of merchandise or receiving cash or reducing the balance due on his or her account. Nor do they apply if the gift certificate is for *services*, e.g., facial, spa treatment, golf lessons, etc., because such services do not constitute tangible personal property.

If a gift card cannot be inscribed with the recipient's name, the department should inform the employee that the card should not be transferred to another employee.

b. Quantity Purchases of On-the-Spot Awards

Spot Awards are non-cash employee recognition awards (e.g., gift certificates or cards) designed to recognize and reward meritorious individual and/or team accomplishments. Because such awards may be presented at any time during the year, departments may purchase advance quantities of gift certificates and cards for this purpose.

The following controls should be established with respect to the quantity purchase of gift certificates and cards used for Spot Awards:

- Departments should institute appropriate controls to ensure that all pre-purchased gift certificates and cards are kept in

² Gift certificates under \$10.00 should not be purchased because under California law, gift cards or certificates with a face value of less than \$10.00 must be redeemable in cash (Section 1749.5 of the Civil Code).

a secure place and that a record documenting the use of the certificates and cards is maintained.

- Departments should be careful to purchase only the number of gift certificates and cards expected to be awarded during a fiscal year.

Gift certificates and cards with a value greater than the per-person limits specified in Appendix A should not be purchased.

2. Length of Service

An item of tangible personal property may be presented to an employee for meritorious length of service to the University. Such awards are subject to the following limitations:

- The award must be given for a length of service achievement,
- The recipient must have completed at least five years of service, and
- The recipient must not have received a similar gift in any of the prior four years.

A length of service award shall not exceed the per-person limit specified in Appendix A.

3. Retirement

An item of tangible personal property may be presented to an employee upon his or her retirement from the University, subject to the per-person limit included in Appendix A.

The awards described in sections 2 and 3 above must be awarded as part of a meaningful ceremony and should not be determined based on an employee's classification.³ A non-negotiable gift certificate for tangible personal property may be presented to the employee under either award category, subject to the requirements described in Section V.B.1.a.

³ The reimbursement of expenses related to employee recognition ceremonies and similar events is addressed in Business and Finance Bulletin BUS-79, Expenditures for Business Meetings, Entertainment, and Other Occasions .

C. SYMPATHY GIFTS

Gifts of tangible personal property, such as flowers, may be presented as an expression of sympathy in the event of the death or major illness of an employee or a member of the employee's family or household. The cost of such gifts is limited to the amount specified in Appendix A.

As an alternative, a cash contribution may be made to a charitable organization in lieu of a gift of tangible personal property. Such contributions must be accompanied by a transmittal letter on official University letterhead, which states that the donation was made on behalf of the University. Contributions may not be made to any political campaign, political party, committee, or group engaged in any attempt to influence the general public with respect to legislative matters, elections, or referendums.

D. PRIZES AND OTHER GIFTS

Occasionally, departments will hold raffles for door prizes and other gifts to entice employee participation in an event. In addition, departments may provide gift cards and other tangible personal property to employees as an incentive to complete a survey or questionnaire. Departments should limit the value of such prizes and gifts purchased with University funds to the per-person limit specified in Appendix A for employee-recognition awards.⁴

See also Business and Finance Bulletin G-42, Gifts Presented to Non-Employees on Behalf of the University.

E. UNALLOWABLE AWARDS AND GIFTS

Examples of unallowable awards and gifts include the following:

- Cash, except donations to a charity as an expression of sympathy,
- Negotiable gift certificates and cards,
- Gift certificates and cards for services,
- Recreation memberships,
- Season tickets to sporting or cultural events, and

⁴ The employee recognition award limit would not apply if an outside party (e.g., a vendor) selects and distributes the prize, award, gift certificate, or other item directly to the employee without any direction or decision making on the part of the University. The value of the prize or award must be reported by the outside party on a Form 1099 if the amount is \$600 or more.

- Gifts provided to employees in connection with birthdays, weddings, anniversaries, holidays, and other occasions of a personal nature.

F. FUNDING SOURCES

Expenditures for employee recognition, length of service, and retirement awards may be charged to State funds. Various non-State funds under University control (e.g., endowments, gifts, etc.) may be used for employee awards, in accordance with this Bulletin and subject to any restrictions on the funds. State or Federal funds may not be used to pay for:

- Sympathy gifts and cash contributions, and
- Raffle prizes, door prizes, and incentive gifts to complete surveys and questionnaires.

The terms set forth in an extramural award shall govern, when such terms are more restrictive than University policy. If Federal funds will be charged, directly or indirectly, campus procedures and controls must be in place to ensure that the requirements of OMB Circular A-21 are met.

G. PAYMENT OR REIMBURSEMENT PROCEDURES

Requests for payment or reimbursement of employee non-cash award or sympathy gift expenditures must be submitted on a Form U5, Check Request, or an equivalent campus electronic form. All expenses must be supported by original receipts or by acceptable electronic receipts.

VI. RESPONSIBILITIES

Vice President--Finance

The office of the Vice President--Finance is responsible for establishing and updating the procedures and award and gift limits set forth in this Bulletin, including, if applicable, controls for direct or indirect charges to Federal funds.

Department Heads

The department head is responsible for ensuring that any awards made to employees conform to the requirements of this Bulletin, and that claims submitted for payment or reimbursement include appropriate supporting documentation. Department heads should also monitor the frequency and number of awards made to employees. Appropriate controls should be installed to ensure that all pre-purchased gift certificates and cards are kept in a secure place and that a record documenting the use of the certificates and cards is maintained.

Accounting Office

It is the responsibility of the accounting office to ensure that payment or reimbursement requests submitted by departments for non-cash award and gift expenditures are made in accordance with the procedures set forth in this Bulletin.

AWARD AND GIFT LIMITS

The following table includes the per-person limits for the awards and gifts allowable under this Bulletin. The tax treatment of the amounts approved in excess of these limits, as an exception, is described in the notes to the table.

Award or Gift	Per-Person Limit⁵	Tax Treatment if Limit Exceeded
Employee Recognition (including Spot Awards)	\$75	A
Employee Recognition: One-month parking permit	\$220	C, D
Employee Recognition: One-month transit pass	\$115	C, D
Length of Service	\$400	B
Retirement	\$400	B
Sympathy Gift – Tangible Personal Property	\$75	A
Sympathy Gift – Cash Contributions	\$200	E
Prizes and Other Gifts	\$75	A

Notes:

- A. If the cost (or value) of the award or gift exceeds \$75, the entire amount is taxable.
- B. If the cost (or value) of a length of service or retirement award exceeds \$400, only the amount in excess of \$400 is taxable to the employee.
- C. If the cost (or value) of a monthly parking permit or transit pass award exceeds the per-person limit, only the amount in excess of the limit is taxable.
- D. The award amounts conform to the monthly pretax transportation limits that are indexed for inflation by the IRS. The adjusted limits are announced annually by the Vice President--Finance.
- E. Since a contribution made to a charity must be made in the name of the University, there is no tax consequence if the limit is exceeded.

⁵ The per-person limits do not include incidental costs such as costs for engraving, packaging, insurance, sales tax, mailing, and the cost of gift wrapping that does not add substantial value to the gift.