



Employee Non-Cash Awards and Other Gifts

Responsible Officer: Executive Vice President—Chief Financial Officer

Responsible Office: Financial Management

Effective Date: October 18, 2011

Date of Last Review: March 12, 2008

Who is Covered: This policy applies to staff employees, student employees, and academics. The policy does not apply to Lawrence Berkeley National Laboratory. In addition, the following types of awards are not covered :

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

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I. POLICY SUMMARY

The University's policy aligns with IRS regulations. Therefore, the awards and gift limits are established so that the gift does not result in taxable income to the employee.

II. POLICY DEFINITIONS

III. POLICY TEXT

A. *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. Although awards in excess of the limits are discouraged, this chart provides guidance on the resulting tax treatment in those situations where the limits are exceeded due to unavoidable circumstances.

Campuses may establish more restrictive gift procedures, policies, and dollar limits than those set forth in this policy.

Award or Gift	Per-Person Limit ¹	Tax Treatment if Limit Exceeded	For Further Details
Employee Recognition (including Spot Awards)	\$75	A	III.B.1, B.2
Employee Recognition: One-month parking permit	\$240†	C, D	III.B.1
Employee Recognition: One-month transit pass	\$125†	C, D	III.B.1

¹ 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.

†Effective 01-01-2012

Length of Service	\$400	B	III.B.2
Retirement	\$400	B	III.B.3
Sympathy Gift – Tangible Personal Property	\$75	A	III.C
Sympathy Gift – Cash Contributions	\$200	E	III.C
Prizes and Other Gifts	\$75	A	III.D

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.

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 section III.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 (or written in indelible ink) with the recipient's name, the department should inform the employee that the card should not be transferred to another individual.

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 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.

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).

Gift certificates and cards with a value greater than the per-person limits specified in section III.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 length of service gift in any of the prior four years.

A length of service award shall not exceed the per-person limit specified in Section III.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. This does not apply to farewell gifts.

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 the section on allowable awards for employee recognition (see above).

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. A similar type gift may be provided to recognize a birth. The cost of such gifts is limited to the amount specified in section III.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

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.

University funds to the per-person limit specified in section III. A for employee recognition awards.⁴

E. Unallowable Awards and Gifts

Examples of **unallowable** awards and gifts include the following:

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

IV. COMPLIANCE / RESPONSIBILITIES

Function	Responsibilities
Executive Vice President-Chief Financial Officer	<ul style="list-style-type: none"> • Establishing and updating procedures and award and gift limits.
Department Heads	<ul style="list-style-type: none"> • Ensuring that any awards made to employees conform to requirements of this policy. • Ensuring that claims submitted for payment or reimbursement includes appropriate supporting documentation. • Monitoring the frequency and number of awards made to employees. • Establishment of appropriate controls to ensure all pre-purchased gift certificates and cards kept in a secure place and record their usage.
Campus and Lab Controller's Offices	<ul style="list-style-type: none"> • Ensuring 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 policy.

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.

	<ul style="list-style-type: none"> • Controls for direct and indirect charges to federal funds.
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Payment Approval Authority	Exceptions Permitted	Exception Approval Authority	Comments
<p>Department Head</p> <p>Have the authority to approve requests to reimburse expenses under this Bulletin.</p> <p>A Signature Authority or Cancellation form, or its electronic equivalent, must be on file for individuals who have been delegated this authority.</p>	Yes	<p>Exceptions may be authorized by the President; Provost and Executive Vice President, Business Operations; Vice President-Agriculture and Natural Resources; Chancellors; Principal Officers of The Regents; or their designees. Other written delegations may be at the discretion of the campus.</p>	<p>Approving authority for exceptions should be restricted to a limited number of high-level individuals and must be specifically delegated in writing. This authority must not be re-delegated. An exception request must specify the type of award, the purpose of the award, the special circumstances that require an exception, and the name of the employee for whom the exception will be granted. Exceptions to the per-person limits specified in section III.A of this Bulletin should be avoided, as they would create additional taxable income for the employee.</p>

V. PROCEDURES

A. *Funding Restrictions*

1. State Funds **may** be used for expenditures associated with:
 - Employee recognition,
 - Length of service, and
 - Retirement awards.
2. Federal or State Funds may **not** be used 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.

3. Non-State Funds

Various non-State funds controlled by the University (e.g., endowments, gifts, etc.) may be used for employee awards, in accordance with this policy and subject to any restrictions on those funds.

B. Payment or Reimbursement Procedures

Requests for payment or reimbursement of employee non-cash award or sympathy gift expenditures must be submitted on a Form U-5, Check Request, or an equivalent campus electronic form. All expenses must be supported by original receipts or by acceptable electronic receipts, including a PDF of the original receipt.

VI. RELATED INFORMATION

- [For information on Gifts Presented to Non-Employees on Behalf of the University, see G-42](#), Gifts Presented to Non-Employees on Behalf of the University - (e.g., eligible and ineligible gift recipients, gift value and frequency, and basis for allowed gifts).
- [For cash contributions associated with an employee's attendance at a community or charitable fundraising event, see BUS-79](#), Expenditures for Business Meetings, Entertainment, and Other Occasions. .
- [A-253-27](#), Administrative Fund Payments - Non-cash gifts and cash contributions made on behalf of the University by recipients of Administrative Funds.
- [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.
- For information on the tax considerations with gifts or prizes provided to nonresident alien employees, see [T-182-27](#), Federal Taxation of Aliens.

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.

VII. FREQUENTLY ASKED QUESTIONS

N/A

VIII. REVISION HISTORY

- This policy was originally published on March 15, 1999.
- The policy was subsequently updated on March 12, 2008 to provide guidance on the use of gift certificates, door prizes and other incentive gifts, sympathy gifts, and the summarization of the per-person award limits with the corresponding tax treatment as an appendix to the Bulletin.