

Standard Practice Guide Policies

Awards, Gifts, and Prizes

501.12

Applies to: All Award, Gift or Prize Recipients

I. POLICY STATEMENT

On occasion, a department may recognize the achievements of its faculty, staff, or other individuals by presenting awards, gifts, or prizes paid for out of University funds, as tokens of appreciation for outstanding work-related achievements, significant contributions, or major milestones.

As with all expenditure of University funds, money spent on awards, gifts or prizes must be spent ethically and in accordance with the law, delegated authority, and University policies and procedures. Certain awards, gifts and prizes must also be treated as taxable income for the recipient and processed accordingly by the University, as outlined in this policy and on the Tax Department website (<http://www.finance.umich.edu/tax/policies-and-procedures> (<http://www.finance.umich.edu/tax/policies-and-procedures>)).

This policy does not apply to research subject fee payments, honoraria, or payment for services rendered, moving expense allowances, tuition support, raffles (which are governed by Michigan law and subject to licensing and taxation requirements: see the Office of the General Counsel website for guidance: <https://ogc.umich.edu/frequently-asked-questions/gaming/> (<https://ogc.umich.edu/frequently-asked-questions/gaming/>)) or items purchased using non-University funds.

II. DEPARTMENTAL RESPONSIBILITIES WHEN GIVING AWARDS, GIFTS, OR PRIZES

A. FACULTY AND STAFF RECIPIENTS

Departments must assess whether the award, gift, or prize being given to a faculty or staff member is taxable, by reference to the information and exceptions contained in the Policy on Taxation of Gifts, Prizes, and Awards (http://finance.umich.edu/system/files/prizes.tax_.pol_.2014_0.doc) available on the Tax Department website. If it is taxable, payment must either be made through payroll

or the value must be reported through PeoplePay (via University Business in Wolverine Access), to ensure that tax is withheld and the payment is included in the employee's Form W-2 in the calendar year in which it is received.

B. STUDENT RECIPIENTS

Awards relating to a student's academic pursuit or achievements must be reported to the Office of Financial Aid (see SPG 601.30 (/policy/601.30)). All other awards, gifts, and prizes received by students are treated the same as staff recipients (if the student is also an employee) or as non-university recipients (if the student is not an employee).

C. NON-UNIVERSITY RECIPIENTS

For awards, gifts, and prizes that are presented to individuals who are not University employees or students referenced in B. above and are either U.S. citizens or foreign permanent residents, then the University is not required to withhold income tax. The payment or value of the items received during the calendar year will be reported on Form 1099-Misc, Miscellaneous Income, if the amount is \$600 or more. Nonresidents aliens (NRA), including international student workers, may be subject to additional tax rules depending on circumstances and treaty status and benefits. When applicable, taxable income will be reported on Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, and may be subject to 14 - 30% withholding (contact the Payroll Department for additional information on processing the form and any withholding requirement).

D. DECISION GUIDE

A decision guide for the processing of awards, gifts, and prizes can be found at: http://finance.umich.edu/sites/default/files/2017-05/prize_gift_and_awards_decision_process.pdf (http://finance.umich.edu/sites/default/files/2017-05/prize_gift_and_awards_decision_process.pdf).

E. USE OF GIFT CARDS

The use of gift cards as awards, gifts, or prizes requires certain controls that can be found on the Office of Internal Controls website (www.finance.umich.edu/controls) (<http://www.finance.umich.edu/controls>)).

F. PROCEDURE FOR PAYMENT

1. To request payment or to record the value of payments made directly by a department, use the "Request or Record Payment of Awards, Prizes or Gifts" form available in PeoplePay (via University Business in Wolverine Access).
2. If a department pays or provides an item to a faculty or staff recipient directly, the Payroll Office will charge the amount of the taxes owed to the department

(by “grossing-up” the award, gift, or prize value to include taxes) in order to withhold it on behalf of the recipient. If payment is made through the Payroll Office, the department must decide whether to take tax from the award amount or “gross-up” the amount to cover taxes.

3. The costs for awards, gifts, and prizes should be charged to account 502300 for employees and 614573 for non-employees.

For questions and additional information about the issuing or taxation of awards, gifts or prizes, please contact giftstoemployees@umich.edu (<mailto:giftstoemployees@umich.edu>)

Notes

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File Attachments

Printable PDF of SPG 501.12, Awards, Gifts, and Prizes
(<https://spg.umich.edu/sites/default/files/policies/501.12.pdf>)

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Applies To:

All Award, Gift or Prize Recipients

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Related Policies:

Payments/Reimbursements to Students for Non-Employment Purposes (</policy/601.30>)

Related Links:

U-M Tax Department (<http://www.finance.umich.edu/tax/policies-and-procedures>)

Office of the General Counsel (<https://ogc.umich.edu/frequently-asked-questions/gaming/>)

U-M Finance Decision Guide (http://finance.umich.edu/sites/default/files/2017-05/prize_gift_and_awards_decision_process.pdf)

Office of Internal Controls (<http://www.finance.umich.edu/controls>)

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