

SMU Tax Policies

Subject: Awards and Prizes

Effective Date: 05/22/08

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Tax Policy: 4.3

All faculty and staff awards and/or recognition awards must be reviewed by the Tax Compliance Office prior to making the award to ensure proper tax reporting. (See [University Policy 3.7\(III\)\(C\)\(2\)](#))

Cash and cash equivalent awards and prizes provided to employees for performance, productivity, or other reasons connected with their employment are a form of employee compensation, subject to federal and FICA tax withholding. Unless specifically excluded by tax law, all cash awards and the fair market value of non-monetary awards and prizes will be reported as wages to the recipient regardless of method of purchase, or whether the cash award or prize was donated to the University. Exceptions are discussed in a later section.

The Department presenting the award or prize drawing must send the [Gift Card Documentation](#) form to the Tax Department within 5 days of issuance.

Exceptions

A "de minimis" fringe benefit may be given tax-free to an employee. The term "de minimis" fringe benefit means any non-monetary property or service (i.e., tickets to a cultural or sporting event, a book, etc.), the value of which is so small as to make accounting for it unreasonable or administratively impracticable. The frequency with which similar fringe benefits are provided to employees must be occasional, or infrequent.

The "de minimis" fringe benefit exception **does not apply** to checks, cash, gift certificates, or gift cards denominated in currency, or other cash equivalents.

Examples of nontaxable gifts

- Occasional birthday or holiday gift of property such as a coffee mug, cards, t-shirts
- Flowers, fruit, books, etc. provided under special circumstances such as illness or death in family
- Food and beverages provided at employee meetings or holiday luncheons

Examples of taxable gifts

- Gift certificates and gift cards
- Season tickets to athletic or entertainment events
- Cash
- Airline tickets