Indiana State University Guidelines for Prizes, Awards & Gifts

This document establishes the guidelines and procedures related to prizes, awards and gifts given by Indiana State University. Recipients covered by these guidelines include staff, faculty, students and non-employees. Prizes, awards and gifts are allowed to the extent the expense is reasonable and necessary to carry out the mission of the University and must comply with any funding source restrictions, reporting requirements and University Purchasing guidelines.

Definitions

Prizes: Cash or non-cash items received as a result of a game of chance, drawing or contests of skill.

Awards: Cash or non-cash items given for merit or other valid business reasons that do not require the performance of a service.

Gifts: Non-cash items given as an expression of goodwill or appreciation that are not related to the performance of a service and with no negotiation conducted in advance. Gifts should be of nominal value, and ideally, bear the University’s licensed logo.

Non-Employee: An individual that is not employed by Indiana State University. Examples include independent contractors, volunteers, guests and community members attending public events.

De Minimis: A tangible (non-cash) prize, award or gift that is of nominal value and would be unreasonable or administratively impractical to track and report. Cash awards, gift cards and gift certificates are not considered de minimis by the Internal Revenue Service (IRS).

Key Compliance Matters

The Internal Revenue Code (IRC) states that the value of prizes, awards and gifts to individuals may be considered taxable income. Non-US citizens may be subject to additional tax rules, depending on circumstances and treaty status. All prizes, awards and gifts given to employees and non-employees will be subject to review for possible tax-withholding and to ensure compliance with IRC reporting requirements.

The Department of Education (DOE) defines any monetary award or prize paid to a student because of enrollment at a postsecondary institution as a scholarship. Prizes, awards and gifts given to students will be subject to review to ensure compliance with DOE guidelines and may be reported to Student Financial Aid for inclusion in a student’s financial aid package.
Guidelines by Recipient

Employees: Generally, cash and cash equivalent and non-cash prizes, awards and gifts given to employees will be considered supplemental wages and taxable income to the recipient. The amount of the prize, award or gift will be subject to tax withholding and included in the employee’s year-end Form W-2, Wage and Tax Statement.

- Gifts for employees to be given as a personal gift should not be purchased with any University funds, including ISU Foundation and grant-related funds. Gifts may be given by individual employees with their own money as a personal gift, but the employee will not be reimbursed for the expense by the University or Foundation. A personal gift includes, but is not limited to, gifts given for birthdays, weddings, showers, holidays, and other personal events.
- Years of Service awards should only be given via Human Resources as part of the University-wide service recognition program. A Years of Service award is not reported as taxable if it is not granted to an employee more frequently than every five (5) years and does not exceed $400 in value. Value in excess of $400 will be reported to the Payroll department.
- Retirement gifts (non-cash) given to recognize employee length of service, with a value of $400, are excluded from taxation provided the employee has completed at least five (5) years of service. Gifts with a value in excess of $400 are taxable to the employee and will be added to the employee’s form W-2.
- The ISU Foundation cannot pay a University employee directly for a prize, award or gift; however, the University department can request reimbursement from a Foundation account.

Non-Employees: Generally, cash and cash equivalent and non-cash prizes, awards and gifts given to non-employees in excess of $600 will be reported on Form 1099-MISC and will be subject to tax by the Internal Revenue Service.

Students: Generally, monetary awards or prizes given to students are considered scholarships per the Department of Education and are reportable to student financial aid. All cash prizes and awards exclusive to students should follow the guidelines set forward by the University Scholarship Office and distributed through The Branch. The Branch is the University’s online scholarship system. If a prize, award or gift is to be funded by the ISU Foundation, it must be distributed through the University and can then be submitted for reimbursement by the Foundation. Neither the University nor the ISU Foundation will reimburse any faculty or staff member for payments made to students or on behalf of students. An individual’s status as a student will always supersede their status as an employee or a non-employee.

A prize or award given to a student is not considered financial assistance when the following occur:

- The recipient is not required to be a student and the contest is open to multiple audiences. For example: A random drawing at a sporting event open to students and the general public.
- When the contest is limited to students in which the prize is a tangible good considered de minimis in value. For this purpose, de minimis is defined as a non-cash item having a value of $75 or less.
- When the prize or award is related to employment. In this case, the prize is considered compensation, and may be subject to tax withholding and included on Form W-2.
Forms of Prizes, Awards & Gifts

Non-Cash: Non-cash prizes, awards and gifts are tangible items and may be taxable to the recipient if the value exceeds the University's definition of “de minimis”. In this case, de minimis refers to tangible items valued at $75 or less.

Examples of non-cash, de minimis prizes, awards and gifts (tax-free):

- Adding funds to a student’s Commons Cash account (cannot be greater than $25 per occurrence and should be non-recurring)
- ISU logo merchandise: apparel (T-shirts, sweatshirts, hats, etc.), tumblers, coffee mugs, stationary, etc.
- Thumb drives
- Tickets to concerts/events
- Key chains
- Ink pens
- Backpacks/book bags
- Picture frames
- Food: pizza, wings, etc.
- Personalized plaques, awards, trophies, etc.

Cash and Cash Equivalents: Cash and cash equivalent prizes and awards are always taxable to the recipient. It is prohibited to give a cash or cash equivalent gift. Gift certificates and gift cards are considered cash equivalents, and their use should fall within the criteria described below. See the Processing Prizes, Awards and Gifts section regarding payment procedures.

Gift Cards and Gift Certificates: Gift cards and gift certificates are considered a cash and cash equivalent. If a department chooses to purchase gift cards, the following criteria must be considered and met:

I. Gift cards or certificates may only be given under the following circumstances:
   a. When given to human participants in research.
   b. When given as a prize or award to a limited number of recipients (e.g., 1 or 2 students) out of a large pool of potential recipients (20+), and the prize or award is not related to academic performance or services as a student employee of the university.

II. Gift cards/certificates given in the circumstances as described in item (I) may not exceed seventy-five dollars ($75) each, unless approved by the appropriate Vice President or Provost.

III. Individuals will not be reimbursed for purchasing gift cards with their personal funds.

IV. When gift cards/gift certificates are being purchased with grant funds, they must be included in the grant budget and must be allowable by the terms and conditions of the specific grant.

V. Gift cards/certificates may not be used as a form of honoraria or appreciation for employees or guests of the University, including, but not limited to, guest speakers. These types of payments must be processed through the payroll system (employees) or Accounts payable (for non-employees).

VI. Gift cards may not be used for student academic awards because all student awards must go through the Student Financial Aid Office for purposes of student financial aid tracking requirements and applied to student accounts for 1098-T reporting purposes.
It is the responsibility of the Department to safeguard gift cards and gift certificates by storing undistributed items in a safe place to minimize the risk of theft (examples: locked bags, file cabinets, safes, etc.) and by limiting the number of people that have access.

**Processing and Reporting Prizes, Award and Gifts**

**Distribution of Prizes and/or Awards Form:** The Distribution of Prizes and/or Awards Form should be completed in its entirety and the original form should be submitted to the Office of the Controller within ten (10) business days of distribution. The form requires the signature of the recipient and their identification number to substantiate the distribution.

**Purchasing Non-Cash Prizes, Awards and Gifts:** The purchase of non-cash prizes, awards and gifts should comply with University Purchasing guidelines. The Procurement Card is the preferred method of purchase for de minimis gifts (tangible items valued at $75 or less). The Distribution of Prizes and/or Awards Form should be completed for all non-cash prizes, awards and gifts valued at $75 or more and a copy should be submitted with the cardholder’s expense report.

**Purchasing Gift Cards and Gift Certificates:** The purchase of gift cards and gift certificates should comply with the guidelines outlined above. The Procurement Card is the preferred method of purchase for gift cards and gift certificates. The Distribution of Prizes and/or Awards Form should be completed for prizes and awards given in the form of gift cards and gift certificates and a copy should be submitted with the cardholder’s expense report.

**Payment of Cash Prizes and Awards:**

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Funding Source</th>
<th>Processing Requirement</th>
<th>Taxability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>University</td>
<td>Processed via Payroll using a <a href="#">One Time Pay Authorization Form</a>.</td>
<td>Applicable federal and state taxes withheld.</td>
</tr>
<tr>
<td>Employee</td>
<td>ISU Foundation</td>
<td>Processed via Payroll using a <a href="#">One Time Pay Authorization Form</a>. The Office of the Controller will bill the ISU Foundation for reimbursement.</td>
<td>Applicable federal and state taxes withheld.</td>
</tr>
<tr>
<td>Non-Employee-Research Subject</td>
<td>University or ISU Foundation</td>
<td>Refer to the <a href="#">ISU Guidelines for Compensation to Human Research Participants</a>.</td>
<td>Accumulated payments of $600 or more within a calendar year will be reported on a 1099-MISC form.</td>
</tr>
<tr>
<td>Non-Employee</td>
<td>University</td>
<td>Processed via ISU Accounts Payable using a <a href="#">Check Request</a>. A Form W-9, Request for Taxpayer Identification Number, must be on file before payment is submitted.</td>
<td>Accumulated payments of $600 or more within a calendar year will be reported on a 1099-MISC form.</td>
</tr>
<tr>
<td>Non-Employee</td>
<td>ISU Foundation</td>
<td>Processed via ISU Accounts Payable using a <a href="#">Check Request</a>. A Form W-9, Request for Taxpayer Identification Number, must be on file before payment is submitted. The Department should submit a Disbursement Authorization to the Foundation.</td>
<td>Accumulated payments of $600 or more within a calendar year will be reported on a 1099-MISC form.</td>
</tr>
<tr>
<td><strong>Student- Non-US Citizens</strong></td>
<td><strong>University or ISU Foundation</strong></td>
<td><strong>Must contact the <a href="#">Tax Compliance Officer</a> before payment is made to ensure compliance with the individual student’s applicable treaty based on country of residence. Once compliance is determined, payment will be processed via <a href="#">The Branch</a> and applied to a student’s account by Student Financial Aid.</strong></td>
<td><strong>Tax withholding may be required at time of payment and will be reported on Form 1042-S.</strong></td>
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</tr>
<tr>
<td><strong>Student</strong></td>
<td><strong>University</strong></td>
<td><strong>Processed via <a href="#">The Branch</a> and applied to a student’s account by Student Financial Aid.</strong></td>
<td><strong>Payment will be added to a student’s financial assistance package and reported on Form 1098-T. Taxability will depend on each individual student’s tax situation. Taxes will not be withheld by ISU.</strong></td>
</tr>
<tr>
<td><strong>Student</strong></td>
<td><strong>ISU Foundation</strong></td>
<td><strong>Processed via <a href="#">The Branch</a> and applied to a student’s account by Student Financial Aid. The Office of the Controller will bill the ISU Foundation for reimbursement.</strong></td>
<td><strong>Payment will be added to a student’s financial assistance package and reported on Form 1098-T. Taxability will depend on each individual student’s tax situation. Taxes will not be withheld by ISU.</strong></td>
</tr>
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**Reimbursements of Prizes, Awards and Gifts from the ISU Foundation:** All issuances of prizes, awards and gifts where the University chooses the recipient should be processed through the University following the guidelines above. If the ISU Foundation is the funding source of a purchased non-cash prize, award or gift, a Department may seek reimbursement using their [Disbursement Authorization Form process](#).

If the reimbursement is related to a payment made via payroll using a [One Time Pay Authorization](#), the procedure will be as follows:

- The Department will complete the One Time Pay Authorization form, checking the “Foundation Reimbursement” box and indicating the Foundation account funding the prize or award in the comments section.
- The One Time Pay Authorization Form requires an approval from the ISU Foundation before being sent to the Office of the Controller. The ISU Foundation will ensure that funding is available and allowable for the Foundation account indicated.
- Use the following accounting information: INDEX: FOUNPR  Account Code: 66250
- The Office of the Controller will bill the ISU Foundation for reimbursement of the prize/award and applicable payroll taxes.
# Contacts

<table>
<thead>
<tr>
<th>Contact Re:</th>
<th>Contact Name</th>
<th>Phone Number</th>
<th>Email Address</th>
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<tbody>
<tr>
<td>Guideline Questions</td>
<td>Amy Naidu</td>
<td>X3523</td>
<td><a href="mailto:Amy.Naidu@indstate.edu">Amy.Naidu@indstate.edu</a></td>
</tr>
<tr>
<td>Tax Compliance</td>
<td>Hope Waldbieser</td>
<td>X3524</td>
<td><a href="mailto:Hope.Waldbieser@indstate.edu">Hope.Waldbieser@indstate.edu</a></td>
</tr>
<tr>
<td>ISU Foundation</td>
<td>Tina Tuyen</td>
<td>X6170</td>
<td><a href="mailto:Tina.Tuyen@indstate.edu">Tina.Tuyen@indstate.edu</a></td>
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