



130.1 Awards and Prizes

Employee Achievement Awards

Employee achievement awards include tangible property (not cash) transferred to an employee for length of service achievement, safety achievement, or retirement and awarded as part of a meaningful presentation. Such awards should not be treated as taxable income to the employee unless the cost of the award exceeds \$400¹. If the cost of the award exceeds \$400 (or \$1,600 as noted below), the cost of the award above this amount must be included in the employee's taxable income. Length of service awards can be given no more frequently than every five years and cannot be given before an employee's fifth anniversary.

De Minimus Awards

Other types of non-cash gifts or awards to employees are considered taxable income to the employee. Exceptions to this are gifts of *de minimus* value (\$100 or less).

Cash Awards

Any gifts of cash or equivalents are considered taxable income to the employee. Gift certificates or gift cards are considered cash equivalents.

Third Party Awards

Gifts received from third parties are not considered taxable income, unless the gift is provided in connection with the employee's performance of services. According to the Internal Revenue Code, the "provider" of a fringe benefit is that person for whom the services are performed, regardless of whether that person actually provides the fringe benefit to the recipient. The provider of a fringe benefit need not be the employer of the recipient of the fringe benefit, but may be, for example, a client or customer of the employer or of an independent contractor. Based on this guidance, gifts provided by a third party (such as a bookstore operator) to an employee must follow the same rules as outlined in the above sections.

See also section 210.1 regarding sales tax exemption implications for award purchases.

¹ The non-taxable amount is raised to \$1,600 if Baylor has adopted a qualified plan for awards. A qualified plan must be written and may not discriminate in favor of highly compensated employees.