

Non-Monetary Gifts Employees and Individuals¹

Policy

This policy is provided to guide faculty and staff in their use and distribution to employees and other individuals of non-monetary benefits. It is the policy of the College to properly classify gift cards, prizes and awards as income, as required by state and federal laws¹.

According to the Internal Revenue Service (IRS), cash awards, gift certificates, gift cards, merchandise, and similar items are taxable income to the recipient. An award of merchandise is taxable at fair market value.

Employee achievement awards are taxable income unless they meet special rules for awards of tangible property given in recognition of length of service or achievement². The preferred method of providing awards to faculty and staff (employees) is to provide compensation through the normal payroll process in lieu of prizes and awards as “other income.”

Process

It is the responsibility of the NECC employee who authorizes the purchase of gift card(s) or merchandise to obtain all necessary documentation for each recipient, including:

- receiptants’ name and NECC ID (if applicable)
- value of the gift card or award

What portion of a non-monetary award is taxable income?

Gift cards – the entire amount of a gift card, regardless of value, is taxable income.

All other non-monetary awards – gifts, awards and prizes, *over \$25*, are considered taxable income. The \$25 threshold will be applied to the cumulative value of awards received on any one occasion. As example, an employee wins three awards each valued at \$25 at an event; the applicable taxable income will be \$75.

What if the gift card is donated to the college, or used to purchase items which are then given to the college?

The amount of a gift card is considered taxable income to the individual who receives the card, regardless of later use. As example, you cannot avoid paying taxes by giving the card to someone else or buying merchandise which you then donate to the college or a specific program.

¹ <http://www.irs.gov/pub/irs-pdf/p525.pdf>, *Taxable and Non-Taxable Income*, pp.3 and 34.

¹ This policy covers only those individuals who are **not** currently registered as students at NECC.

² Please contact Human Resources-Payroll for additional clarification and guidance.