GIFTS TO EMPLOYEES

Generally, all cash, checks and gift cards provided to employees (for example, as holiday gifts, bonuses or departure gifts) are taxable and must be reported to the Accounting Office for inclusion in employee’s taxable pay. If you request a check that is related to a gift, please provide the employee name(s), WWU ID# and amount to be given to each employee. Similarly, gift cards purchased with a credit card should be supported by the employee name(s), WWU ID# and amount to be given to each employee. Please do not use your department’s Petty Cash fund for making gifts. Gifts with a value in excess of $250 per employee should be approved by your Area Vice President or President.

DECEMBER GIFTS: Please ensure that any Christmas gifts are reported to Payroll no later than December 15 so that they may be included in the proper tax year.

FINANCIAL AID: Financial aid distributions, including special University-wide distributions to impoverished students, are not subject to this policy (even where the student recipient happens to also be a University employee).

The IRS provides a list of “de-minimis” gifts which are not taxable:

- Controlled, occasional employee use of photocopier
- Occasional snacks, coffee, doughnuts, etc.
- Occasional tickets for entertainment events
- Holiday gifts (non-cash, non-gift card, under $100 in value)
- Occasional meal money or transportation expense for working overtime
- Group-term life insurance for employee spouse or dependent with face value not more than $2,000
- Flowers, fruit, books, etc., provided under special circumstances
- Personal use of a cell phone provided by an employer primarily for business purposes

If you believe that your gift qualifies under one of the above, please provide the justification with your check request or credit card approval report so that we may verify your interpretation of the law.

Helpful Excerpts from IRS website:

Cash Benefits

Cash is generally intended as a wage, and usually provides no administrative burden to account for. Cash therefore cannot be a de minimis fringe benefit. An exception is provided for occasional meal or transportation money to enable an employee to work overtime. The benefit must be provided so that employee can work an unusual, extended schedule. The benefit is not excludable for any regular scheduled hours, even if they include overtime. The employee must actually work the overtime.
Meal money calculated on the basis of number of hours worked is not de minimis and is taxable wages.

**Gift certificates**

Cash or cash equivalent items provided by the employer are never excludable from income. An exception applies for occasional meal money or transportation fare to allow an employee to work beyond normal hours. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.

A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.

**Other**

In determining whether a benefit is de minimis, you should always consider its frequency and its value. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation.

Whether an item or service is de minimis depends on all the facts and circumstances. In addition, if a benefit is too large to be considered de minimis, the entire value of the benefit is taxable to the employee, not just the excess over a designated de minimis amount. The IRS has ruled previously in a particular case that items with a value exceeding $100 could not be considered de minimis, even under unusual circumstances.