

Title: Employee Recognition, Gifts, and Awards Policy

Responsible Official: Senior Director, Accounts Payable & Business Operations

Responsible University Office: Procurement and Distribution Services

Revision History: Effective June 1, 2016; updated November 1, 2019

Related university policies: Procurement Policy, PCard Policy, HR Employee Recognition Policy

Review Period: 5 Years

Date of Last Review: February 19, 2025

Relates to: Faculty, Staff, Students

Case Western Reserve University

Employee Recognition, Gifts, and Awards Policy



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1. **General Principles**

The University values outstanding performance by employees and encourages recognition of such work. The University also understands that, at times, gifts or awards unrelated to performance (i.e. years of service) are appropriate.

This policy does not preclude individual faculty or staff members from giving personal gifts to their colleagues provided no University funds are used for this purpose.

2. **Approved Recognition Programs**

Official recognition programs include the President's Award for Distinguished Service, the Staff Service Award, the Hovorka Prize, and various awards to recognize outstanding teaching, such as the Wittke Award and the Dickhoff Award.

3. **Supplemental Recognition Opportunities**

Outstanding Performance

The University encourages supervisors to develop meaningful, yet simple, recognition opportunities for their employees. Departments may establish recognition systems for outstanding contribution, effort, and accomplishment. Recognition may be in the form of public announcements or individual letters acknowledging the employee's accomplishments.

Financial or Financial-Equivalent Reward Programs

Members of the University community occasionally propose recognizing employees at the holidays or other times through cash awards, cash-equivalent awards (such as gift cards), or gifts. [University funds may not be used to purchase flowers when no special circumstances exist.] Reward programs that involve the use of University funds for cash awards, cash-equivalent awards, or gifts must be approved



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by the Dean or Vice President of each respective school prior to implementation. These rewards must be reported to the Controller's office by the department/office providing the reward.

Employee Involvement

Supervisors and the Human Resources Department will actively encourage and recognize employees who participate in activities of the University. Such opportunities include:

- Employee participation and support of the Staff Advisory Council (SAC)
- Employee involvement on search committees
- Employee involvement on panels and taskforces

Personal and Professional Development

The Human Resources Department will work with supervisors and trainers to provide formal acknowledgement (i.e. letters or certificates) when employees have worked to develop their skills or increase their qualifications.

These opportunities include:

- Participation in supervisory briefing sessions for supervisors
- Participation in the Excellence in Leadership program
- Completion of software tutorials and courses

Supervisors will forward copies of certifications from training taken externally to the Records office for inclusion in the personnel file.

Staff Length of Service and Retirement Awards

Awards that adhere to the following guidelines and are given to eligible employees are not subject to taxes:

- A. Timing – The award may not be made within the employee's first 10 years of service and more often than every five years
- B. Forms of Awards – To avoid tax reporting as income, the award must be in the form of tangible personal property. The IRS does not consider gift certificates to be tangible personal property, and accordingly, they are subject to tax. If the award is in the form of cash, check, or gift certificate, the value of such items is treated as additional wages – and thus taxable – regardless of cost or value.
- C. Dollar Limit – The value or cost of a tangible length of service or retirement award (for example, the traditional rocking chair with university seal for those who have worked at the university for 25 years) should not exceed \$ \$1,600 Also, it is recommended that the value or cost of the award be commensurate with the number of years of services being recognized. Awards with a



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value or cost over \$1,600 will be taxable to the extent the value or cost exceeds the dollar limit (e.g. if a \$1,650 gift is given, then \$50 will be taxable). If the staff employee elects to retire the same year he/she/they become eligible for a length of service award, then the maximum value or cost of both awards should not exceed \$400 for the award(s) to be nontaxable.

- D. Meaningful Presentation – the award must be presented as part of a special event or celebration that marks the occasion, such as a departmental meeting, party, or luncheon. Every attempt should be made to give the award during the year the anniversary occurs. To avoid tax liabilities the attendees, departments or schools should ensure that special presentation events are conducted only on an occasional basis and that the costs of the events are reasonable.

Members of the President's Council are responsible for ensuring that award programs at different levels within their respective school or unit comply with all the IRS requirements for nontaxable gifts.

Faculty Retirement Awards

Faculty members with more than 25 years of service are eligible to receive an award from the University upon retirement or departure from the University to recognize their service and contribution.

For retirement awards to be nontaxable, they must meet the 15-year service requirement as well as the **requirements B-D** listed in the **Staff Length of Service and Retirement Awards** section above. Any award that does not meet the IRS requirements will be taxable income and must be reported as such. For example, if an award is granted prior to 15-years of service or is a gift certificate, the entire award amount is taxable income. Also, if the award value/cost exceeds \$1,600, then any amount over \$1,600 will be taxable (e.g., if an \$1,800 retirement award is given, then the \$200 over the dollar limit constitutes taxable income).

It is the Department Chair's responsibility to ensure that Faculty Retirement Awards comply with the IRS requirements.

De Minimis Fringe Benefits

De minimis fringe benefits are benefits that are less than \$100 and, considering their value and the frequency with which they are provided, accounting for them would be unreasonable or administratively impractical. De minimis benefits may only be provided on an occasional basis. Benefits valued in excess of \$100 cannot be considered de minimis. Cash payments qualify as de minimis only if they are for meals or transportation that enable an employee to work an unusual, extended schedule. This does not include any regularly scheduled hours, even if they include overtime. Cash awards, cash-equivalent awards (such as gift cards), or gifts to employees are covered above. De minimis fringe benefits include, but are not limited to:

- A. Use of office equipment such as copiers or computers for personal use
- B. Meal money or taxi fare that enables an employee to work an unusual, extended schedule (amount cannot be based on number of hours worked)
- C. Occasional tickets to a sporting or other event



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D. Gift or flowers due to special circumstances such as illness or family crisis

Gifts to Students

Gifts for current students should follow the same general guidelines as the CWRU employee recognition policy and should not exceed \$100. These gifts should be given in honor of outstanding performance or partnership and not acknowledge items that are personal in nature such as recognition of birthdays or other similar social, non-business occasions.

IRS Guidelines

Payments or reimbursements for employee recognition awards, including non-cash gifts and any costs associated therewith are allowable only if such payments or reimbursements are made in the context of a University-approved award program. Departments must forward the paperwork verifying approval along with the request for payment or reimbursement to the Controller's office.

Under IRS regulations, all cash or gift certificate awards are taxable income to the recipient. Gifts to student employees are covered by IRS regulations. This means that a 1099 form will be issued for those gifts whose values exceed \$2,000.

Certain non-cash gifts are excludable from income if they meet the IRS' stringent requirements. In order for the University to be in compliance with the aforementioned IRS regulations regarding the reporting of wages, cash payments to faculty and staff as part of authorized employee recognition programs should be paid via payroll voucher so the proper taxes can be withheld and reported on the recipient's W-2. If the recipient is a student or is not a University employee, the award should be paid via Payment Request and will be reported as miscellaneous income on IRS form 1099-MISC.