

PRIZES, ACKNOWLEDGEMENTS, AND APPRECIATION POLICY

University of Oklahoma
Norman and Health Sciences Center (HSC) Campuses

Overview

This policy applies to all colleges and departments on **all campuses** of the University of Oklahoma (OU). Questions about this policy can be directed to the applicable Campus' Tax Department within Financial Services. For Norman Campus, contact fstax@ou.edu. For HSC, contact HSC-Tax@ouhsc.edu.

To recognize members of the OU community and to support our mission, the following funds may be used to purchase prizes, acknowledgements, and appreciation: University funds, University of Oklahoma Foundation funds (if allowed by the Fund Agreement), and Personal Contributions. This policy does **not** apply to honoraria, employees compensated for extra services, moving expenses or allowances, tuition support, or items purchased using non-University funds. This policy also does not govern the acceptance of a gift from a third party.

Granting or awarding financial aid is not considered acknowledgement or appreciation for the purposes of this policy. Acknowledgement and appreciation to students related to academic performance are considered scholarships and are not subject to this policy.

Policy

The University supports the recognition of its community members, employees, and students through the use of prizes, acknowledgements, and appreciation. Such items may not be lavish or extravagant and must comply with restrictions outlined in the attached [Prizes, Acknowledgements, and Appreciation Chart](#). Policy objectives are to achieve the following:

- The University is compliant with federal and state tax regulations instituted by the Internal Revenue Service (IRS) and Oklahoma Statute
- Prizes and awards are reasonable and support the University's mission of education, research, and community outreach
- University funds are used with a clear business purpose

Policy Exceptions

Exceptions to this policy are expected to be rare in occurrence (i.e., cash prizes given to students instead of tangible items). Policy exceptions must be reviewed and approved by Financial Services and Legal prior to making payment. Approval will be granted on a case-by-case basis.

Funding Sources

Departments may use a variety of funding sources to purchase prizes, acknowledgements, and appreciation. Some funding sources are restricted, and therefore are likely to be used less frequently for these purchases. See below table for guidance:

Funding Source	Expected Usage
Common sources*: MISCA, SUAUX, AGENC, NONSP	These funding sources are most commonly used and are the least restrictive for purchasing awards and prizes.
Less common sources*: EDGEN, EGFE, AUFEE, EDWCH, OUFND, SPNSR	These funding sources can sometimes be used for purchasing awards and prizes but are expected to be less common as use of funds is typically restricted by legal agreements or other University policies. Examples: <ul style="list-style-type: none"> • OUFND or EDWCH purchases that are restricted by gift agreements • SPNSR purchases that are only allowable if expressly stated in the Grant Contract – expected to be very rare • EGFE and AUFEE purchases that are restricted by University Fee policies and are susceptible to frequent audits • EDGEN purchases that are susceptible to audit by the State
Non-University funding sources: Paid directly by OU Foundation	Payments that are made directly by the OU Foundation are expected to be very rare. In instances where OU Foundation pays a vendor directly for the purchase, OU Foundation is responsible for tax reporting, not OU Financial Services.

*Most awards and prizes are likely to be purchased with a Pcard, which requires a Pcard exception from pcard@ou.edu or pcard@ouhsc.edu prior to making the purchase.

Employee As Recipient

General/informal Appreciation: Tangible prizes, acknowledgements, and appreciation must be of a de minimis value and follow the requirements on the [Prizes, Acknowledgements, and Appreciation Chart](#). Items should be occasional and not presented in a manner that favors highly compensated employees. Items should be valued less than \$100 per gift. Items valued at over \$100 may be taxable to the employee. Common examples include coffee, group meals, or OU-branded items¹.

Achievement/Service Awards and Retirement Awards: Tangible property given as a part of a meaningful and documented presentation, for the purpose of congratulating an employee on their length of service or retirement, are tax exempt. Common examples include plaques, trophies, watches, golf clubs, etc. **These items cannot include vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.** The maximum value allowed is \$400 per gift² per calendar year. Items given in a single year that are valued greater than \$400 may be taxable and subject to additional approvals. Length of service awards should not be given prior to reaching 5 years of service and should not be given more frequently than every 5 years. Contact the applicable Campus' Tax department for further guidance on taxability and approvals needed. University guidelines on limits are also included in the attached Chart.

Gift Card and Cash Appreciation: **Gift cards are not to be purchased for employees for this purpose.** Cash presented to employees in honor and acknowledgement of achievement and other milestones is generally allowed but are considered taxable income to the employee regardless of amount. This should be given to the employee by processing a one-time

¹ IRS Publication 5137, (Rev. 10-2022): <https://www.irs.gov/pub/irs-pdf/p5137.pdf>

² IRC §274(j)(2)

payment request within the PeopleSoft HR system so that the proper approvals are received and so that the award is properly included in employee salaries/wages.

Holiday gifts for faculty, staff, and student employees are not allowable via any funding source. Also, gifts such as flowers to honor an individual for personal reasons (e.g., birthday, wedding, housewarming) may not be charged to University funds. Some departments may have OU Foundation Funds that allow for these gifts per the Fund Agreement - this is allowable when paid directly from OU Foundation. Personal contributions from colleagues may be considered as a method of providing such gifts.

Prizes may be awarded to a university employee in events specifically held for faculty and staff (such as Staff Week) or in community-wide events where the individual's employment is incidental to the basis in which the prize is awarded. For example, a university employee would be eligible to win a door prize awarded at random or an essay-writing contest. In either case, items that are not considered de minimis will be reported as taxable wages. For employee-specific events, prizes will be reported to payroll. For community-wide events, reporting will follow the same process as nonemployee prizes, as described in the section below.

Student or Other Individual As Recipient

Prizes or awards to Students and Other Individuals generally fall into two broad categories. The intent of the payor and the circumstances surrounding the payment determine the essential nature of the payment and category.

Category 1 – Prizes or Awards which are considered a Scholarship or Fellowship

- a. **Category 1 prizes and awards are NOT covered under this policy.** See the [Payments to Students Policy](#) for further guidance on Category 1 payments to students and their taxability.
 - i. The [Payments to Students Policy](#) covers awards **paid in cash (i.e., check)** that are given to **OU students** (or to non-OU students for certain fellowships, in very limited circumstances).

Category 2 – Prizes or Awards which are NOT considered a Scholarship or Fellowship

- a. This type of prize or award is given to an individual for participation in raffles or contests.
- b. These must be **tangible** items. **Cash, cash equivalents, and gift cards are NOT allowed** to be given as prizes or awards under this policy.
- c. Enrollment as a student **does NOT** dictate eligibility to receive the award or prize.
- d. Possibly taxable to recipients and reportable by the University - depends on the value of the prize or award and the residency status of the recipient (U.S. Person, Resident Alien, or Nonresident Alien). See below for further information on taxability.

U.S. Person As Recipient

Prizes, acknowledgements, and appreciation given to students and nonemployees are generally reportable as taxable income if cumulative payments in a calendar year equal or exceed \$600³. The University will file IRS form 1099-MISC to report the prizes, acknowledgements, and appreciation when the fair market value of tangible awards to an individual total \$600 or more in a calendar year. A **Prize Tax Data Collection Form** must be completed for all prizes, acknowledgements, and appreciation for all awards of tangible property with a value of \$100 or greater.

³ IRC §6041(a)

If the value is less than \$600, you should communicate with the recipient that the value of the prize should be self-reported. The following language is recommended for notifying recipients:

Please note that awards over \$600 will be reported on IRS Form 1099-MISC by the University of Oklahoma. The IRS has stipulated that amounts less than \$600 are required to be self-reported by the recipient on their personal income tax return. Please consult with your personal tax advisor for any questions or concerns.

For prizes of \$100 or greater:

- Completion of the **Prize Tax Data Collection Form** is required.
- An **IRS Form W-9** must be collected to issue an IRS Form 1099-MISC to the recipient.
 - For employees, the prize will be reported as taxable wages on the employee's **IRS Form W-2**. These will be routed to Payroll when the **Prize Tax Data Collection Form** is received by the applicable Campus' Tax Department.
- The **Prize Tax Data Collection Form** and **IRS Form W-9** must be submitted to the applicable Campus' Tax Department **within 30 days** of the prize distribution.

Resident Alien and Nonresident Alien for Tax Purposes As Recipient

Resident alien tax treatment - Tangible prizes, acknowledgements, and appreciation given to resident aliens are subject to the same tax treatment as U.S. Persons (see section above), but residency status must be verified by the applicable Campus' Tax Department beforehand. Applicable amounts will be reported on IRS Form 1099-MISC.

Nonresident alien tax treatment – Tangible prizes, acknowledgements, and appreciation given to nonresident aliens for tax purposes are subject to 30% Federal⁴ and 8% Oklahoma tax withholding⁵ and reported on **IRS Form 1042-S**.

For both resident aliens and nonresident aliens, the following must be submitted to the applicable Campus' Tax Department for prizes of \$100 or greater:

- Completion of the **Prize Tax Data Collection Form** is required.
- The appropriate IRS form must be received
 - Resident Alien – **IRS Form W-9** must be collected to evaluate residency status and issue an IRS Form 1099 MISC.
 - Nonresident Alien - **IRS Form W-8BEN** must be collected to evaluate residency status and issue an IRS Form 1042-S (nonresident alien) to the recipient.
- The **Prize Tax Data Collection Form** and **IRS Form W-9 or W-8BEN** must be submitted to OU Financial Services – Tax **within 30 days** of the prize distribution.

Tax Withholding Considerations

For tangible prizes, there may be tax "gross-up" requirements from the department. Please contact the relevant Campus' Tax Department for assistance with gross-up requirements.

Gift cards may not be given to resident or nonresident aliens due to tax withholding limitations.

⁴ IRC §871(a)

⁵ Oklahoma Statute Title 68-2355(D)

Definitions

Acknowledgements/Appreciation – Tangible items given in recognition of an accomplishment, achievement, or activity that does not require the performance of a service. **Cash and gift cards are not permitted to be given per this policy.**

Applicable Campus' Tax Department Contacts - For Norman Campus, contact fstax@ou.edu. For HSC, contact HSC-Tax@ouhsc.edu.

Cash Equivalents – An instrument used in lieu of cash but in the same manner. Cash equivalents include stored-value products such as gift cards and gift certificates. The IRS specifically defines these instruments as cash equivalents and states that their value is considered taxable income to the recipient, regardless of dollar value⁶. **These are not permitted to be used for acknowledgement, appreciation, or prizes.**

Contest – A competition for a prize involving actual skill or criteria for winning that is different from a raffle based on luck, such as an academic based contest. Examples of contests of skill include an essay-writing contest and basketball shooting contest.

De Minimis⁷ – Gifts, prizes, or awards so small in value that it is not reasonable to account for their value. Cash and cash equivalents are never considered de minimis as defined by the IRS. For University purposes, de minimis is defined as non-cash items having a value of \$100 or less and provided not more than once per year.

Personal Contributions – Personal contributions do not include any University related funds. The contributions are gathered from employees to fund certain prizes, acknowledgements, and appreciation.

Prize – Tangible items received as a result of a game of chance, raffle, or contest of skill, either with or without the purchase of a chance or ticket. Prizes include tangible personal property and complimentary services. Games of chance include raffles or drawings where the prize is awarded based on participation or attendance, such as a door prize or raffle. **Cash and gift cards are not permitted to be given as prizes per this policy.**

Promotional Item – A product branded with the University logo or slogan and distributed at little or no cost to promote the University, our identity, or a specific event or department.

Tangible Prize – An item given as a prize that is not cash or a cash equivalent.

U.S. Person – U.S. Citizen or Lawful U.S. Permanent Resident for Tax Purposes

Value – The value is determined by purchase price unless the item has been personalized (inscribed), which will make the fair market value zero.

⁶ IRS Publication 5137, (Rev. 10-2022): <https://www.irs.gov/pub/irs-pdf/p5137.pdf>

⁷ IRC § 132(e)