



Guidance Document

Taxation of Special Payments and Awards to Employees

Revised June 5, 2019

Statement

To assure that Texas A&M University departments comply with Internal Revenue Procedures for employee recognition and awards.

Reason for Procedure

The Internal Revenue Service rule for employee recognition payments and awards provides that “de minimus” fringe benefits are not included in gross taxable income. Treasury Regulations 1.132-6(e)(1) cites “flowers, fruit, books, or similar property provided to employees under special circumstances” (e.g., illness, outstanding performance, or family crisis) as an example of a non-taxable “de minimus” fringe benefit.

Official Procedure/ Responsibilities/ Process

1. GUIDELINES

The following guidelines are to be utilized by Texas A&M University Departments:

- 1.1. Gift certificates, cash, use of credit or charge cards, and other cash equivalents are taxable income regardless of value.
- 1.2. Family Death or Illness - Flowers, books, fruit baskets or other similar items are not taxable.
- 1.3. Recognition of Special Effort or Outstanding Performance - Non-cash awards, such as plaques, certificates (not cash), books, flowers, tickets or similar items are not taxable if they are \$100 or less. An employee may only receive these awards four or fewer times in one calendar year to be considered non-taxable.
- 1.4. Length of Service Awards - These awards must be part of a meaningful presentation and

given to an employee no more than once every five (5) years. Non-cash awards of \$400 or less are not taxable.

- 1.5. Safety Awards - Non-cash awards (up to \$400) given to employees directly involved are not taxable. Any safety awards given to managers, administrators, other professional employees or clerical staff not directly involved with the safety performance will be fully taxable.
- 1.6. Retirement Awards - May be excluded from income if the dollar amount of the award relates to the retiree's length of service. Documentation is to be provided describing the relationship between the retiree's length of service and the value of the award.
- 1.7. Cash awards are processed by departments in Workday. Departments initiate the Request One-Time Payment business process in Workday. They can select the One-Time payment plan option: Cash Award or Cash Award – Gross up (if the department is paying the award taxes on behalf of the employee). The Cash Award payment will be processed based on the recipient's payment election payment type (direct deposit or check) in Workday. The Award will be paid on the recipient's next regularly scheduled payday. All appropriate taxes will be withheld from the payment. The department's account will be charged for the employer's share of Social Security and Medicare tax. If grossed-up, the department's account will be charged for both the employee and employer's share of Social Security and Medicare tax and the employee's Federal Withholding deduction.

Related Statutes, Policies, or Requirements

Supplements [System Policy 31.01](#)

Contact Office

Please contact [Financial Management Operations Tax Reporting and Compliance](#) should you have any questions regarding the Guidelines and [Payroll Services](#) regarding payment processing

OFFICE OF RESPONSIBILITY: [Payroll Services](#)