

**THREE RIVERS COLLEGE
FINANCIAL REGULATION**

Section: 3000 Financial	
Sub Section: 3100 Financial Management	
Title: FR 3110 Awards, Gifts, and Prizes	Page 1 of 5
Primary Policy: FP 3110 Awards, Gifts, and Prizes	
References: Tax Cuts and Jobs Act of 2017	
Supersedes: NA	
Responsible Administrator: Chief Financial Officer	
Initial Approval: 03-09-2014	Last Revision: 02-19-2020

Awards, gifts and prizes are allowed to the extent the expense is reasonable and necessary to carry out the mission of the college. They may not be lavish or extravagant, and must comply with any funding source restrictions. Proper classification of payments is necessary to differentiate between those considered scholarships, which may be tax-free, and those that are awards, gifts, or prizes, which may be taxable.

The appropriate member of the cabinet must approve all programs associated with the awarding of any gifts, prizes or awards.

Definitions

Awards: Cash, gift certificates, gift cards or non-cash merchandise given for meritorious performance, productivity, or other reasons connected with employment; or for non-employees, given in recognition of an accomplishment, achievement or activity that does not require the performance of a service, as well as for other valid business reasons.

Gifts: Non-cash items of nominal value given to express appreciation or gratitude; not related to job performance and no negotiation conducted in advance

Prizes: Cash or items of value received as a result of a game of chance, drawing or contests of skill, either with or without the purchase of a chance or ticket.

Chance or Ticket: Something of value that is given to participate in a game or contest.

De minimis awards: Gifts, awards or prizes with a value of \$100 or less.

Awards to Employees

Awards to employees are an acceptable practice. However, they must be part of a formally established program and approved by the cabinet and the president.

In most cases, awards provided to employees will be reported as taxable compensation. This may include Staff Recognition Awards, Employee of the Month Awards, awards to boost employee morale, as well as awards originating with a gift to the college from a third party.

The award must be reported as employee compensation on the employee's Form W-2 and is subject to federal withholding and FICA taxes. The department presenting the award must notify

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Payroll unless the award qualifies for one of the exceptions below.

1. Certain achievement awards of tangible property may not be reported as taxable to an employee if they are awarded in a meaningful presentation that emphasizes the purpose of the award, The IRS clarifies that tangible personal property doesn't include cash, cash equivalents, gift cards, gift coupons, certain gift certificates, tickets to theater or sporting events, vacations, meals, lodging, stocks, bonds, securities, and other similar items. The value of the award funded by the College may not exceed \$400 per year per employee. These awards and additional criteria are as follows:
 - a. A "length of service" award is not reported as taxable if it is not granted to an employee more frequently than every five years. A retirement -award generally will not be reported as taxable if given as a "length of service" award and does not exceed \$400 per employee.
2. Non-cash, de minimis awards are not reported as taxable to an employee unless readily convertible into cash. IRS regulations use the example of holiday gifts of property with a low fair market value to define "de minimis". For college purposes, de minimis is defined as having a value less than or equal to \$100. Awards of gift certificates of \$100 or less will not be reported as taxable, unless redeemable for cash.
3. IRS guidelines dictate that if an employee is given the choice of taking an award as cash or having the award amount put into a college account to support their work (travel, research, etc.), the amount is taxable to the employee in either case. Awards that an employee opts to have put into a college account will be taxed as taxable perquisite. If the employee is not given the choice of taking the award as cash (the award can only be a contribution to a college account to support their work), then it will not be considered taxable to the employee.

Awards to Non-Employees

Awards may be given in recognition of past accomplishments or activities as well as for other valid business reasons. Granting/awarding financial aid is not considered an award for purposes of this policy. Awards to students related to academic performance are considered financial aid

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and, as such are not subject to the provisions of this policy.

Gifts

To qualify as a gift, there should be no negotiation in advance for the gift. Cash, gift cards, and gift certificates redeemable for cash are not allowed as gifts. Gifts should be of nominal value and, ideally, bear the college's licensed logo. Gifts less than or equal to \$100 are - not reportable to the IRS.

Gifts to Employees

In limited circumstances, gifts to employees are allowed if unrestricted non-operating funds or restricted gift funds approved for that purpose are used and it can be demonstrated to be in the college's best interest.

Gifts to Non-Employees

Non-cash gifts may be presented as token of appreciation to a donor, dignitary, guest, volunteer, visitor (or in certain circumstances, customer or client) when a valid and documented business purpose exists such as to recognize contributions to the college or to honor a distinguished visitor. Examples are token items given to donors by the Alumni Association or mugs given to conference attendees.

Prizes

Cash, to include gift cards and gift certificates, and non-cash prizes may be awarded to individuals for participation in games of chance or contests of skill. Games of chance include raffles and door prize events. Raffles and games of chance must be approved by the appropriate cabinet member. Examples of contests of skill include an essay-writing contest and basketball shooting contest. In certain instances, the purchase of a chance or ticket may be required.

Prizes may only be awarded where benefits are expected to accrue to the college, such as a fund raising event. No prize may be awarded to a college employee except where the individual's employment is incidental to the basis in which the prize is awarded. For example, a college employee would be eligible to win a door prize awarded at random or an essay writing contest.

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The department or organization sponsoring the contest must maintain detailed records of all receipts and expenditures associated with the contest, including the winner's name, amount spent for a chance or ticket (if any), and the value of the prize won. All contests associated with games of chance or skill must be conducted in accordance with Missouri state law.

Reporting Requirements

Federal law requires the college to report prize winnings to the IRS and to the recipient on a calendar year basis. Federal regulations also require a specific percentage of the winnings be withheld under certain conditions. Non-cash winnings are reported at their fair market value.

Prizes to Non Employees

Prizes of \$600 or more that involve the purchase of a chance or ticket are reported on a Form W-2G if the winnings are at least 300 times the amount of the chance or ticket. Prizes of \$600 or more that do not involve the purchase of a chance or ticket are reported on a Form 1099-MISC if the recipient is not an employee.

Prizes to Employees

Non-cash prizes to employees having a value of \$100 or less that do not involve the purchase of a chance or ticket will be considered de minimis and will not be reported. Prizes awarded to an employee that do not involve the purchase of a chance or ticket are reported on a Form W-2 if cash, or non-cash over \$100 value.

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DOCUMENT HISTORY:

- 03-09-2014:** Initial approval of regulation FR 3110 Awards, Gifts and Prizes.
- 09-21-2016:** The College Board of Trustees approved the name change of the college from Three Rivers Community College to Three Rivers College.
- 02-19-2020:** Addition of language from the Tax Cuts and Jobs Act of 2017