



UNIVERSITY OPERATING PROCEDURE

Title: Awards, Prizes, and Winnings

Overview

This University Operating Procedure provides guidance to academic and administrative units regarding the University's tax-reporting obligation for awards, prizes, and winnings, and applies to all awards, prizes, or winnings granted by the University.

Prizes and awards that are presented to University employees are generally reportable as additional compensation subject to federal, state, and FICA/Medicare withholding, in the absence of an applicable exception. Prizes and awards that are presented to non-employees must be reported by the University as other income if the value exceeds the calendar year reporting limit. Winnings associated with games of chance are reportable to the IRS above a certain threshold, and may be subject to income tax withholding. It is the responsibility of the respective Vice President, Dean, Director, or Chair to comply with the University's tax reporting obligations for awards, prizes, and winnings.

Applicability of the Procedure

This Operating Procedure applies to all employees of the University of Vermont.

Definitions

Cash equivalent: Any gift certificate, gift card, coupon, or voucher, etc. denominated in currency.

De minimis fringe benefit: Any non-monetary property or service (i.e., tickets to a cultural or sporting event, a book, etc.), the value of which is so small as to make accounting for it unreasonable or administratively impracticable.

Employee: Any person who has or has had an active employment record in PeopleSoft during the current calendar year.

Procedures

I. Awards and Prizes to Employees

With few exceptions, awards provided to employees for exemplary achievement, significant contributions to the unit's mission, or other reasons connected with their employment are reportable as taxable compensation. Awards to boost employee morale, and awards originating with a gift to UVM from a third party, are also treated as taxable compensation. These awards may be cash, gift certificates, or non-cash merchandise. Any department or division considering an employee award program where

the value of the award(s) exceeds \$50.00 should consult with their [Labor and Employee Relations](#) professional in advance to obtain guidance on the proper administration of such a program.

A. Cash Awards and Prizes issued through Payroll

Cash awards or prizes may be made to University faculty and staff under limited circumstances. Cash awards are paid through payroll, reported as employee compensation on the employee's Form W-2, and are subject to federal and state income tax withholding and FICA and Medicare taxes. To ensure that proper tax withholding and reporting requirements are met, departments or units making cash awards should submit an Additional Pay Form to Human Resource Services, specifying account code '57712' (prizes and awards), and earnings code '515' (employee awards). If the cash award is intended to result in a specific net amount, the award may be "grossed up" to account for tax withholding. Please contact Payroll Services (802) 656-6600 for guidance in determining the gross award amount.

B. Gift Cards and Other Cash Equivalents

A gift card denominated in currency is a cash equivalent fringe benefit, and therefore must be included in the employee's gross income. Awards and prizes of gift cards denominated in currency are a form of employee compensation, subject to tax withholding from the employee's normal net payroll check or direct deposit. (Please note that "grossing up" to cover the individual's additional tax withholding is only an option for Cash Awards, addressed in Section I.A.) All awards or prizes must be recorded in the UVM payroll system, regardless of method of purchase, or whether the gift certificate was donated to the University.

The University unit presenting the award, or responsible for the prize drawing, must email the following information to [Payroll Services](#) within five (5) days of issuance:

- Employee name
- Employee identification number (PeopleSoft "emplid")
- Purpose of, or reason for, award
- Description and value of the award
- Date of issuance
- The issuing department's contact name and phone number
- Combo Code charged (if applicable)

Please note that awards or prizes given at calendar year-end require special attention to ensure the adherence of early final year-end payroll deadlines.

C. Non-Cash Awards and Prizes

With few exceptions, awards provided to employees in the form of non-cash merchandise or services for meritorious performance, productivity, or other reasons connected with their employment are reportable as taxable compensation, subject to income tax withholding from the employee's normal net payroll check or direct deposit. (Please note that "grossing up" to cover the individual's additional tax withholding is only an option for Cash Awards addressed in Section I.A.) Unless the award qualifies for one of the exceptions described in the following paragraph, the award or prize must be recorded in the UVM payroll system, regardless of method of purchase or whether the award was donated to the University. If the award does not qualify for one of the exceptions described in section I.D., the University unit responsible for the award or the prize drawing must send the following information to [Payroll Services](#) within five (5) days of issuance:

- Employee's name
- Employee identification number (PeopleSoft "emplid")
- Purpose of, or reason for, award

- Description and value of the award
- Date of issuance
- The issuing department's contact name and phone number
- Chartstring charged (if applicable)

Please note that awards or prizes given at calendar year-end require special attention to ensure the adherence of early final year-end payroll deadlines.

D. Exceptions

1. A **non-cash** "de minimis" fringe benefit may be provided tax-free to an employee. The frequency with which similar fringe benefits are provided to employees must be occasional, or infrequent. The University will use a threshold of \$100.00 for determining whether a non-cash item may be excluded from an employee's income under the "de minimis" fringe benefit exception. Uniforms are generally taxable and this exceptions does not apply to clothing provided that is required to be worn as part of a uniform.
2. Certain achievement awards of tangible property (not cash, gift cards, or other cash equivalents) may be given tax-free to an employee if they are awarded at a University sanctioned event for which there is a meaningful presentation that emphasizes the purpose of the award. The IRS limits the value of the achievement awards to \$400.00 per year per employee for tax purposes. These awards and additional criteria are as follows:
 - a. A "length of service" award is not reportable as taxable compensation if it is granted to an employee not more frequently than every five (5) years. A retirement gift generally qualifies as nontaxable if all above criteria are met. See the Business Meals and Amenity Policy for the allowability of retirement gifts.
 - b. A "safety award" is not reportable as taxable compensation if both the following conditions are met:
 - i. It is provided to no more than 10% of eligible employees
 - ii. Managers, administrators, clerical, and professional staff are ineligible for the award.

II. Awards and Prizes to Non-employees

Awards and prizes may be given in recognition of volunteers' contributions as well as for other valid business reasons. Awards and prizes that are paid to non-employees are considered taxable income to the recipient, regardless of value. There is no "de minimis" fringe benefit exception for awards to non-employees. However, the University does not have a reporting obligation via IRS Form 1099-Misc unless the value exceeds \$600.00 in one calendar year. (Note: Please refer to policy on *Payments to Students* if recipient is a student and *Payments to Foreign Nationals* if nonresident alien.)

A. Awards and Prizes Issued via University Check

For a payment request for an award or prize to a non-employee, specify account code '65302' on the Check Request Form, or Multiple Check Request Form, as applicable, along with a Payment Acknowledgement Form and other supporting documentation about the prize or award. Submit to Disbursement Center for processing. If the payment(s) to a U.S. person equal or exceed \$600.00 in a calendar year, an IRS Form 1099-Misc will be issued by the University identifying the payment as 'Other Income.'

Awards in the nature of a scholarship should be processed through the Student Information System for University of Vermont students, rather than through the accounts payable system, in order to be captured for financial aid package considerations, as well as IRS Form 1098-T, Tuition Statement, reporting. For tax purposes, a scholarship or fellowship may be defined as any amount paid to an individual "for the purpose of aiding a student's study, training, or research." Refer to the *Payments to Students Policy* for guidance.

Student prizes that may be processed via Disbursement Center are those NOT in the nature of a scholarship, and not considered payment for services rendered. Student prizes processed via Disbursement Center are those awarded to students who have submitted entries to a judged competition which was open to both students and non-students. Complete a Check Request Form and attach the Student Prize Certification Form and other supporting documentation about the prize. Refer to the *Payments to Students Policy* for payment guidelines and further details on the definition of student prizes.

B. Other Awards and Prizes

Awards or prizes must be recorded in the University's Form 1099-Miscellaneous database. University units responsible for the award or prize drawing to a non-employee must send a Payment Acknowledgement Form to Disbursement Center, 23 Mansfield Avenue, Burlington, VT 05401 within five (5) days of issuance of the prize/award. This is true regardless of the payment mechanism. The Payment Acknowledgement Form collects the following information:

- Recipient's name,
- Recipient's address,
- Social security number
- Purpose of, or reason for, award
- A description and value of the award
- The department's contact name and phone number
- Chartstring charged (if applicable)

If the payment(s) equal or exceed \$600.00 in a calendar year, IRS Form 1099-Misc, will be issued by the University identifying the payment as 'Other Income.'

III. Raffles and other Winnings from Games of Chance (Gambling)

The University is required to report to the IRS via Form W-2G (Certain Gambling Winnings) winnings of \$600.00 or more paid to an individual during a calendar year if the net winnings (winnings less wager) are at least 300 times the wager (i.e., the cost of a single raffle ticket).

Income tax withholding is required if the fair market value of the prize exceeds \$5,000.00, or if the winner is a Nonresident Alien. Please contact Tax Administration if you have either of these situations.

A. Gambling Winnings issued via University check

To initiate a payment request to a gambling prize winner, the responsible department must specify account code '65302' on the Check Request Form. Attach detailed information pertaining to the game of chance (description and date of event, wager amount, department contact). Include certification by the winner of the individual's taxpayer identification number via Form W-9 or Form W-8BEN, as applicable.

B. Other Gambling Winnings Issued

The responsible department must send the following information pertaining to the game of chance to Tax Administration, 237 Waterman, within five (5) business days after the event:

- Description and date of event,
- Wager amount,
- Department contact,
- Responsible chartstring,
- Winner(s) name, address, and social security number, and
- Description and fair market value of winnings.

See [Summary of the Awards, Prizes and Winnings Reporting Requirements](#).

Contacts

Questions concerning the daily operational interpretation of this UOP should be directed to the following:	
Title(s)/Department(s):	Contact Information:
Payroll & Tax Services	237 Waterman Building (802) 656-6600

Forms/Flowcharts/Diagrams

- Awards, Prizes and Winnings Reporting Requirements Quick Reference Guide [forthcoming]
- [Check Request](#)
- [Electronic Additional Pay Form](#)
- [IRS Form W-9 Request for Taxpayer Identification Number and Certification \(For U.S. persons\)](#)
- [IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding \(For Nonresident Aliens\)](#)
- [Prize Certification Form](#)

Related Documents/Policies

- [Bonus Program for Non-Represented Classified Staff](#)
- [Business Meal Hospitality and Amenity Policy](#)
- [Payments to Foreign Nationals and Entities](#)
- [Payments to Students Policy](#)
- [Request for Payment of a Scholarship to a Student](#)

Training/Education

Training will be provided on an as-needed basis as determined by the Approval Authority or the Responsible Official.

About This Procedure

Responsible Official:	Vice President for Finance and Administration	Approval Authority:	Vice President for Finance and Administration
Affiliated Policy Number(s):	V. 4.10.2, V. 4.16.1	Effective Date:	July 15, 2015
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