Prizes, Gifts and Awards Decision Process

For Who?	Taxable?[b]	Pay Directly?	Could be Gift Card?	Go Thru PeoplePay?	Gross-Up?	Proposed Account	X Class?[e]
Faculty / Staff (Employee)[a]	Y[b]	Y	Y	Yes - Reporting	Yes - required	502300	Y
		N	N	Yes - Payroll Pays	At unit discretion	502300	Y
	N[b]	Y	Y	No[c]	NA	502300	Y
		N	N	NA - All payroll taxable	NA	NA	NA
Non-Employee	Y	Y	Y	Yes - Reporting	NA	614573[d]	Y
		N	N	Yes - Procurement Pays	NA	614573	Y
	N	Y	Y	No	NA	614573	Y
		N	N	NA - All Procurement payments coded as income	NA	NA	NA

[a] This also applies to students who are employees receiving a PG&A based on their employment relationship. NOTE: if a student is receiving a PG&A based on their student relationship, it must be reported/recorded through the Office of Financial Aid (OFA). For more information, contact OFA at sfps@umich.edu.

[b] Taxable - where applicable, means witholding for Employee, reporting for Non-Employee: See the "Policy on Taxation of Gifts, Prizes and Awards to Employees" located at http://www.finance.umich.edu/controls/gctools for guidance

[c] If the employee is receiving a gift card, the unit is responsible to ensure that, in the aggregate, the employee has not received gift cards for the calendar year in excess of $50. If the threshold is exceeded, the entire amount must be taxed and reported thru PeoplePay

[d] 614573 and 613100 (subject fees) will need to be monitored for 1099 reporting

[e] Prizes, gifts and service awards are not allowed to be recovered as an Indirect Cost Recovery Expense unless offered to ALL employees of the University on an equitable basis, e.g. University Human Resources' Employee Service Awards. If the expense does not meet this criteria, it should be flagged with an "X" on its associated class code.

Frequently Asked Questions:

Examples - all gifts, not compensation for services:

1) $25 gift card to Target (difference between employee and nonemployee?)
Employee - 502300, non-employee 614573.

2) $500 gift card to Target (difference between employee and nonemployee?)
Employee - 502300, non-employee 614573

3) $5,000 gift card to Target (difference between employee and nonemployee?)
Employee - 502300, non-employee 614573

4) retirement gift (bought by department) worth amounts similar to the gift card examples. Is there a difference? Is this compensation? If nonmonetary use 502300

If monetary, the amount will roll-up to the employee's normal salary expense account and it would be taxable.

5) department gives a gift card as in 1 to a non employee to fill out a survey, what account should be used?
Use account 613100 - subject fees

6) same as 5 except they pay $700 to fill out the survey.
Use account 613100 - subject fees

7) UM gives anniversary gifts every 10 years to employees, what account and process should be used for this? Some of these gifts are worth hundreds of dollars. Use account 502300
Use account 502300

8) department pays a stipend or grant to an employee or non employee and it is not a recognition award?
Do not use any of the prize, gift and recognition award accounts, use the account that is applicable to the expense that is anticipated the money was/will be spent on.