

STANDARD ADMINISTRATIVE PROCEDURE

31.01.99.M0.01 Taxation of Special Payments and Awards to Employees

Approved July 10, 1996

Revised April 18, 2007

Next Scheduled Review: April 18, 2010

Supplements [System Policy 31.01](#)

1. GENERAL

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.

2. GUIDELINES

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

- 2.1 Gift Certificates, cash, use of credit or charge cards, and other cash equivalents are **taxable** income regardless of value.
- 2.2 Family Death or Illness - Flowers, books, fruit baskets or other similar items are **not taxable**.
- 2.3 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.
- 2.4 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**.
- 2.5 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.
- 2.6 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.
- 2.7 Cash awards are processed through Payroll. The [Request for Compensation for Award to Faculty or Staff form](#) must be completed and submitted to Payroll Services

for processing. All appropriate taxes will be withheld from the payment. **Please be aware that the employer's share of social security taxes will be charged to the appropriate account.**

3. CONTACT

Please feel free to contact Payroll Services at payroll@tamu.edu should you have any questions on these guidelines.

OFFICE OF RESPONSIBILITY: [Payroll, Tax and Employee Resources](#)