

Information

De Minimis Gifts

Effective

September 5, 2007

Number

FIN-1.8340

Applicability

This policy applies to University Employees (administrators, faculty, and staff).

Administrative Authority

Vice President for Finance and Chief Financial Officer

Responsible Unit

Controller's Office

Service Complex, Louisville, KY 40292

Phone: 502-852-6164

Email: controll@louisville.edu

History

Revision Date(s): August 7, 2014; February 22, 2024

Reviewed Date(s): February 22, 2024

Categories

Reason for Policy:

The University must comply with Internal Revenue Service (IRS) withholding rules when compensating employees.

Statement:

Gifts provided by the University to employees are treated as taxable wages. Certain de minimis gifts or benefits may be provided free of tax.

Related Information:

Internal Revenue Code Sec. 132(a)(4)
IRS Publication 15-B
IRS ILM 200108042

Definitions:

In general, a de minimis benefit is one for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical. This would include such items as:

- Occasional employee use of photocopier.
- Occasional snacks, coffee, doughnuts, etc.
- Occasional tickets for entertainment events.
- Holiday gifts, Gifts of Appreciation.
- Flowers, fruit, etc., provided under special circumstances.

In determining whether a benefit is de minimis, you should always consider its frequency and its value. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation. The IRS has ruled that non-cash items (tangible gifts) with a value of \$100 could not be considered de minimis and would need to be reported on a W-2 or

1099-Misc. form. In cases where an employee is presented with any form of cash payment as a reward/award, the payment should be made via the Payroll process.

Procedures:

If the employee is presented with any form of non-cash gift and the value is \$100 or more, the department should complete a Non-Cash Compensation form on the employee when the item is disbursed. The University may be required to report this payment on their W-2 at the end of the calendar year.

If a non-employee is presented with any form of non-cash gift and the value is \$100 or more, the individual should complete a W-9 form prior to the disbursement of the item.

Any gift in the form of cash or any non-cash gift (including gift cards/certificates that are redeemable for general merchandise of any amount) or have a cash equivalent value are not a de minimis benefit and are taxable.

Responsibilities:

Departments are encouraged to work with the Controller's Office when planning these transactions to ensure that they are handled in an appropriate manner. Blanket approval for recurring awards may be given.