

31.01.10.E0.01 Taxation of Special Payments and Awards to Employees

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Next Scheduled Review: June 12, 2025

Supplements System Policy 31.01, System Regulation 31.01.10

Standard Administrative Procedure Statement

The Internal Revenue Service defines certain employee recognition payments and awards as taxable whereas some are defined as non-taxable.

Reason for Standard Administrative Procedure

The purpose of this Standard Administrative Procedure (SAP) is to define which special payments and awards to employees are taxable and which are non-taxable. This SAP provides guidance and is not inclusive of all types of special payments and awards to employees.

Procedures and Responsibilities

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 Engineering Experiment Station (TEES) Divisions:

- 2.1 Gift certificates, cash, and other cash equivalents (here after referred to as “cash”) are **taxable** income regardless of value.
- 2.2 Family Death or Illness - Flowers, books, fruit baskets or other similar items are **not taxable** if they are **\$100 or less**. Rare exceptions may be made if over \$100 with adequate documentation to support the exclusion from income. Cost and frequency must be considered and explained in the documentation. Exceptions may be granted on a case-by-case basis with approval by the TEES Controller. In order for the Fiscal Office to process

payment, the approved exception must be submitted with the invoice / receipt.

- 2.3 Recognition of Special Effort or Outstanding Performance – Non cash awards, such as plaques, certificates (not gift certificates), books, flowers, fruit baskets, or similar items are **not taxable** if they are **\$100 or less**. An employee may only receive these awards two (2) 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 with safety performance 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 – Non cash awards (**up to \$400**) may be excluded from income if the dollar amount of the gift relates to the retiree’s length of service. Documentation is to be provided with the invoice / receipt describing the relationship between the retiree’s length of service and the value of the gift.
- 2.7 Cash awards are processed through Payroll. All appropriate taxes will be withheld from the payment. A One-Time Payment should be submitted via Workday or a [Payroll Supplement](#) form to Engineering Payroll for processing.
- 2.8 Gift certificates or other cash equivalents (including gifts that do not meet the above thresholds or guidelines) will be processed through Accounts Payable. The [Request for Tax Withholding on Non-Salary Compensation Items](#) form must be completed and attached to the invoice / receipt. **Please be aware that the employer’s share of payroll taxes will be charged to the appropriate account.**

Related Statutes, Policies, or Requirements

[IRS Taxable Fringe Benefit Guide](#)

[Policy 31.01, Compensation](#)

[Regulation 31.01.10, Service Awards](#)

[System Tax Manual](#)

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