

INTERIM POLICY

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POLICY LIBRARY

Employee Gifts and Awards, Weill Medical College

POLICY 3.14.1

Volume 3, Financial Management
Chapter 14, Business Expenses
Responsible Executive: Senior
Director for Financial Management
Responsible Office: Department of
Finance
Issued: November 6, 2003

POLICY STATEMENT

Cornell University Weill Medical College (the "College") allows the bestowal of gifts and awards to recognize employees for outstanding work-related achievements, significant contributions, or major milestones, such as promotion or retirement.

REASON FOR POLICY

The College recognizes the services of its employees while complying with federal, state, and or other sponsor guidelines.

ENTITIES AFFECTED BY THIS POLICY

Weill Cornell Medical College

WHO SHOULD READ THIS POLICY

-
- Department heads, administrators, and managers
 - Employees who initiate, review, approve, process, or record financial transactions on behalf of the College
 - Employees who receive gifts and/or awards from the College

WEBSITE ADDRESS FOR THIS POLICY

www.dfa.cornell.edu/treasurer/policyoffice/policies/volumes/finance/gifts/wcmc.cfm

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RELATED DOCUMENTS

Table 1
Related Documents

University Policies	Other Documents
University Policy 3.2.1, Travel and Business Expense Reimbursement, Weill Medical College	IRS Publication 525: Taxable and Nontaxable Income OMB Circular A-21

CONTACTS

Direct any general questions about University Policy 3.14.1, Employee Gifts and Awards, Weill Medical College, to your college or unit's administrative office. If you have questions about specific issues, call the following offices:

Table 2
Contacts

Subject	Contact	Telephone
Allowable and Reimbursable Expenses (Grants)	Research Accounting, Finance	(212) 680-7131
Allowable and Reimbursable Expenses, (Non-Grants)	General Accounting, Finance	(212) 680-7072
Documentation and Authorization	Compliance Audit, Finance	(212) 680-7106
Payroll taxes	Payroll Department, Finance	(212) 680-7081
Tax issues	Compliance Audit, Finance	(212) 680-7106

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DEFINITIONS

These definitions apply to these terms as they are used in this policy.

Table 3
Definitions

Business Expense	Charges for goods or services, whether paid, committed, or accrued, that foster or support the ongoing missions of the College. These charges may include expenses (expenditures), debt service payments, and capital outlays.
Federal Allowable Cost	A cost identified in Section J, in the OMB Circular A-21, as reimbursable by the federal government, unless specifically superseded by the terms and conditions of a sponsored project. This term supersedes the term "recoverable cost."
Federal Appropriations	Federal government funds appropriated to the university.
Federal Unallowable Cost	A cost identified in Section J, in the OMB Circular A-21 as unreimbursable by the federal government. This term supersedes the term "nonrecoverable cost."
Fiduciary Responsibility	Responsibility to manage funds in a manner consistent with the university's missions and the conditions specified by external sources, when applicable.
OMB A-21	A federal circular establishing principles for determining costs that are applicable to grants, contracts, and other agreements with educational institutions.
Sponsored Project	A signed award (grant, contract, or cooperative agreement) under which the university agrees to perform a certain scope of work for an external sponsor.
Sponsoring Agency	A governmental or private organization that provides funding for a sponsored project.

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OVERVIEW

Introduction

On occasion a department will recognize employees for outstanding work-related achievement, a significant contribution, or a major milestone such as a promotion or retirement.

This guide provides specific guidelines regarding the value and type of gifts or awards to employees and whether or not they are subject to payroll taxes.

When these occasions arise, we are reminded that:

1. federally sponsored funds should never be used to charge employee gifts, morale building events, or celebratory/work related achievement events;
2. non-federally sponsored funds may be used only if the budget specifically includes such an expense;
3. departmental restricted funds may be used only if within the fund terms; and
4. departmental unrestricted funds may be used at the discretion of the department within the criteria of this guide.

The following guidelines have been developed according to the IRS regulations concerning gifts and awards to employees.

Guidelines

General Guidelines

1. It is not appropriate to spend **any** funds in recognition of employees for non work-related achievement or events such as weddings, baby showers, housewarming, etc.
2. All gifts and awards other than College-wide recognition programs for length of service or retirement awards must be charged to sub code 6859 to comply with federal reporting guidelines.
3. Gifts and awards received by employees are taxable and must be reported as additional earnings if their value exceeds the following dollar thresholds:
 - Cash or gift certificates of any amount (the IRS considers most gift certificates or any savings bond to be a cash equivalent even if the property or service acquired with the gift certificate would normally be excludable);
 - Gifts or awards of tangible personal property with a value greater than \$100 (gifts and awards of tangible personal property to employees are "*de minimis*" when they are awarded infrequently and are not greater than \$100);

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OVERVIEW, CONTINUED

- Gifts or awards of tangible personal property greater than \$400 for a length of service or retirement award (these awards may **not** be made within the employee's first five years of service or more frequently than every five years).

4. The **Extra Compensation Form** must be completed and forwarded to Payroll to document reimbursement for all **taxable** gifts and awards to employees. All taxable gifts and awards will be grossed-up for Federal, State, City and FICA payroll taxes so that the net after-tax amount reported matches the proposed amount of the award to the recipient. In other words, the total expense charged to the departmental funding source will equal the specified award amount plus all applicable taxes. Extra compensation, which represents reportable income, is not subject to the College's fringe benefit rate but is subject to the College's matching FICA tax of 7.65%.

Work-Related Achievement Award Guidelines

Recognition may take the form of celebratory events such as a department-wide luncheon, dinner, or party. Appropriate circumstances for such recognition include:

- To mark achievement of a major departmental goal;
- To honor an employee in connection with a work-related employee recognition program;
- To honor an employee who is leaving the College or department;
- To honor a retiree (other than College-wide recognition programs).

These costs should be treated consistent with the College's general business expense reimbursement guidelines.

Recognition may also be in the form of a gift, which may take the form of a gift certificate, tickets to the theater or sporting events, or tangible personal property such as a watch, pen, or briefcase. Appropriate circumstances for recognition by gifts include:

- To honor an employee for achievement of a work-related goal or objective (non-bonus);
- To honor a long-service employee, outside of a College-wide recognition program;
- To honor an employee departing the College or department;
- To honor a retiree (other than College-wide recognition programs).

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OVERVIEW, CONTINUED

What May Not Be Charged

Celebratory events and gifts to honor an individual for personal reasons (e.g., wedding, baby shower, birthday, housewarming, promotion, etc.) may not be charged to College funds. Personal funds should be used to pay for these and other kinds of staff parties and for gifts for such events.

Taxable Awards

Certain awards must be considered taxable income to employees. The table below outlines some scenarios and indicates whether they should be considered taxable income to the employee.

Table 4
Taxability of Awards to Employees

Scenario	Taxability of Scenario
Cash and gift certificates for any amount	Taxable
Tangible personal property - occasional and value not greater than \$100	Not Taxable
Tangible personal property - value greater than \$100 (this category does not include a length of service or retirement gift)	Taxable
Tangible personal property valued in the range of \$0 - \$400 for length of service or retirement	Not Taxable
Tangible personal property valued greater than \$400 for length of service or retirement. (Only the amount greater than \$400 is taxable or reportable).	Taxable

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FORMS

Table 5
Forms

Extra Compensation form