

Procedure 23810: De Minimis Awards

When is an employee award considered “de minimis” and therefore excludable from the taxable income of employees?

According to Internal Revenue Service (IRS) Publication 15-B a de minimis benefit is any property or service provided to an employee that has so little value (taking into account how frequently similar benefits are provided to employees) that accounting for it would be unreasonable or administratively impracticable. The application of the de minimis criteria for an award hinges on the concept of value. Typically, the cost of an item is considered to be the value (or fair market value). For items that are functional for employees, such as jackets or jewelry, this measure of value is logical and we use the amount paid for the item as the measure. Currently, the maximum value the University would consider de minimis is \$75.

The taxability of certain non-functional items such as engraved plaques and flowers costing more than \$75 is a gray area. The argument is that these items have only sentimental value, and no market value, regardless of their cost. These non-functional items cannot be used or sold on the open market once they have been personalized or engraved. Furthermore, , such non-functional items are given more for the benefit of the university than for the benefit of the employee. The presentation of the non-functional item as part of a ceremony is the key to its value for the university.

Because the IRS code does not address the issue of valuing non-functional items, the university must make a judgment call. In light of the above argument related to valuation, within boundaries, non-functional personalized plaques and flowers that exceed \$75 in cost will be considered de minimis by the university, and not taxable to the recipient.

Note that for employee recognition purposes a plaque can be “a commemorative or identifying inscribed tablet” or even “a framed certificate” recognizing the efforts or service of the employee. The designation of “plaque” will be subject to review by the Payroll Department.

Departments are encouraged to hold the costs to a reasonable amount and staying under the de minimis limit is suggested. While the Purchasing Department is mainly concerned with large purchases, they can and are willing to assist departments with purchases to ensure that items are obtained at a reasonable price. Agreements are in place with certain vendors that would offer a discount on certain items when purchased by university departments.

Controller's Office Procedure

Gift certificates and gift cards in the amount of \$75.00 or less are not included under the university de minimis policy. According to IRS regulations, cash equivalents such as gift certificates can never be treated as a de minimis fringe benefit, and are therefore always taxable, regardless of the dollar amount.

References: Employee Awards and Recognition Programs, <http://www.policies.vt.edu/4335.pdf>