



## Statement of Taxable Noncash Award or Prize

Imputed Income Process

University of California, Merced

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### Policy Summary

The University's policy aligns with IRS regulations. Therefore, the noncash award or prize limits are established so that the noncash award or prize does not result in taxable income to the employee.

If the noncash award or prize is in excess of the IRS allowable limits, it creates a taxable event for the employee. The department is responsible for notifying the employee of the taxability of their noncash award or prize.

Whether a noncash award or prize is taxable depends on its purpose, its frequency and its [Fair Market Value](#).

Tax Services has prepared guidelines and forms to assist departments in determining the tax treatment of these noncash awards or prizes.

### Guidelines for Noncash Awards & Prizes Received by Employees

#### Per-person limits and tax treatment applicable to awards and prizes received by employees

Please see G-41 "[Employee Non-Cash Awards and Other Gifts](#)" for a description of allowable employee noncash awards (i.e. recognition, length of service, retirement and sympathy awards, and prizes including raffle and door prizes and other gifts used to encourage participation in a department event).

G-41 includes the per-person limits applicable to each type of award or prize and the amounts which are taxable to the employee if the limits are exceeded.

#### Department responsibilities

When requesting an exception to G-41 "[Employee Non-Cash Awards and Other Gifts](#)", the Department should complete the "Exception Request Form" and the "Statement of Taxable Noncash Award or Prize". The award or prize will be fully or partially taxable if:

- a) The per-person limit applicable to that type of award or prize is exceeded
- OR**
- b) The employee receives more than three recognition awards during the calendar year.

The department is responsible for tracking all noncash awards received by employees during the calendar year, to ensure that the per-person limits for each type of award are not exceeded.

The taxable portion of the award or prize will be included on the **employee's** W-2 (1042-S for nonresidents), subject to the applicable federal and state income tax and employment tax withholding. The department is responsible for **employer** portion of the applicable taxable withholding; therefore, the department must provide the appropriate FAU on the "Statement of Taxable Noncash Award or Prize" form.

**Upon completion of the "Exception Request Form" and the "Statement of Taxable Noncash Award or Prize", email the forms to Tax Services at [tax@ucmerced.edu](mailto:tax@ucmerced.edu) for review and the form will then be routed to VC for Business and Administrative Services for signature.**



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## Exception Request Form

This form is to be completed by the Department to request an exception to the G-41 "[Employee Non-Cash Awards and Other Gifts](#)" policy.

### To Be Completed by the Requesting Department

Event Name	Event Date	Exception Award or Prize Amount

### Justification for the Exception Request

MSO/Department Head Name	MSO/Department Head Signature	Date	Phone
Vice Chancellor for Business & Administrative Services Name	Vice Chancellor for Business & Administrative Services Signature		Date
<b>Michael Reese</b>			

### Payroll Office Use Only

Processed By	Processed Date	Pay Cycle



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This form should be completed for each employee receiving an award or prize per UC Policy [Business and Finance Bulletin G-41](#) if: (a) the award or prize exceeds the applicable Per-Person Limit (see chart below)

**OR**

(b) the employee received more than 2 recognized awards during a calendar year.

Employee ID	Employee Name	FAU
Date of Award or Prize	Description of Award or Prize (i.e. gift card, pedometer)	Fair Market Value of Award or Prize

#### Check the box that indicates the type of award or prize received

Check Box	Type of Award or Prize	Per Person Limit (G-41 Appendix A)	Amount Taxable to Employee if Limit Exceeded
	Employee Recognition (including Spot Awards)	\$75.00	A
	Employee Recognition (One Month Parking Permit)	\$250.00	C, D
	Employee Recognition (One Month Transit Pass)	\$130.00	C, D
	Length of Service	\$400.00	B
	Retirement	\$400.00	B
	Sympathy Gift (Tangible Personal Property)	\$75.00	A
	Sympathy Gift (Cash Contribution)	\$200.00	E
	Prizes and Other Gifts	\$75.00	A

- A. If the cost (or value) of the award or gifts exceeds \$75.00, the **entire amount is taxable**.
- B. If the cost (or value) of the length of service or retirement award exceeds \$400.00, only the amount in **excess of \$400.00 is taxable** to the employee.
- C. If the cost (or value) of a monthly parking perm or transit pass award exceeds the per-person limit, **only the amount in excess of the limit is taxable**.
- D. The award amounts conform to the monthly pretax transportation limits that are indexed for inflation by the IRS. The adjusted limits are announced annually by the Associate Vice President – Systemwide Controller.
- E. Since a contribution made to a charity must be made in the name of the University; there is **no tax consequence if the limit is exceeded**.

#### Check the box that indicate the type of award or prize received

Check Box	Reason Why it is Taxable
	Exceeds Per-person Limit
	Received more than 3 Recognition Awards in one calendar year (coordinate with Tax Services at <a href="mailto:tax@ucmerced.edu">tax@ucmerced.edu</a> ).