Taxable Employee Payments

10/29/2025

Policy 3034 (S) Taxable Employee Payments is a Community Solution Education System administrative policy that University of Western States has adopted.

UWS is a member of The Community Solution Education System (The System), an integrated nonprofit system of six colleges and universities working together to advance student success and community impact. Through a centralized infrastructure and distinct model of governance, universities within The System work together to achieve success in an ever-changing higher education landscape.

The System administrative policies, denoted with an (S) after the UWS policy number, are governing principles that serve to mandate or constrain action System-wide, and many apply to every affiliate. These policies help employees ensure compliance with applicable laws and regulations, enhance the System's mission, promote operational efficiencies, and/or reduce institutional risk.

Administrative policies intended to apply System-wide must undergo each affiliate's individual approval process. Revision to existing or development of new administrative policies must follow the approval process outlined by the System.

To read the full policy scroll to page 2.

1. POLICY STATEMENT

In accordance with Internal Revenue Service (IRS) regulations, payments made from institutional funds including hourly wage and salary payments or items of value given to employees (as defined in Section 4) are considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2 unless a specific exemption applies.

2. PURPOSE

The purpose of this policy is to explain the implications of payments and gifts received by employees, and to ensure that TCS Education System and Affiliates (Employer) are in compliance with federal and state laws and regulations.

3. APPLICABILITY

The policy applies to all employees of Employer

4. DEFINITIONS

4.1 Award

A cash or non-cash item given to show thanks, support, goodwill, or recognition of an outstanding accomplishment. Cash and non-cash items could be given in recognition of achievement of job performance-related activities, including length-of-service milestones.

4.2 Gift

A cash or non-cash item given as a gesture of goodwill or appreciation or in recognition of or in connection with a holiday season or some other purpose not specifically related to regular job performance.

4.3 Prize

A cash or non-cash item given at random or as a result of chance, not directly related to job performance. Examples include random door prizes or raffles at events sponsored by the institution.

4.4 Non-cash Items

A gift of property such as electronic equipment, event tickets, items of clothing, etc. Gift certificates and gift cards are treated as cash for tax purposes; they are **not** considered non-cash items.

4.5 De Minimis

A non-cash gift or award that is so small that accounting for it would be unreasonable or administratively impractical. De minimis gifts, prizes, or awards may only be provided on an *occasional basis* and must have *little value*. Only non-cash gifts with

a value of $100 or less are considered de minimis. Cash awards, gift cards, and gift certificates are **never** considered de minimis. Common examples of de minimis fringe benefits include food, flowers, and clothing (all valued less than $100 and are given out infrequently).

5. PROCEDURES

5.1. General

All payments made from institutional funds or items given of value to employees are considered compensation, and are subject to federal, state, and employment tax withholding and reporting on Form W-2 unless a specific exemption applies.

5.2. Awards, Gifts, and Prizes

Cash gifts, awards, prizes, or non-cash gifts (that do not meet the de minimis requirements) to employees of Employer are considered supplemental wages and are reportable as taxable compensation beginning with the first dollar. The amount given to an employee, as long as it is not de minimis, must be included in their Form W-2 and is subject to all income and FICA withholding taxes. The amount of any cash gift, award, prize or non-cash gift (that does not meet the de minimis requirements) given to an employee of Employer must be communicated to Payroll via e-mail. The e-mail must include the employee name and dollar amount of the gift, award or prize.

The amount of any length of service award given to an employee of an Affiliate organization must be provided to Payroll via e-mail. The e-mail must include the employee name and the dollar amount of the award.

Rather than deduct the taxes from the recipient's payment, Payroll with automatically gross up the value of the gift, award, or prize so that the net payment is the desired amount. The department will incur an expense equal to the award amount plus taxes. The tax amount will vary and is dependent on the recipient employee's tax elections.

Gift cards for use as employee gifts, awards or prizes can be obtained through Treasury by completing the Gift Card Request Form, which is available on Finance page of the intranet.

Raffles (with or without employees) may require additional Form W-2G reporting and should not be carried on without prior consent from the Controller/AVP of Accounting.

5.3. Honorarium

A cash honorarium payment made to an employee must be paid through payroll. Please work with your local HR Partner to process an honorarium payment to an employee.

5.4. Multiple Roles

An employee may be employed by more than one Affiliate and will receive separate payments and separate W-2's from each Affiliate. An employee may not receive payment through Payroll and through Accounts Payable.

6. RELATED DOCUMENTS

- Gift Card Request Form

7. CONTACTS

- Deborah Ziolkowski, Senior Director of Accounting
- Emily Nyblad, Senior Director of Risk and Treasury
- Vikki Lemus, AVP Human Resources