



## Gifts and Celebratory Events for Employees

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### Policy Statement

Harvard units may occasionally spend modest amounts from appropriate funding sources to recognize employees under certain circumstances. Allowable employee recognition may take the form of celebratory events or gifts for the following occasions:

- Work-related achievement
- Employee morale-building events
- Sympathy upon the death or serious illness of an employee or employee's immediate family member

Units must use prudent judgment and also follow the IRS rules outlined below. University funds may not be spent in recognition of personal events or achievements unrelated to work, such as birthdays, weddings, baby showers, housewarming, etc., or for gifts in recognition of holidays rather than work-related achievement.

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### Reason for Policy

As a 501(c)(3) public charity, Harvard University has a stewardship obligation to use its funds prudently. Furthermore, Federal regulations and donor-imposed restrictions limit the spending of University funds on employee gifts and celebratory events. This policy outlines the circumstances and amounts where such use of University funds is allowed.

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### Who Must Comply

All Harvard University schools, tubs, local units, Affiliate Institutions, Allied Institutions and University-wide Initiatives must comply.

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### Procedures

#### 1. Ensure the gift or event is for an allowable occasion.

- Work-related achievement.** Examples include:
  - To mark achievement of a major department goal
  - To mark the end of the academic or fiscal year
  - To honor an employee in connection with a work-related employee recognition program
  - To honor an employee who is leaving the school, department or Harvard
  - To honor a retiring employee.
- Occasional employee morale-building events.** Examples include a department-wide luncheon or gathering for all employees in connection with an established University-wide day off (e.g., Independence Day, Christmas) or similar departmental event (e.g., summer employee picnic).
- Sympathy** upon the death or serious illness of an employee or employee's immediate family member.
  - Appropriate sympathy gifts include a flower arrangement or a memorial gift. With Financial Dean approval, a donation to a charity in lieu of flowers is also allowable.
  - In keeping with IRS guidelines, all sympathy gifts/donations should be made on behalf of a Harvard department, not on behalf of specific individuals.



## 2. Comply with the \$75 threshold for nontaxable gifts.

- A. Generally, gifts to employees must be under \$75, including sales taxes, delivery fees and other service charges. Gifts of personal property valued up to \$400 may be made to a long-service (service of five years or greater) employee *in recognition of* that employee's service or upon retirement.
- B. Gift certificates of any amount are ALWAYS taxable income to the employee. The IRS considers gift certificates to be cash and taxable in any denomination.
- C. If unit makes a taxable gift to an employee, the unit must complete an [Additional Pay Form](#) and send it to central Payroll for processing.
- D. Generally, the number of gifts should be limited to once per quarter per employee.
- E. See Appendix for matrix of gift taxability.

## 3. Use an appropriate funding source.

- A. Federally sponsored funds should never be used to charge employee gifts, morale-building events, alcoholic beverages, or celebratory/work-related achievement events.
- B. Non-federally sponsored funds may be used only if the budget specifically includes such an expense.
- C. Departmental restricted funds may be used only if within the fund terms.
- D. Departmental unrestricted funds may be used at the discretion of the department within the criteria of the policy.

## 4. Record the gift or event expenses to the proper object code.

- A. Donations to charities in lieu of flowers must be charged to object code 8454, "Charitable Contributions^Expenses Ineligible for Fed Reimbursement."
- B. All celebratory events and gifts must be charged to object code 8450, "Expenses Ineligible for Fed Reimbursement, GENERAL."
- C. This is required for ALL Harvard units even if the expense is unrelated to federally sponsored research and even if the unit has no sponsored awards.

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## Responsibilities and Contacts

**Financial deans or equivalent tub financial officers** are responsible for ensuring that local units abide by this policy.

**Tub Finance Offices** should establish reasonable and prudent dollar limits for both celebratory events and gifts and a monitoring and approval process (e.g., an annual review of charges to object code 8450). Tubs should also strive to ensure that employees are treated in an equitable manner.

**University Financial Services (UFS)**, in partnership with the Financial Policy Office, Tax Reporting, , the Office of the General Counsel and Labor and Employee Relations, provides guidance to units on determinations of taxable income. Central Payroll, within UFS, is responsible for processing Additional Pay Forms for taxable gifts to employees. **Contact:** <http://vpf-web.harvard.edu/ofs/> or 617-495-8500.



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## Definitions

**Gift:** a transfer for which the dominant motive is detached or disinterested generosity, or affection, respect, admiration, charity, or like sentiment. They may take the form of gift certificates or tangible personal property such as a watch, pen, or briefcase.

**Employee morale building events:** a department-wide luncheon or gathering in connection with an established University-wide day off (e.g., Christmas, Independence Day).

**Longer-service employee:** the IRS defines longer-service employees as individuals employed five years or longer.

**Occasional:** for purposes of this policy, “occasional” is defined as once per quarter.

**Sympathy gift:** a memorial gift, donation to a charity or flower arrangement upon the death or serious illness of an employee or an immediate family member of an employee.

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## Related Resources

Additional Pay Form: [http://able.harvard.edu/forms/able\\_forms.shtml](http://able.harvard.edu/forms/able_forms.shtml)

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## Revision History

6/30/2013: updated format

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## Appendix

Taxability of Gifts to Employees and Other Individuals Affiliated with Harvard



# HARVARD UNIVERSITY FINANCIAL POLICY

## Appendix: Taxability of Gifts to Employees and Other Individuals Affiliated with Harvard

The tax rules shown below apply to gifts given to U.S. citizens, residents, and nonresident aliens.

Scenario	<i>Is the gift taxable to the recipient?</i>			
	Employee	Student	Harvard Affiliation (e.g. Non-Salaried Appointment)	Fellowship Recipient
Cash and gift certificates for any amount (non-tangible personal property)	YES	YES	YES	YES
Tangible personal property(*) – occasional and under \$75	NO	NO	NO	NO
Tangible personal property (*) valued at or greater than \$75.	YES	YES	YES	YES
Tangible personal property valued at \$400 or less for long-service employees’ service milestone or retirement gifts	NO	N/A	N/A	N/A
Tangible personal property valued over \$400 (**) for long-service employees’ service milestone or retirement gifts.	YES	N/A	N/A	N/A

(\*) Cash and cash equivalents of any amount, including gift certificates of any amount, are NOT considered tangible personal property and must always be taxable income to the recipient.

(\*\*) Consult with University Financial Services before making payment. For gifts in recognition of long service or retirement for individuals employed five years or more, only amounts greater than \$400 are taxable or reportable.

YES = subject to all taxes (federal, state, FICA) and included in gross income

NO = not subject to tax withholding and not included in gross income

### Note on “long-service” employees:

As defined by the Internal Revenue Code, a “long-service employee” is one employed for at least five years. Gifts to long-service employees *in recognition of their length of service or upon retirement* may be made up to \$400 without tax consequences. A long-service gift can be given to an employee no more than once every five years.