

HARVARD
FINANCIAL ADMINISTRATION



**Gifts and Celebratory Events
for
Employees and Nonemployees**

Financial Policy Office
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Gifts and Celebratory Events for Employees and Nonemployees

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Nonemployees



WHAT'S NEW

Updated 05/01/2017 - [Gifts and Celebratory Events for Employees and Nonemployees](#)

[Financial Policy Summaries](#)

Agenda

- What is a Gift?
- Gifts to Employees
 - Types (allowable and unallowable)
 - Changes in thresholds
- Gifts to Nonemployees
 - Types (allowable and unallowable)
 - Changes in thresholds
 - Gifts to donors
 - Human subjects
 - Host/ess gift
- Celebratory or Morale Building Events
- Appropriate funding source and object code(s)
- Gifts to employees from third parties

What is a gift?

The IRS has many rules that restrict gifts to employees and nonemployees. If a gift does not follow these rules, the value of the gift may be reportable and/or taxable to the individual.

Employees

Gifts to employees must be for an allowable reason:

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

Gifts to employees that are not allowable:

- Disguised wages
- To be given in recognition of personal events or achievements unrelated to work (e.g., birthdays, weddings, baby showers, housewarming) or in recognition of holidays rather than work-related achievement

Nonemployees

Gifts to nonemployees must be motivated by detached or disinterested generosity or respect, admiration, charity or like sentiment. Gifts to nonemployees may not be given in lieu of payment for services or as a quid pro quo (this for that).

Note

- School and unit policies or sponsor requirements may have additional restrictions (e.g., Financial Dean or designee approval for donations or a centralized gift certificate policy). Please contact your school or unit's Finance Office for more information.
- These amounts are cumulative across all of Harvard.
- The \$100 ceiling includes sales tax, delivery fees and other service charges. Personalizing a gift (engraving etc.) does not reduce the item's fair market value.
- Recognition should be made infrequently, and in no instances more than once per quarter.
- Policy website includes instructions on how to [process taxable payments](#) . An updated document, including Concur instructions, is forthcoming.

Gifts to Employees

Work-related Achievement:

- Acknowledge outstanding performance
 - Schools or units may have established employee recognition programs. Check with your Human Resources Office to see if there is an established program in your school or unit.
- Service Milestone or Retirement
 - Allowable every five years
 - May go up to \$400 as nontaxable
 - If your school or unit participates in milestone programs, additional gifts should be modest in scope to avoid possible tax implications since gift thresholds are cumulative across all of Harvard.

Sympathy

- Can be flowers, fruit arrangement or similar
- Donation in Lieu of flowers is allowable
 - Check with tub finance office for local restrictions
 - Gifts must be made on behalf of a Harvard department not an individual (e.g., On behalf of the Controller's Office)
- Per IRS regulations, flowers must adhere to \$100 threshold. Anything over \$100 is considered 100% taxable.

Gifts to Nonemployees

- These gifts should be motivated by detached or disinterested generosity or respect, admiration, charity or like sentiment. Gifts may not be given in lieu of payment for services or as a quid pro quo (this for that).
 - Gifts must be valued at \$100 or less
 - Both tangible gifts and gift certificates are allowable
 - Totals cannot exceed \$600 or more in a calendar year
 - Students who have held a Harvard job in the current year are considered employees and the gift is taxable.
- Gifts to Donors
 - Should stay within the \$100 threshold if at all possible
 - If exceed the threshold, follow school or unit guidelines
 - Cannot exceed \$600 in a tax year
- Human Subject Payments
 - Thresholds mirror the Human Subject Payment Policy
- Host/ess Gift
 - Employees who stay in a private residence with relatives or friends while traveling on business may be reimbursed for one appreciation gift for their host per visit, valued at \$100 or less (including tax or any other charges).

Gifts to Nonemployees, continued

- **Crimson Cash**
 - Crimson Cash Cards or additions to Crimson Cash accounts are considered a form of gift certificate and allowable up to \$100 for students, not allowed for employees.
- **Random drawings or door prizes**
 - Random drawings or door prizes are not considered gifts but should follow the same thresholds. IRS treats raffles as a form of lottery which is taxed differently than a gift.
 - Survey that allows participants to put their name in for a random drawing.

Celebratory or Morale Building Events

Modest amounts from appropriate funding sources to recognize employees or a department are allowable under certain circumstances.

- Celebrations for departing or entering employees
- Occasional employee morale-building events (e.g., department wide luncheon, summer employee picnic, etc.)
- Holiday/Seasonal Parties
- Mark achievement of a major department goal
- Should be occasional, not more than quarterly



Pop Quiz!



- Q: A department wishes to give a gift certificate of \$75.00 to a security guard who works for Securitas as a “thank you” for their outstanding work at commencement.
- A: This is not allowable. While gift certificates are allowable for nonemployees, this has the appearance of a spot bonus rather than a gift of disinterested generosity or respect.
What about if this was to an employee? This is not allowable because it is a gift certificate.
- Q: An individual retiring from Harvard after 20 years of service receives a Harvard Chair worth \$499.99 as a thank you/farewell gift.
- A: Because this is a longer-service employee and is for retirement, only \$99.99 is taxable to the individual.
- Q: An employee wins a Fitbit valued at \$100.00 after completing an HR survey.
- A: This is allowable since it is \$100 or less.
What about if the Fitbit was over \$100.01?. This is considered 100% taxable to the individual.
- Q: A department which brought in therapy dogs for students to pet as a stress reliever during finals gives a gift basket to each of the pet owners as a thank you.
- A: How much was the gift basket? If under \$100, allowable. The pet owners were not expecting the gifts and was for detached and disinterested generosity.
- Q: The Dean’s Office holds a school-wide Holiday event, and a separate event for those people who report directly to the Dean. At the 2nd event, staff are given gift baskets with a value of \$75.00. What is or is not allowable?
- A: The event’s are allowable. The gift baskets have the appearance of a gift for recognition of a holiday rather than a work related achievement and are considered taxable.

Accounting

- Charge Appropriate Funding Source
 - Federally sponsored funds must never be used to charge employee or nonemployee gifts.
 - Non-federally sponsored funds may be used only if the expense is allowable under the terms of the award.
 - Restricted funds may be used only if within the fund terms.
 - Departmental unrestricted funds may be used at the discretion of the department, if the budget allows and within the boundaries of this policy.

Suggested Object Codes

Object Code	Object Description	Comments
8450	Expenses Ineligible for Fed Reimbursement, GENERAL	Includes alcoholic beverages, gifts, lobbying costs, memberships in lobbying organizations, flowers, fines & penalties, fine art, antiques, decorative objects for private offices, charitable contributions, fundraising & commencement expenses incurred.
8451	Advertising^Expenses Ineligible for Fed Reimbursement	<p>Use for all event or program advertising unless grant-specific and allowed.</p> <p>Use 8661 – Recruitment Advertising for advertising job openings.</p> <p>Use 8660-8662 for grant-related recruitment or promotional advertising expenses as allowed.</p>
8454	Charitable Contributions^Expenses Ineligible for Fed Reimbursement	Contributions to charitable organizations. Often used in lieu of sympathy flowers.
8455	Events^Expenses Ineligible for Fed Reimbursement	Includes rental of space, audio-visual equipment, catering, flowers, alcoholic beverages, etc.; primarily for development events, but can be used for other unallowable events (all development events would be unallowable anyway).
8459	Other Ineligible Expenses^Expenses Ineligible for Fed Reimbursement	Ineligible expenses that do not fit into the above categories.

Suggested Object Codes

Object Code (S845)	Object Description	Comments
8456	Alcoholic Beverages, INTERTUB Sales of^Expenses Ineligible for Fed Reimb	Used for the most part by Dining Services and Faculty Club for alcoholic sales.
8457	Event+Program Svcs, INTERTUB Sales of^Expenses Ineligible for Fed Reimb	Used by various tubs earning fees for rental space.
8458	Beer+Wine, Cost of Goods Sold^Expenses Ineligible for Fed Reimbursement	Used by various tubs in the business of selling alcohol.

Gifts to Harvard Personnel from 3rd Parties

- Harvard personnel must avoid an actual or perceived conflict of interest when accepting gifts from third parties in connection with their Harvard work. Employees who make purchasing decisions are encouraged to use particular care when accepting gifts from vendors.
- Employees should notify their supervisor when they are given a gift of greater than nominal value (meaning an item more substantial than standard giveaway items like t-shirts, keychains, mugs, etc.) from a third party in connection with their Harvard work. Local policies may apply; contact your tub Finance Office for more information. See the [Policy on Conflicts of Interest and Commitment for Senior Staff](#) for additional guidance.

Appendix A

Taxability of Gifts to U.S. Citizens, Residents and Nonresident Aliens

Scenario	Is the gift taxable to the recipient?			
	Employee		Nonemployee	
	An employee is defined as an individual who has held a Harvard job (whether benefits-eligible or not) in the current calendar year or will receive a W-2 or 1042S. This includes individuals on the temporary, weekly payroll (student or non-student).		A nonemployee is defined as an individual who has not held a Harvard job (whether benefits-eligible or not) in the current calendar year. This include students, nonemployee fellows, or others. Stipendees are not considered employees.	
	Faculty or Staff	Harvard Students Holds/held a job at Harvard in the current tax year.	Harvard Students Have not held a Harvard job in the current tax year.	Nonemployee
Cash and gift certificates for any amount	YES	YES	NO ^(e)	NO ^(e)
Tangible personal property– occasional ^(a) \$100 or less	NO	NO	NO	NO
Tangible personal property valued greater than \$100 ^(b)	YES	YES	YES	YES
Tangible personal property valued at \$400 or less for longer-service employees’ service milestone or retirement gifts ^(c)	NO	N/A	N/A	N/A
Tangible personal property valued over \$400 ^(d) for longer-service employees’ service milestone or retirement gifts.	YES	N/A	N/A	N/A

Guidance for Processing Payments

- Payments that are considered taxable may require additional steps to process payments. The policy website includes instructions on how to [process reportable or taxable payments](#). An updated document, including Concur instructions, is forthcoming.

Additional Materials

- [Processing Taxable Payments](#)
- Guidance Regarding Gifts to Donors -
Forthcoming
- [Gift Updates and FAQ](#)