



## Gifts and Celebratory Events for Employees and Nonemployees Policy Summary of Changes and FAQ

---

### Major Changes

- Increases the nontaxable threshold for employee gifts from \$75 to \$100
- Establishes a \$100 limit on gifts to nonemployees and outlines a process for exceptions. Gift certificates of \$100 or less to **nonemployees** are allowed
- Donations in lieu of flowers of \$100 or less may be made to charitable organizations (Note: individual schools may require Financial Dean approval for donations, the policy directs users to check with their tub finance office for local requirements)
- Includes a section regarding Harvard employees receiving gifts from third parties and refers to the Policy on Conflicts of Interest and Commitment

### FAQ

#### What is a gift?

A gift is given for a legitimate Harvard business purpose and 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. Prizes from drawings or door prizes are not considered gifts, but follow the same thresholds.

#### Why is the threshold still only \$100? Can it be higher?

Harvard must follow the Internal Revenue Code (IRS) section 132(a) (4) for de minimis benefits. The IRS defines items with a value exceeding \$100 not to be de minimis; thus considered taxable. In rare and extenuating circumstances, schools may exceed the \$100 threshold for nonemployee gifts. This requires a letter of exception from the Financial Dean or designee.

#### What does the \$100 include?

The \$100 threshold includes all charges including engraving or monogramming, taxes, and delivery fees to the recipient's home or other off-campus location. The \$100 is inclusive of all gifts per event and is applied University-wide. Shipping or mailing charges for gifts delivered to Harvard and expenses for wrapping paper and cards are considered incidental expenses and do not need to be included in the \$100 threshold. Shipping, mailing or delivery charges for gifts sent to the recipient's home or other off-campus locations (i.e., funeral home) must be considered in the \$100 threshold.

#### How do I purchase gifts?

Gifts may be purchased using all purchasing methods available. Gift certificates may not be purchased using the PCard.

#### Why are gift certificates taxable for staff but not for nonemployees?

Employees and nonemployees are covered by different IRS rules. For employees, the IRS requires gift certificates of any amount be treated as reportable cash compensation. The IRS does not have the same rules for nonemployees.

#### What about gifts of Crimson Cash?

Crimson Cash Cards are considered a form of gift certificate: allowable up to \$100 for students, not allowed for employees.

#### What is the difference between a gift certificate, bank card, and gift card?

The terms "gift certificate," "bank card," and "gift card" are all used interchangeably and are defined as a prepaid card that allows the cardholder to use it for the purchase of goods or services. They are treated the same way for tax purposes in this policy.

#### When is it appropriate to give an employee a gift rather than a bonus to acknowledge a work-related achievement?

Employee gifts for work-related achievements must be minimal in value (\$100 or less), occasional, and are expected to reward an employee for an immediate, short-term task or accomplishment. Gifts cannot be disguised earnings, i.e., in lieu



of overtime pay or retroactive pay. Human Resource (HR) Offices often have established recognition programs based on specific criteria, contact your school or unit's HR Office for additional guidance.

Example:

An employee works over the weekend on an urgent request. The department wishes to thank them for going above and beyond with little notice. A small gift is appropriate.

The same individual assumes additional duties while another employee is on extended leave. Contact your HR Office for guidance, the individual may qualify for a temporary change in pay or for a larger bonus paid via PeopleSoft.

### **Why are sympathy flowers called a gift in this policy?**

Per IRS regulations, flowers sent by Harvard upon the death or serious illness of an employee or employee's immediate family member are considered a gift and must comply with the \$100 threshold to be nontaxable to the recipient.

### **What are the dollar thresholds and guidelines for service milestone and retirement gifts?**

Gifts of tangible property valued up to \$400 may be made to a longer-service (service of five years or greater) employee *in recognition of* that employee's service or upon retirement. The \$400 is inclusive of all costs, so if an honoree receives a gift from the University-wide service milestone program, any additional gift for recognition of that service anniversary should be a very modest token (e.g., a lapel pin, flowers).

### **Is there a difference between retirement and an employee leaving Harvard (farewell gift)?**

Yes. A longer-service employee voluntarily ending their professional career or working life who qualifies for Harvard's retirement benefits is considered a retiree and may, at the school's or unit's discretion, qualify for a longer-service retirement gift valued up to \$400 with no tax implications (see below regarding concurrent milestones).

An employee transferring within Harvard or leaving Harvard for another job (even if age and service make them *eligible* to retire) is not considered a retirement, and the gift must meet the \$100 or less threshold. Individual schools or units may have more restrictive retirement gift policies. Check with your tub finance office for more information.

### **What is allowable when an employee reaches a longer-service milestone and retires in the same year?**

If an employee reaches a longer-service milestone and retires in the same year, only one gift of \$400 is considered nontaxable, and an additional gift of \$100 or less would be allowed with no tax implications. If a longer-service employee reaches a service milestone and retires in different calendar years, a longer-service gift up to \$400 is allowable for each milestone (longer-service and retirement).

### **What does "presented as part of a meaningful ceremony or event" mean?**

The IRS requires that service milestone gifts cannot have the appearance of disguised compensation, and require that longer-service awards are presented as part of a "meaningful ceremony or event." However, there are many ways to satisfy this requirement. While some schools may recognize longer-service employees at a formal milestone ceremony, annual recognition event or a staff meeting, a personal written or verbal acknowledgement from a manager could also be appropriate. In addition, the formal award certificate included in the Harvard's service milestone recognition packet is sufficient to meet IRS regulations.

### **Do you have any suggestions regarding meaningful gifts that satisfy the \$100 threshold?**

There are a number of ways to commemorate an employee's time at Harvard that can be meaningful, yet inexpensive. A framed Harvard-related picture with co-workers' best wishes written on the frame mat, a Harvard photo book signed by co-workers, or other personalized or Harvard insignia gifts purchased through various Harvard preferred vendors are some options. A source of inexpensive gifts is the [Marshal's Office](#).

### **How do I process taxable payments?**

See [Processing Additional Payments](#) for guidance on how to process gift payments which are taxable.