



## Gifts and Celebratory Events for Employees and Nonemployees

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### Policy Statement

Harvard units may occasionally spend modest amounts from appropriate funding sources to recognize employees or nonemployees 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

Allowable nonemployee recognition must be for a legitimate Harvard business purpose and should 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.

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.

Note: school/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/unit finance office for more information.

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### Procedures

- I. **Gifts to Employees.** The IRS has many rules that restrict gifts to employees. If a gift to an employee doesn't follow these rules, the employee may be taxed on the value of the entire gift.
  - A. **Gift must be for an allowable reason.**
    1. **Work-related recognition**
      - a. To acknowledge outstanding performance
      - b. To honor an employee's service milestone or retirement
      - c. To honor an employee who is leaving the school, department or Harvard
    2. **Sympathy** upon the death or serious illness of an employee or employee's immediate family member.
      - a. Appropriate sympathy gifts include flowers, a fruit arrangement or similar. These gifts must adhere to the \$100 threshold. Gifts in excess of that amount may be funded through voluntary departmental collection.



# HARVARD UNIVERSITY FINANCIAL POLICY

Responsible Office: Financial Policy Office  
Date First Effective: 12/06/2000  
Revision Date: 05/01/2017  
<http://policies.fad.harvard.edu/>

- Donations in lieu of flowers of \$100 or less to charitable organizations in the name of a deceased employee or employee's immediate family member are allowed. Individual schools may have more restrictive charitable donation policies and/or may require Financial Dean or designee approval for memorial donations. Check with your tub finance office for more information.
- b. In keeping with IRS guidelines, all sympathy gifts/donations should be made on behalf of a Harvard department, not on behalf of specific individuals.

## B. Gifts to employees must be less than certain thresholds.

1. Generally, tangible gifts (including flowers) must have a value of \$100 or less, including sales taxes, delivery fees and other service charges. If a gift is valued over this amount, the entire amount must be treated as taxable. Personalizing a gift (by engraving, monogramming, affixing personalized plaques, etc.) does not reduce the item's fair market value.

Longer-Service or Retirement: 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. Per IRS rules, these gifts may only be offered every 5 years and should be presented as part of a meaningful ceremony or event. If a gift is valued over this amount only the amount over \$400 is treated as taxable. See [Processing Additional Payments](#) for details on processing taxable payments.

Schools or Units may have established employee recognition programs or may participate in the University-wide milestone gift program. Schools participating in the University-wide program should be aware that the \$400 limit is inclusive of all gifts from Harvard. If a school gives an additional gift for recognition of longer-service, it should be modest in scope to avoid possible tax implications (e.g., flowers).

2. 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.
3. If a unit makes a taxable gift to an employee, the unit must complete an Additional Pay-Gifts/3<sup>rd</sup> Party Form (making sure to note in the comments section that no check is to be issued) and send it to Central Payroll for processing. See [Processing Additional Payments](#) for examples. Contact your school's Finance or Human Resources (HR) Office for additional details.
4. Generally, work-related recognition should be made infrequently, and in no instances more than once per quarter (e.g., recognition and sympathy may occur in a same quarter). Longer-service gifts may only be made once every five years.
5. See [Appendix A](#) for matrix of gift taxability.

## II. Celebratory or Employee Morale Building Events

- A. Some schools and units may spend modest amounts from appropriate funding sources to recognize employees under certain circumstances including:
  1. Celebrations for departing or entering employees.
  2. Occasional employee morale-building events (e.g., department-wide luncheon, summer employee picnic, etc.).
  3. Holiday Parties - gathering for all employees in connection with an established University-wide day off.
  4. These events must be charged to object code 8450 or 8455.



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## III. Gifts to nonemployees

- A. Harvard may make modest gifts, valued at \$100 or less, to nonemployees for legitimate Harvard business purposes. 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. For example, units may make small gifts to thank volunteers or others who assist the University in its teaching or research activities. Random drawings or door prizes are not considered gifts but should follow the same thresholds.
- B. Gift cards/certificates of \$100 or less may be given as gifts to nonemployees. School/unit policies or sponsor requirements may have additional restrictions for gift cards. If you have questions, please contact your school/unit's Finance Office for more information prior to incurring any expenses. In rare and extenuating circumstances, schools may exceed the \$100 threshold for nonemployees. This would require prior written approval (e.g., an email) from the Financial Dean or designee.
- C. Special rules apply to gifts given to donors, heads of state, dignitaries and other high-profile visitors.
  - 1. Gifts to donors are subject to complex rules and may require additional review. See [Guidance for Gifts to Donors](#) for additional information or contact [Alumni and Development Services](#) or the [University's Financial Policy Office](#) for more information.
  - 2. There are special considerations for gifts to heads-of-state, dignitaries and other high-profile visitors, whether visiting Harvard's campus or hosting Harvard personnel off campus. Contact the [University Marshal's Office](#) for the university's protocol for high-level visitors. Suggested gifts may be found at the [University Marshal's website](#).
- D. Human subject payments fall under the [Human Subject Payment Policy](#).
- E. Travelers 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). See the [Travel Policy](#) for additional details.

## IV. General Information

- A. **Use an appropriate funding source.**
  - 1. Federally sponsored funds must never be used to charge employee or nonemployee gifts.
  - 2. Non-federally sponsored funds may be used only if the expense is allowable under the terms of the award.
  - 3. Restricted funds may be used only if within the fund terms.
  - 4. Departmental unrestricted funds may be used at the discretion of the department within the boundaries of this policy.
- B. **Record the expense to the proper object code.**
  - 1. All gifts and contributions must be recorded in the S845 object code range (8450-8459).
  - 2. Donations to charities in lieu of flowers must be on behalf of Harvard and not an individual. The business line of the payment must include language such as "Donation for XXXXX on behalf of Harvard DEPT/SCHOOL" see the [Business Expense Reimbursements Policy](#) regarding other types of donations.
  - 3. A periodic review of the S845 range is a recommended best practice.



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## V. Gifts given to Harvard personnel from third parties.

- A. 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.
- B. Generally, 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](#).

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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 practices for gifts and a monitoring and approval process. Tubs should also strive to ensure that employees are treated in an equitable manner.

**The Financial Policy Office**, in partnership with Tax Reporting, Strategic Procurement, the Office of the General Counsel and Labor and Employee Relations, provides guidance to units on this policy. **Contact: 617-384-7487 or [financialpolicy@harvard.edu](mailto:financialpolicy@harvard.edu)**

**Central Payroll**, within Tax Reporting and Payroll, 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 respect, admiration, charity, or like sentiment.

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

**Memorial gift:** a gift, often personalized, given to the family member (e.g., personalized picture frame).

**Occasional:** infrequent; for purposes of this policy, "occasional" is defined as once per quarter.

**Prize:** given as a reward to the winner of a competition, drawing, or recognition of another outstanding achievement.

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## Related Resources

[Business Expense Reimbursements Policy](#)

[Human Subject Payments](#)

[Policy on Conflicts of Interest and Commitment for Senior Officers and Administrators](#)

[Processing Additional Payments](#)

[Travel Policy](#)

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## Revision History

05/01/2017: raised threshold for tangible gifts to \$100, added guidance for gifts to nonemployees including gift certificates, expanded on charitable gifts, celebratory events, and employee's receiving gifts.

6/30/2013: updated format

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## Appendix

Appendix A - [Taxability of Gifts to U.S. Citizens, Residents and Nonresident Aliens](#)



# HARVARD UNIVERSITY FINANCIAL POLICY

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

Scenario	Is the gift taxable to the recipient?			
	Employee		Nonemployee	
	Faculty or Staff	Harvard Students	Harvard Students	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. <b>This includes individuals on the temporary, weekly payroll (student or non-student).</b>		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.	
		Holds/held a job at Harvard in the current tax year.	Have not held a Harvard job in the current tax year.	
Cash and gift certificates for any amount	YES	YES	NO <sup>(e)</sup>	NO <sup>(e)</sup>
Tangible personal property– occasional <sup>(a)</sup> \$100 or less	NO	NO	NO	NO
Tangible personal property valued greater than \$100 <sup>(b)</sup>	YES	YES	YES	YES
Tangible personal property valued at \$400 or less for longer-service employees’ service milestone or retirement gifts <sup>(c)</sup>	NO	N/A	N/A	N/A
Tangible personal property valued over \$400 <sup>(d)</sup> for longer-service employees’ service milestone or retirement gifts.	YES	N/A	N/A	N/A

<sup>(a)</sup> For purposes of this policy, occasional is defined as no more than once per quarter.

<sup>(b)</sup> Consult with tub finance office before making payment. If not a longer-service or retirement gift, 100% of the gift is taxable if over \$100 (e.g., \$100.01).

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

<sup>(d)</sup> Consult with tub finance office before making payment. For gifts in recognition of longer service or retirement only amounts greater than \$400 are taxable.

<sup>(e)</sup> Total gifts to a nonemployee (including Harvard jobs, gift cards/certificates, tangible gifts, subject payments or other service payments) should not reach or exceed \$600 in a calendar year. Once the \$600 threshold is met, all payment(s) are considered taxable. See section III.B.

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 (see e).