

WARTBURG COLLEGE
REPORTING GIFTS, PRIZES, DRAWINGS, AWARDS, AND PERSONAL ITEMS AS TAXABLE INCOME
SEPTEMBER 2011

SUMMARY STATEMENT:

Gifts, prizes, drawings, awards, or personal items provided to individuals through the College create a taxable event for the individual that needs to be reported as such by the College.

BACKGROUND:

Generally speaking, the Internal Revenue Service (IRS) considers gifts, prizes, drawings, awards or personal items provided to an individual by an organization as taxable income for the individual. The organization providing the gifts, prizes, drawing, awards, or personal items (taxable income or items/services) is required to withhold taxes and report such transactions to the IRS. If the individual receiving the taxable income is an employee of the College, then the fair market value of the items/services must be reported as taxable income on the individual's W-2. If the individual receiving the taxable income is not an employee of the College, then the fair market value of the items/services must be reported as taxable income via a form 1099-misc to the individual. The IRS does not require that a 1099 be issued by the College if, in the aggregate for the calendar year, the fair market value of the taxable income is less than \$600. However, even if the amount is less than \$600, the individual still has a responsibility to report the items/services as taxable income.

Basically, if an individual receives anything of a personal nature, it is considered taxable income. The following are examples of items that would have to be reported.

Gifts of any type, including gift cards, cash, or check(s)

Prizes such as float/window decorating competitions, talent competitions, etc.

Drawings or raffles, such as door prize drawings, items for showing up, name drawn from a raffle, etc.

Awards such as student achievement, artistic awards, etc. #

Personal items, such as room & board provided to students by on-campus department employers, merchandise, gift certificates, etc.

Awards that are treated as scholarships and are processed through the Financial Aid Office are, generally speaking, not taxable to the student, unless the total scholarships and grants exceed the tuition charge for the same period.

If the College does not appropriately report taxable income on the W-2, then the College could incur fines and penalties for under-reporting the taxable income as well as not submitting the related payroll taxes on a timely basis. These fines would be on-going and would typically be in the range of \$15 to \$50 for each violation. If the College does not appropriately report taxable income on the 1099, then the College could incur fines and penalties for not reporting 1099 information correctly. These fines would be on-going and would typically be in the range of \$15 to \$50 for each 1099 not filed. The individual

might incur penalties and fines if they do not appropriately report such items/services received as taxable income.

GENERAL GUIDELINES:

Departments and campus organizations may want to offer gifts, prizes, drawings, awards, and personal items for various reasons. Funds related to the College (e.g. budgets, grants, restricted, agency accounts, merchandise or gift certificates collected from other entities, etc.) should NOT be used for the following:

Birthday, wedding anniversary, get well, Christmas and other holidays, etc.

The reason for not allowing such items is because we want to provide consistency across campus. It is unfair if one department has resources to provide such items while another department does not. Years of service, hospital stays, etc. will be recognized/acknowledged by the College and therefore, individual departments should not use College resources to provide any gifts related to such events.

If there are questions as to whether an item/service should be purchased/provided or not, please contact the Business Office.

PURCHASES MADE AS WELL AS MERCHADISE AND GIFT CERTIFICATES COLLECTED :

Items that could be considered:

Gifts, prizes, drawings, awards, or other personal items (assuming it is not on the excluded list). In order to facilitate the reporting requirement, such items would have to be reported by the individual making the purchase or collecting the merchandise or gift certificates.

The information that should 1> be provided to on campus departments (e.g. Bookstore, Dining, or The W), or 2> accompany each payment voucher, reimbursement, or purchase card transaction for off-campus purchases, or 3> be completed when merchandise or gift certificates are collected to be disbursed, would be as follows:

1. Description of the item/service.
2. Purpose of providing the item/service to an individual.
3. Information about the person receiving the item/service. If the person to receive the item/service is a Wartburg employee or student, the purchaser or collector would have to provide the name of the person to receive the item/service and Wartburg I.D. number. If not a Wartburg employee or student, then not only name, but also address and social security number will need to be provided.
4. Name, Wartburg ID # and signature of person requesting/collecting the item/service.

NOTE: If the recipient of the item/service is not known at the time of purchase or collection, then the individual making the purchase or doing the collection will be required to

submit the name of the recipient and other required information to the Business Office as it is known. If the information is not submitted within 30 days of purchase or collection, then the item/service will be considered taxable income for the individual making the purchase or collection. Any items that are reported as taxable income to the purchaser will also be reported to the department head and appropriate Cabinet member. If it is determined that such a purchase or collection should have not been made, then the individual will be required to pay for such item.

If the item to be provided is cash or a check, then the required information should be submitted when the request for the cash or check is made. If the item relates to merchandise or gift certificates collected from an outside entity, then the information should be provided at the time the merchandise or gift certificates are collected.

There are two separate forms, one for purchases and one for collection of merchandise & gift certificates. The appropriate form should be completed and submitted to the Business Office no more than two (2) weeks after the individual receives the item/service.

ROOM & BOARD:

A department or area is allowed to provide room & board for students needed for work on campus prior to the beginning of each term as well as over breaks (when an additional fee is charged for staying on campus). Generally speaking, the fair market value of the room & board made available to such students must be considered taxable income to the student. There are some exceptions, such as RA's, when living and eating on campus is required as part of the job and is for the benefit and convenience of the employer.

When a department or area ask a student to work on campus prior or the beginning of each term or over break and wants to provide the student with room & board (when available), then information will need to be provided to Res Life about the students and dates involved as well as the name and number of the department where the student will be working. This information will be shared with other departments as needed and the fair market value of the room & board will be reflected as taxable income for the student.

NOTE: During breaks, there is no board provided. For early returns, the fair market value of the room & board will be reflected as income to the student worker, regardless if they stay in the room or eat the meals.