1. Summary

1.1. Oregon State University may pay cash or cash equivalent awards to eligible faculty staff or student employees in recognition of their performance or length of service.

1.2. Employee recognition awards must comply with all governing IRS regulations, including the requirement that all cash or cash equivalent awards are taxable to the recipient once the award has been designated for an individual. This policy provides guidelines for the different types of awards, allowable funding sources and proper coding for employee recognition awards.

1.3. All budget authorities, managers, supervisors and any employee responsible for processing or approving employee recognition awards should be informed and understand this rule.

2. General Compliance Requirements

2.1. An award recipient should not be given the choice of whether to receive cash or to have funds designated to a professional development fund. IRS regulations require that once an employee is offered a choice, the award is taxable income to the employee.

2.2. If an employee will receive a cash award in the form of check or gift card, the department is advised to follow one of these best-practice approaches:

2.2.1. Communicate clearly with the employee in advance that the award will be taxed and the net payout will be less due to tax withholding.

2.2.2. Communicate in advance with the employee that in order for the employee to receive the stated award amount we are required to account for the related taxes and will “gross up” the award to cover the cost of taxes, which will be charged to the department.
3. **Process & Responsibilities**

3.1. **Performance Awards**

3.1.1. These types of awards recognize extraordinary employee and/or team achievements. These may be given to faculty, academic/administrative unclassified, classified or student employees.

3.1.2. Payment of these awards is not limited to a specific dollar amount. However, ONLY $50 in a calendar year, per individual, may be from the following funds:

   a) Education and General (E&G) Fund 0xxxxx
   
   b) State-Wide Public Service (SWPS) Fund 03xxxx – limited to indexes with ‘administrative’ program codes
   
   c) Designated Operations Fund 05xxxx – only when the award is directly related to the specific Designated Operation fund activity

3.1.3. The total award, or any amount over the $50 limit noted in the paragraph above, may be from non-institutional funds such as gift funds (M2xxxx or FSxxxx) or auxiliary funds (FExxxx, 438xxx or 1xxxxx).

3.1.4. These awards cannot be paid with grant and contract funds, cost share funds or SWPS project indexes.

3.2. **Service Awards**

3.2.1. These types of awards are in honor of length of service or retirement.

3.2.2. Payment of these awards is not limited to a specific dollar amount.

3.2.3. Service awards may be provided only from non-institutional funding such as gift funds (M2xxxx or FSxxxx) or auxiliary funds (FExxxx, 438xxx or 1xxxxx).

3.2.4. These awards cannot be paid with E&G funds (0xxxxx), SWPS funds (03xxxx), grant/contract funds or cost share funds.

3.2.5. Retirement/service reception expenses are not an allowable use of institutional funds.

   a) Departments wishing to honor employees for outstanding achievements, length-of-service, or a retirement must use external funding sources for this purpose.

   b) This may be a direct payment by the OSU Foundation (OSUF) or individual donations. See fiscal policy-rule #03-110-210 Attendee Event Payments.
c) With the exception of specific agency funds, costs for these activities must not be entered on the OSU Financial Information System (FIS)/Banner. FSxxxx funds cannot be used for this purpose.

3.3. **Payment Methods**

3.3.1. **Cash Awards** will be approved by the Office of Human Resources (OHR), processed through Central Payroll and taxed as income using the account codes noted below. These awards cannot be paid through the accounts payable process.

   a) 10207 Unclassified/Academic employees
   
   b) 10417 Classified employees
   
   c) 10507 Student employees

3.3.2. **Cash Equivalents**, such as gift cards or certificates, are purchased through the accounts payable payment process and must be reported as taxable income to the recipient through Central Payroll. See fiscal policy-rule #03-140-512 Gift Cards or Certificates.

   a) Use account code 20168 Awards (all employees)
   
   b) Include the employee’s first name, last name and OSU ID number

3.3.3. **Non-Cash Awards** (cameras, pictures, etc.)

   a) Length of service and safety awards with a value/cost of $400 or greater and other awards with a value/cost of $100 or greater must be processed through the accounts payable process. To ensure accurate tax reporting, these transactions must be coded correctly and include the employee’s first name, last name and OSU ID number.

   b) Length of service and safety awards with a value/cost of less than $400 per employee and other awards with a value/cost of less than $100 per employee, per calendar year are non-taxable to the employee. These may be processed through OSU Foundation (OSUF) as a direct payment or reimbursement, or through accounts payable, whichever is appropriate.

4. **Related Information**

4.1. University Policy [03-100 Fiscal Policy Program Authority](#)
4.2. Please refer to all other policies, standards and fiscal rules that may be applicable, including but not limited to the following:

4.2.1. Fiscal Policy-Rule #03-110-210 Attendee Event Payments

4.2.2. Fiscal Policy-Rule #03-140-512 Gift Cards or Certificates.

4.3. Please check with your unit/college for unit-level procedures related to this rule.

4.4. Following are forms and other resources related to this policy:

4.4.1. Giving an Employee a Cash Award

4.4.2. IRS Publication 15-B

4.4.3. IRS Publication 535

4.5. Fiscal Policy Program Definitions of Terminology

4.6. Fiscal Policy Program Frequently Asked Questions (FAQs)

5. History

5.1. Original Issue Date: 01/2003 (FIS 410-08)

5.2. Last Version: 12/2014 (FIS 410-08)

5.3. Last Review Date: 04/2021

5.4. Next Scheduled Review Date: 04/2024

6. Contacts

6.1. Policy Steward: Director of Financial Accounting & Analysis

6.2. Program: Fiscal Policy Officer, Financial Accounting & Analysis

6.3. Link to full list of Fiscal Policy Program Contacts