Prizes and Awards to Trinity University Employees and Students

This policy provides guidance for recognizing Trinity University employees and students through the giving of prizes and awards for academic performance or employee service. Payments are made through different Trinity University offices dependent on whether the recipient is a student or employee and dependent on the final distribution of the check. All guidelines are in accordance with IRS regulations and university policy.

**Terminology:**

*Prizes* are given to students who have submitted entries to a judged competition. For example, the best short story, essay, music or poster competition.

*Awards* are given to employees and students when no formal entry or submission has been made by the employee or student to win the award. Awards may be given to employees only for meritorious performance reasons connected with employment. For example, McKinley Award, Fern Malsbury Award, and Student Service Awards.

*Employee* is an individual receiving compensation for services provided full-time or part-time, including casual employees, and student employees.

**Student Awards - Not Connected to Employment:**

If not connected to employment, awards and prizes to students in the form of cash, check and/or gift cards are related to academic achievement or performance and are considered financial aid. In many cases, the award or prize will be processed through the Financial Aid Office, recorded on the student’s account, and reflected on the student’s bill. In cases where a check or gift card is to be handed to the student at a ceremony, the award will be processed by the Accounts Payable Office.

However, in all cases, the Financial Aid Office will be informed of the amount and will determine the impact, if any, on the student’s overall financial aid package. A listing of the students receiving prizes or awards in the form of cash, check and/or gift card should be attached to the DPO or other document for reimbursement and reporting purposes.

Students who are nonresident aliens (as defined by the IRS for tax purposes) and who receive awards or prizes that are in excess of tuition, books, and required fees and equipment will be taxed at the rate of 14% and reported on a Form 1042-S by the University.

**Awards Connected to Employment:**

Awards to employees are considered wages subject to social security, medicare and federal withholding, and reported on Form W-2.

**Employee Achievement Awards**

- **Length of Service Awards**
  Length of service awards may qualify as a non-taxable benefit provided:
  - The employee has at least five years of service with the University
  - The employee has not received a length of service award within the last five years
  - The awards are limited to $400 per employee per year
  - The awards are presented as part of a meaningful presentation
The awards must not be disguised compensation, i.e. an award that cost the employer much less than its fair market value.

Should the employee receive a length of service award or gift that exceeds $400, the excess shall be reported to Payroll and included as taxable wages on the employee’s Form W-2.

Please refer to the matrix below for further guidance. If you have questions please call extension 8002 for Andrea Spanley, Manager of Disbursements or Don McTeer, Director of Accounting.

<table>
<thead>
<tr>
<th>Nature of Recognition</th>
<th>Student Awards and Prizes</th>
<th>Employee Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recognizes academic accomplishments as a student</td>
<td>Recognizes service as an employee (including student workers)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status Individual</th>
<th>Trinity Student (not including nonresident alien)</th>
<th>Trinity Student (nonresident alien)</th>
<th>Trinity Employee</th>
<th>Trinity Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award</td>
<td>*Accounts Payable or Financial Aid</td>
<td>*Accounts Payable or Financial Aid</td>
<td>*Accounts Payable or Financial Aid</td>
<td>Payroll</td>
</tr>
<tr>
<td>Prize</td>
<td>*Accounts Payable or Financial Aid</td>
<td>*Accounts Payable or Financial Aid</td>
<td>*Accounts Payable or Financial Aid</td>
<td>Payroll</td>
</tr>
<tr>
<td>Processed/Paid By</td>
<td>1098-T</td>
<td>1042-S, if applicable</td>
<td>1042-S, if applicable</td>
<td>W-2</td>
</tr>
<tr>
<td>IRS Reporting</td>
<td>Taxable if amount received for the calendar year exceeds tuition &amp; required fees, books, and required equipment</td>
<td>Taxable if amount received for the calendar year exceeds tuition &amp; required fees, books, and required equipment</td>
<td>Taxable if amount received for the calendar year exceeds tuition &amp; required fees, books, and required equipment</td>
<td>No Reporting **</td>
</tr>
<tr>
<td>Tax Consequences</td>
<td>Qualified amounts = nontaxable; Nonqualified amounts = 14% rate</td>
<td>Qualified amounts = nontaxable; Nonqualified amounts = 14% rate</td>
<td>Federal Income Tax withheld when award paid</td>
<td>No Tax Consequence **</td>
</tr>
</tbody>
</table>

*The Financial Aid Office or the Account Payable Office will process the award or prize dependent upon final distribution of the check, if applicable (i.e. whether the check is to be handed to the student by the department or simply applied to their student account). In any case, the Financial Aid Office will be made aware of the award or prize amount and will determine the impact, if any, on the student’s financial aid package.

**Other criteria that apply in order to be a nontaxable length of service award includes:

- The employee has at least five years of service with the University
- The employee has not received a length of service award within the last five years
- The awards are presented as part of a meaningful presentation
- The awards must not be disguised compensation, i.e. an award that cost the employer much less than its fair market value