

SOM- Department of Obstetrics and Gynecology	TITLE: PPG Gift Policy	Policy: LR005
Department Guideline	Date: September 20, 2005	Rev. 0
Approvals:		
Chairman/Date	Dept. Manager/Date	

Physicians Practice Group Gift Policy: <http://www.mcg.edu/centers/chi/GIFTS.pdf>

Physicians Practice Group Expenditure Guidelines

Category: Gifts, Awards, Flowers and Memorials

Date: Updated 11/13/04

Gifts

Generally there are two categories of gift recipients, employees and non-employees.

Gifts to Employees¹

A gift to an employee will be reported as taxable income to the employee unless the gift falls under the category of holiday gifts of nominal value or de minimis fringe benefits.

Holiday gifts¹

If, as a means of promoting goodwill, an employer makes a general distribution to employees of hams, turkeys and other merchandise of nominal value at Christmas or a comparable holiday, the value of the gifts isn't included in the employees' income. But if an employer distributes cash, gift certificates, gift cards or similar items of readily convertible cash value, the value of the gifts is additional wages or salary, *regardless* of the value.

De minimis fringe benefits¹

De minimis fringe benefits are excluded from the recipient's gross income. A "de minimis fringe" is any property or service whose value is so small that accounting for it is unreasonable or administratively impracticable, taking into account the frequency with which similar fringe benefits are provided by the employer to its employees. Examples of de minimis fringes include: occasional parties or picnics; traditional holiday gifts of property (not cash) with a low fair market value; flowers, fruit, etc., provided under special circumstances, such as sickness or outstanding performance; and occasional meals or supper money provided because of overtime work.

PPG Guidelines for gifts to employees:

- Limit all gifts to employees to "holiday gifts" of \$25 or less.
- Do not give cash, gift certificates, or gift cards.
- PPG policy prohibits gifts for birthdays, babies, weddings and other non-work related events.

Gifts to Non-Employees (Business gifts)¹

The costs of ordinary and necessary business gifts are allowable up to \$25 a year to any one individual. However, any item for general distribution having a cost of not more than \$4 and on which the giver's name is clearly and permanently imprinted aren't classified as gifts. A gift to a non-employee will be reported as taxable income to the recipient if the gift has a value exceeding \$25.

¹ Source: RIA 1998 Federal Tax Handbook

Awards

Employee achievement awards¹ :

An employee achievement award is an item of tangible personal property awarded to an employee because of length of service, achievement, or safety achievement. Tangible personal property doesn't include cash, gift card, or any gift certificate other than a nonnegotiable gift certificate conferring only the right to receive tangible personal property. The award must be given as part of a meaningful presentation under conditions and circumstances that don't create likelihood that the payment is disguised compensation.

Employee achievement awards are generally excludable from the recipient's income. Employers are limited to awards of \$400 per year for any one employee for employee achievement awards unless the award is a "qualified plan award".

Length-of-service awards¹ won't qualify as such if given during an employee's first five years of employment, or if a length-of-service award was given to the same employee during the same year or any of the earlier four years.

Safety achievement awards¹ don't qualify if given to managerial, administrative, professional or clerical employees, or if such awards previously have been given to more than 10% of other employees during the year.

Qualified Plan Awards¹ : A qualified plan award is an item awarded as part of a permanent, written, nondiscriminatory plan of the employer. Employers are generally limited to awards of \$1,600 for a "qualified plan award".

PPG Guidelines for awards to employees:

- Awards should not exceed \$400.
- Retirement gifts for long term employees are generally considered length of service awards and as such, are limited to \$400.
- Do not give cash, gift cards, or gift certificates.

Flowers and Memorials

The IRS does not provide specific guidelines for flowers and memorials except as mentioned in "de minimis fringes" above. Generally flowers have been limited to death and hospitalizations, including the hospitalizations related to the birth of a baby. Memorials are appropriate in lieu of flowers and should be in the same dollar range as the amount that would have been spent on flowers. PPG recommends that each department establish the criterion for flowers or memorials so as to be consistent within a department. No flowers should be given for any personal event such as a birthday or wedding; however flowers are allowable for secretary's day or other work related events.

¹ Source: RIA 1998 Federal Tax Handbook
10-13-98 awrdgift.doc