

**Prizes and Awards**

A prize is generally received in conjunction with a contest, competition, or drawing where the individual voluntarily initiates participation (i.e. drawing at the Health Fair, winning a poetry competition, or a free throw contest at half time at a basketball game) and is open to any individual who meets the qualifications of the prospective event.

Prizes may be monetary or non-monetary. Monetary prizes are cash or cash equivalents such as gift certificates and gift cards. Non-monetary prizes are goods or services that are not easily exchanged for cash. All monetary and non-monetary prizes are subject to reporting requirements in accordance with IRS regulations.

Payment of prizes can be processed in a number of different ways. Following are the different ways payments for prizes can be processed:

**Payment made with University of Arkansas institutional funds**

1. Process the payment through the University procurement system to the recipient of the prize. Full name and social security number must be provided.
2. Process a purchase order through the University procurement system to the vendor for the prize.
3. Reimburse a University employee through the University procurement system for purchasing the prize.

**Payment made with University of Arkansas Foundation funds**

1. Process a UA Foundation Payment directly to the recipient. Full name and social security number must be provided.
2. Process a UA Foundation Payment to the vendor for the prize.
3. Process a UA Foundation Payment to a University employee as reimbursement for purchasing the prize.

In cases where payment for the prize must be made prior to the selection of the recipient (payment made to a vendor for a prize or reimbursement to an employee for the purchase of a prize) the name and social security number of the recipient must be provided to the Office of Tax Compliance within five days of the prize being awarded. Failure to provide this information may result in the prize being reported for tax purposes as being paid to the authorizing official.

## **Awards**

An award is generally received as recognition of service or for achievement. Awards can be monetary or non monetary. Awards in this policy do NOT include student financial aid or scholarship awards.

Payments being made to students determined by the Tax Compliance Office to be academic related or part of the cost of their attendance will be processed through the student payment system.

Monetary awards are cash or cash equivalents such as gift certificates and gift cards. All monetary awards are subject to the IRS rules for W-2 and 1099 reporting requirements and possible withholdings. Non-monetary awards are goods or services that are not easily exchanged for cash and are subject to reporting requirements in accordance with IRS regulations.

Awards can be processed in a number of different ways. Following are the different ways payments for awards can be processed.

### **Payment made with University of Arkansas institutional funds**

1. For non employees, process the payment through the University procurement system to the recipient of the award. Full name and social security number must be provided.
2. For employees, process the payment through the Payroll system to the recipient of the award. Full name and social security number must be provided.
3. Process a purchase order through the University procurement system to the vendor for the award.
4. Reimburse a University employee through the University procurement system for purchasing the award.

### **Payment made with University of Arkansas Foundation funds**

1. Process a UA Foundation Payment directly to the recipient of the award. Full name and social security number must be provided.
2. Process a UA Foundation Payment to the vendor for the award.
3. Process a UA Foundation Payment to a University employee as reimbursement for purchasing the award.

In cases where payment for the award must be made prior to the selection of the recipient (payment made to a vendor for a prize or reimbursement to an employee for the purchase of a prize) the name and social security number of the recipient must be provided to the Office of Tax

Compliance within five days of the prize being awarded. Failure to provide this information may result in the award being reported for tax purposes as being made to the authorizing official.

Non monetary awards may be subject to IRS rules for W-2 and 1099 reporting requirements if they exceed the stated limits and requirements. Non-monetary prizes and awards will be reviewed on a case by case basis and evaluated using set guidelines to include but not limited to the following:

1. Is the prize or award compensation for an employee?
2. Is the item a UA promotional item?
3. Does the item's value exceed \$50?

Employees receiving awards that are subject to withholding requirements will be processed through or reported to the Payroll department for proper W-2 reporting.

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