Introduction
This policy states when and what type of prizes are permitted and the tax treatment of prizes.

Policy Statement
A prize may be either a cash payment or tangible gift given as either a reward in recognition of an outstanding achievement or to the winner(s) of a competition. The payment is not restricted to the recipient’s work or research goals. There is no expectation of an accounting of the gift. Examples of prizes include: DOC prizes (primarily for academic achievement), Student Activity prizes, art prizes, academic department prizes, door prizes, and prizes to external recipients (i.e. high school students).

Cash prizes, including gift cards/certificates, of any amount are considered taxable income.

- Gift cards/certificates prizes are only permitted where the recipient is randomly selected, such as a door prize.
  - Refer to the Gift Card Policy for further information.
- The gift card/certificate is taxable to the prize recipient. The recipient's name, address and taxpayer identification information must be provided to Accounts Payable by the awarding department via secure email (Virtru).
  - The value of gift card/certificates given to employees is given to the Payroll Office to add to the employee’s W2 form.
  - Brown University issues a Form 1099 to students and other non-employee cash prize recipients if consolidated payments to them during a calendar year equal or exceed $600.
  - If the individual is a foreign national 100% of their payment is reportable on a Form 1042S.

A prize of tangible personal property equal to or greater than $100 is considered taxable. A prize of tangible personal property less than $100 is considered “de minimus” and are not taxable. Gift cards are not considered tangible personal property and are taxable at any value.

Responsibilities
Financial Coordinator: The Financial Coordinator initiates the cash prize payment to a student or other non-employee recipient in Workday using a supplier invoice.

Cost Center Manager: The Cost Center Manager approves the supplier invoice, ensuring the spend category is accurate, and the business purpose and supporting documentation are complete. Cost Center Manager ensures recipient tax information is collected for prizes that are taxable and is provided to Accounts Payable.

Accounts Payable: Accounts Payable reviews the supplier invoice for policy compliance and approves.

Procedures
Prizes to Employees

Cash prizes to Brown University faculty and staff are processed through payroll.

Gift cards/certificates of any value won by faculty and staff or the value of tangible personal property equal to or greater than $100 must be provided to the Payroll Office for inclusion in the employee’s W2 record.
Accounts Payable will provide that information to the Payroll Office from information received on both supplier invoices and expense reimbursement requests.

**Prizes to Students**

Refer to Dean of the College guidelines on student prizes. Cash prizes to students are processed through Accounts Payable using a supplier invoice. Use spend category Prizes and Premiums: 5410. Attach the prize form to the supplier invoice.

The value of gift cards/certificates of any value won by students or the value of tangible personal property equal to or greater than $100 must be provided to Accounts Payable for inclusion in the student’s Form 1099 record. Complete the prize form and send it to Accounts Payable.

**Prizes to individuals outside Brown University**

Cash, gift card/certificate of any value, or tangible personal property valued at over $100 won by an individual outside of the Brown University community is reportable to that individual on a Form 1099. Spend category Prizes and Premiums: 5410. Contact Accounts Payable for instruction.

**Forms/Instructions**

Prize Form

**Related Policies**

Gift Cards

**Related Information**

W-9

Policy Owner **Approved by** Vice President for Finance and Chief Financial Officer

**Contact(s)**

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