

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



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April 12, 2018

**CHANCELLORS
MEDICAL CENTER CHIEF EXECUTIVE OFFICERS
LAWRENCE BERKELEY NATIONAL LABORATORY DIRECTOR
VICE PRESIDENT—AGRICULTURE AND NATURAL RESOURCES**

RE: Technical Revisions to Financial Accounting Policies: BFB-G-13 Policy and Regulations Governing Moving and Relocation and BFB-G-41 Employee Non-Cash Awards and Other Gifts

Dear Colleagues:

Attached are the revised Financial Accounting Policies: *BFB-G-13 Policy and Regulations Governing Moving and Relocation and BFB-G-41 Employee Non-Cash Awards and Other Gifts*.

Technical changes were made to both Policies as a response to the Tax Cuts and Jobs Act legislation signed into law on December 22, 2017. Summary of the technical changes made are noted in the Revision History section of each policy.

The revised Policies will be published online at <http://policy.ucop.edu/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Alexander Bustamante".

Alexander Bustamante
Senior Vice President
Chief Compliance and Audit Officer

Enclosures

Cc: President Napolitano
Division Leaders
Associate Vice President and Systemwide Controller Arrivas
Manager Barrett
Campus Policy Managers and Coordinators



Policy and Regulations Governing Moving and Relocation

| | |
|-----------------------------|---|
| Responsible Officer: | AVP - Systemwide Controller |
| Responsible Office: | FA - Financial Accounting |
| Issuance Date: | 3/15/2018 |
| Effective Date: | 3/15/2018 |
| Last Review Date: | 10/15/2017 |
| Scope: | <ul style="list-style-type: none"> • This policy applies to the Payment of moving expenses for the University’s Managers and Senior Professionals (MSP) and Professional and Support Staff (PSS) personnel. • This policy does not apply to Personnel at the Lawrence Berkeley National Laboratory. • Senior Management Group (SMG) and academic personnel are addressed in separate policies. |

For questions regarding specific moving-related reimbursements, please contact your campus representative.

| | |
|-----------------|-----------------------|
| Contact: | John Barrett |
| Title: | Tax Manager |
| Email: | John.Barrett@ucop.edu |
| Phone: | (510) 987-0903 |

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I. POLICY SUMMARY

It is the policy of the University to comply with Internal Revenue Service (IRS) regulations concerning the reimbursement of moving expenses.

II. DEFINITIONS

Chancellor

The chief executive officer of the campus. For purposes of this Bulletin, the authorities and responsibilities assigned to the Chancellor are also assigned to the Executive Vice President---Chief Operating Officer, and the Vice President, Agriculture and Natural Resources.

Members of Household

Internal Revenue Service (IRS) Treasury Regulation Section 1.217-2(b)(10) defines "members of the household" as other individuals who are members of the taxpayer's household, and who have the taxpayer's former residence and the taxpayer's new residence as their principal place of abode. A member of the taxpayer's household is any individual, including a domestic partner, residing at the taxpayer's residence who is neither a tenant nor an employee of the taxpayer.

Moving Expenses

Moving expenses eligible for payment are defined in Internal Revenue Code (I.R.C.) Section 217(b)(1) as the reasonable costs (or expenses) incurred by a new appointee, or by a current employee who transfers to a new University location, of moving household goods and personal effects to a new residence. Such expenses also include the cost of travel to the University location for the individual and the members of his or her household, as authorized in I.R.C. Section 217(b)(2). Section III.A.2. details the specific moving expenses that may be paid for the personnel positions covered by this Bulletin. Although the University may pay all or part of an individual's moving expenses, these payments are taxable salary/wage income if paid during the period of January 1, 2018 through December 31, 2025, as authorized in I.R.C. Sections 217(k) and 132(g)(2).¹ University payments of an individual's moving expenses are taxable for federal purposes, whether they are paid directly to the individuals or paid to a third party on behalf of the individual. Please see Section V.A.4. for more information about the IRS Form W-2 reporting and withholding requirements.

Reasonable Costs (or expenses)

IRS Treasury Regulation Section 1.217-2(b)(2) includes as reasonable costs those costs or expenses that are reasonable under the circumstances of a particular move.

¹ I.R.C. Sections 217(k) and 132(g)(2) were added under Public Law (P.L.) No. 115-97.

Primary Residence (or Principal Residence)

The principal dwelling where the employee actually lives and is considered as the legal residence for income tax purposes.

III. POLICY TEXT

A. Reimbursement of Moving and Relocation Expenses

The reimbursement of moving expenses is at the sole discretion of the University and is subject to the availability of funds. Departments may pay all or a portion of such expenses. Chancellors may establish local provisions that are more restrictive than those in this Bulletin. In addition, the terms of a collective bargaining agreement shall govern when such terms do not conform to the provisions contained in this Bulletin.

The eligibility requirements for the payment of moving expenses for a new appointee or a current employee, in an MSP or PSS position, and a description of the types of expenses that may be paid, are detailed below:

1. Eligibility for Reimbursement

Actual moving expenses may be paid for new appointees to certain nonacademic positions requiring specialized training and/or experience of a technical, professional, or administrative nature. The new appointee must reside outside the commuting distance of the campus to which they have been appointed. Moving expenses may, at campus discretion, be paid by the University when a current employee is required to transfer or accepts a position, including a position at the same grade or a lower grade, at a campus outside a reasonable commuting distance. The move must be closely related to the start of work and meet both the time and distance tests under I.R.C. Section 217(c).² Unless all *three* requirements are met, the University should not reimburse the employee, or pay a third party on behalf of the employee, for moving expenses.

a. Related to the Start of Work

The move must be made in connection with the commencement of work at a new job location and the moving expenses must be incurred within one year from the time the employee first reports to the new job.

b. Time Test

During the 12-month period immediately following the move, the individual must be employed full-time for at least 39 weeks.

² Though not required for tax reporting purposes under P.L. 115-97 since all reimbursements are taxable, these are requirements under UC Policy in order to be eligible for moving expense reimbursement. Exceptions to these tests may be requested for special circumstances.

c. Distance Test

The distance between the individual's new job location and his or her former principal residence must be at least 50 miles more than the distance between the individual's previous work location and his or her former principal residence.

2. Reimbursable Expenses

Actual and necessary moving expenses are eligible for reimbursement, including the following:

- The cost of packing, crating, transporting, unpacking, and uncrating the appointee's household goods and personal effects. Such costs are limited to one household move per appointee.

Actual and reasonable expenses related to insurance for the household goods while in transit, if incurred within any 30-day period after removal of the household goods and effects from the former primary residence.

- Actual and reasonable storage costs for household goods and personal effects for up to 30 days immediately after removal from the primary residence.
- Actual and reasonable expenses related to moving two personal motor vehicles per household (which may include motorcycles but excludes the vehicles listed below). The vehicles may be shipped or driven. If the appointee decides to drive his or her personal vehicle, the appointee will be reimbursed at the mileage rate published in BFB [G-28](#), Appendix A.
- Actual travel expenses for the individual and his or her immediate family, but not to exceed the cost of air coach transportation. If the appointee claims meal costs en route, those costs must be reimbursed in accordance with BFB [G-28](#).
- The cost of furnished temporary lodging for up to 30 days and groceries for up to 30 days of residence in the temporary furnished lodging if it has cooking facilities. If the lodging is in a hotel-type facility without cooking facilities, meal reimbursements will be made in accordance with BFB [G-28](#).

The following costs are not reimbursable:

- Assembly and disassembly of unusual items such as swing sets, swimming pools, satellite dishes, hot tubs, and storage sheds.
- Animals (except for household pets consisting of domesticated animals normally kept or permitted in a residence) or the costs associated with kenneling of pets.
- Motorized recreational vehicles, including boats, kayaks, canoes, airplanes, camping vehicles, snow machines, and jet skis.
- Canned, frozen, or bulk foodstuffs.

- Building supplies, farm equipment, and firewood.
- Plants.

All moves of the employee and members of his or her household should be completed within one year of the date an appointee first reports to the new job, even if his or her appointment date was effective prior to the report date.

B. Reimbursable Relocation Expenses

1. Sale of Residence Costs

The University may reimburse actual and reasonable selling costs directly associated with the sale of the appointee's former primary residence, if the residence must be sold to relocate to the new assignment. The amount of the reimbursement will depend on prevailing practices within the area of the sale. The sale of the residence must occur within twelve (12) months of the appointee's start date.

Actual and reasonable selling costs must have documentation to be reimbursed and may include:

- Brokerage commission, not to exceed 3% of the final sales price or \$30,000, whichever is less;
- Non-recurring closing costs not to exceed 2% of the selling price, not to exceed \$20,000, whichever is less;
- Mortgage prepayment penalties not to exceed \$15,000; and
- Miscellaneous seller's costs customary to the area that may be reimbursed if determined appropriate by the University, not to exceed \$10,000.

The University will not reimburse income taxes, property taxes or assessments associated with the sale of the residence, or the cost of physical improvements intended to enhance salability by improving the condition or appearance of the residence.

2. Settlement of Unexpired Lease

The University may reimburse actual and reasonable costs directly associated with the settlement of an unexpired lease of a former primary residence if an appointee must settle that lease to relocate to the new assignment. The amount of the reimbursement will not exceed six (6) months of the lease or \$25,000, whichever is less, including any penalty paid to terminate the lease.

The University will not offer reimbursement if the appointee knows or reasonably should have known that relocation was imminent prior to entering a lease agreement. The University will not reimburse the cost of physical improvements intended to enhance marketability of the leasehold by improving the condition or appearance of the residence.

C. Repayment Provision

An MSP or PSS appointee who voluntarily separates from the position prior to completing one year of service and does not accept a position within the UC system within 12 months from his or her initial date of appointment, may be required to pay back 100 percent of the moving and relocation expenses. This provision will be included in the offer letter of the appointee. Campuses should determine the appropriate office to ensure that repayment by the former employee occurs. This provision is not applicable to academic personnel.

D. Deadline to Submit Reimbursement Requests

In accordance with IRS guidelines, employees seeking reimbursement for these moving and relocation expenses incurred from their personal funds must submit their expense reports within a reasonable amount of time not to exceed sixty days after the expenses were paid or incurred. If the expense reports are not submitted within this time limit, it is left to the discretion of the location (based on the facts and circumstances) whether to reimburse the expense.

IV. COMPLIANCE/RESPONSIBILITIES

| Function | Responsibilities |
|--|---|
| Executive Vice President- Chief Financial Officer | <ul style="list-style-type: none"> Establishing and updating the policies set forth in this Bulletin. |
| Department Heads | <ul style="list-style-type: none"> Approving the payment of moving expenses and relocation payments in accordance with the procedures contained in this Bulletin. |
| Chancellors | <ul style="list-style-type: none"> May establish local provisions that are more restrictive than those in this Bulletin. |
| Campus Controller's Office | <ul style="list-style-type: none"> Verify that the amounts claimed are allowable by reviewing all supporting documentation; ensure that the documents were properly approved prior to making a payment; Ensure that adequate post audit reviews were performed; and Ensure that such payments are tax coded appropriately. |
| <ul style="list-style-type: none"> Executive Vice President- Chief Operating Officer Vice President-Agriculture and Natural Resources Principal Officers of The Regents | <ul style="list-style-type: none"> Ensure that the authorities and responsibilities assigned to the Chancellor for the reimbursement of moving expenses are enforced for the employees its jurisdiction. |

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 Policy and Regulations Governing Moving and Relocation

| Payment Approval Authority | Exceptions Permitted | Exception Approval Authority | Comments |
|---|----------------------|--|---|
| <p>Department Head</p> <p>Have the authority to approve payment of the actual moving expenses of new appointees and current employees eligible to receive such payments under this Bulletin.</p> <p>This authority must be documented by a signature authorization card on file with the campus accounts payable office or by an equivalent electronic signature authorization.</p> <p>Chancellors and Executive Vice President-Chief Operating Officer</p> <p>Any further re-delegation of this authority must be submitted in writing to the appropriate authorities.</p> | <p>Yes</p> | <p>Exceptions may be authorized by the Chancellors; Executive Vice President-Chief Operating Officer; Vice President-Agriculture and Natural Resources; Principal Officers of The Regents; or their designees.</p> | <p>The exception request must specify the purpose, circumstances or need, applicable dates, and the name of the individual to whom the exception is granted. When an exception has been granted, the reimbursement of expenses claimed shall be limited to the actual costs incurred, provided such costs are deemed to be ordinary and necessary under the circumstances. Claims for the reimbursement of actual expenses must be supported by original receipts or electronic receipts as provided in Section V.A.3.</p> <p>Exceptions to the three part test detailed in section III.A.1 may be granted under certain circumstances.</p> |

V. PROCEDURES

A. Payment Procedures

The following procedures govern the payment of cash advances and reimbursements to an appointee, or direct payment by the University to a moving vendor.

1. Advance Payments

Normally, payments made in advance to a new appointee or a current employee for moving expenses should not exceed 75% of the total estimated reimbursement. The Chancellor or his or her designee may approve an exception when, in the judgment of the approving official, the best interests of the University would be served. Such payments are treated as advances and must be

accounted for within a reasonable period of time after the move is completed. Refer to BFB [G-28](#) for procedures applicable to recording uncleared advances.

2. Payments Made Directly by the University

The University may pay the cost of transporting the household goods and personal effects of a new appointee or a current employee directly to a common carrier or household mover. The individual, however, must use a common carrier from the University's preferred vendor list. Such payments must be requisitioned using a purchase order.

3. Reimbursement Payments

A request for reimbursement of moving expenses must be submitted to the campus accounts payable office on a Travel Expense Voucher (or an equivalent electronic form). The expenses must be listed in detail, supported by original receipts or equivalent electronic receipts that contain the same level of detail as an acceptable paper receipt, and approved by the employee's department head or other authorized official. Common carrier expenses may be reimbursed if the carrier is included on the University's preferred vendor list.

4. Tax Reporting

Amounts paid for moving expenses from January 1, 2018 through December 31, 2025, *whether or not they are paid directly to an employee*, are includible in an employee's gross income, subject to withholding of federal income, social security, and Medicare taxes. Such amounts must be tax coded for reporting on the employee's W-2 for moving expense payments through December 31, 2025 under I.R.C. Sections 217(k) and 132(g)(2).³ Not all moving—related expenses are subject to California income tax as of January 1, 2018. Consult UCOP Tax Services for clarification.

Accounting Manual chapter D-371-12.1, *Accounting For and Tax Reporting of Payments Made through the Vendor System* provides additional information on processing moving expense payments, including the appropriate tax codes for such payments.

IRS Publications [521](#), *Moving Expenses*, and [535](#), *Business Expenses*, contain additional information on moving expenses.

VI. RELATED INFORMATION

Academic Personnel Manual

- Section [550](#): *Recruitment, Moving Expenses for Intercampus Transfer*
- Section [560](#): *Recruitment, Removal Expenses/General*

³ I.R.C. Sections 217(k) and 132(g)(2) were added under P.L. No. 115-97

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- Section [561](#): *Recruitment, Removal Expenses/Assistants*

Accounting Manual Chapters

- D-371-12.1, *Accounting for and Tax Reporting of Payments Made Through the Vendor System*
- D-371-16, *Disbursements: Approvals Required*
- D-371-36, *Disbursements: Invoice Processing*
- P-196-28, *Payroll: Federal Taxation of Citizens*

Business & Finance Bulletin [G-28](#), *Travel Regulations*

Internal Revenue Code Sections:

- Section 132, Certain Fringe Benefits
- Section 217, Moving Expenses

Internal Revenue Service Publications

- [15-B](#), *Employer's Tax Guide to Fringe Benefits*
- [521](#), *Moving Expenses*
- [535](#), *Business Expenses*

Public Law No. 115-97

Senior Management Group Policies

- [Senior Management Group Moving Reimbursement \(Regents Policy 7710\)](#), dated November 14, 2013

VII. FREQUENTLY ASKED QUESTIONS

Not applicable.

VIII. REVISION HISTORY

3/15/18: Updated that all moving expense payments to employees or to third parties on behalf of employees from January 1, 2018 through December 31, 2025 are includible in an employee's gross income, subject to withholding of applicable federal income, social security, and Medicare taxes. Such amounts must be tax coded for reporting on the employee's IRS Form W-2. These changes were made due to Public Law No. 115-97.

This Policy was also remediated to meet Web Content Accessibility Guidelines (WCAG) 2.0.

10/15/17: Reformatted policy to the revised template, and made minor technical corrections. Revised to require submission of nontaxable expenses within a reasonable amount of time not to exceed sixty days. Added repayment provisions requiring new appointees to reimburse moving and relocation expenses if the appointees voluntarily

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separates from the position prior to completing one year of service. Removed policy on relocation allowances. Added policy on reimbursable sale of residence or unexpired lease expenses. Clarified the reimbursement of meals while in temporary living quarters.

3/30/12: Reformatted into the new policy format.

3/31/10: Revised to remove SMG employees who are covered in a separate SMG Moving Reimbursement Policy.

12/1/09: Revised to allow for full payment of moving expenses for MSP and Staff employees.

11/30/98: Revised to reflect Form 4782 filing requirement and reporting on Form W-2 of nontaxable moving expenses paid directly to a third party.

7/1/96: First Published



Employee Non-Cash Awards and Other Gifts

| | |
|-----------------------------|---|
| Responsible Officer: | AVP - Systemwide Controller |
| Responsible Office: | FA - Financial Accounting |
| Issuance Date: | 3/15/2018 |
| Effective Date: | 3/15/2018 |
| Last Review Date: | 3/1/2016 |
| Scope: | <p>This policy applies to staff employees, student employees, and academics. The policy does not apply to the Lawrence Berkeley National Laboratory. In addition, the following types of awards are not covered:</p> <ul style="list-style-type: none"> • Staff Recognition and Development Program (SRDP) or related campus award programs • Clinical Enterprise Recognition Plan (CEMPR) • Professional development program awards |

| | |
|-----------------|-----------------------|
| Contact: | John Barrett |
| Title: | Tax Manager |
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| Phone: | (510) 987-0903 |

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I. POLICY SUMMARY

The University’s policy aligns with IRS regulations. Therefore, the awards and gift limits are established so that the gift does not result in taxable income to the employee

II. DEFINITIONS

Not applicable.

III. POLICY TEXT

A. Award and Gift Limits

The following table includes the per-person limits for the awards and gifts allowable under this Bulletin. The tax treatment of the amounts approved in excess of these limits, as an exception, is described in the notes to the table. Although awards in excess of the limits are discouraged, this table provides guidance on the resulting tax treatment in those situations where the limits are exceeded due to unavoidable circumstances.

Campuses may establish more restrictive gift procedures, policies, and dollar limits than those set forth in this policy.

| Award or Gift Type | Per-Person Limit ¹ | Tax Treatment if Limit Exceeded | For Further Details, see: |
|---|-------------------------------|---------------------------------|---------------------------|
| Employee Recognition (including Spot Awards) | \$75 | A | III.B.1, B.2 |
| Employee Recognition: One-month parking permit | \$260 ² | C, D | III.B.1 |
| Employee Recognition: One-month transit pass | \$260 ³ | C, D | III.B.1 |
| Length of Service | \$400 | B | III.B.2 |
| Retirement | \$400 | B | III.B.3 |
| Sympathy Gift – Tangible Personal Property | \$75 | A | III.C |
| Sympathy Gift – Cash Contributions | \$200 | E | III.C |
| Prizes and Other Gifts | \$75 | A | III.D |

¹ The per-person limits do not include incidental costs such as costs for engraving, packaging, insurance, sales tax, mailing, and the cost of gift wrapping that does not add substantial value to the gift.

² Effective 1/1/2018.

³ Effective 1/1/2018.

Notes:

- A. If the cost (or value) of the award or gift exceeds the \$75 de minimis limit under I.R.C. Section 132(e), the entire amount is taxable.
- B. If the cost (or value) of a length of service or retirement award that is tangible personal property exceeds \$400, only the amount in excess of \$400 is taxable to the employee. Note that gift cards of any value that are provided for a length of service or a safety award are not considered tangible personal property and are subject to withholding as wage income.
- C. If the cost (or value) of a monthly parking permit or transit pass award exceeds the per-person limit, only the amount in excess of the limit is includible in an employee's gross income, subject to withholding of applicable income, social security, and Medicare taxes. However, the University will be subject to unrelated business income taxes (UBIT) for only the amount of the award that is treated as pretax transportation benefits under I.R.C. Section 512(a)(7)⁴.

If the entire cost (or value) of a monthly parking permit or transit pass award is not treated as a pretax transportation benefit, then the entire amount is includible in an employee's gross income, subject to withholding of applicable income, social security, and Medicare taxes. However, the University will not be subject to UBIT in this case.

- D. The award amounts conform to the monthly pretax transportation limits that are indexed for inflation by the IRS. The adjusted limits are announced annually by the Associate Vice President – Systemwide Controller.
- E. Since a contribution made to a charity must be made in the name of the University, there is no tax consequence if the limit is exceeded.

B. Award and Gift Limits

Employee recognition, length of service, and retirement non-cash awards must conform to the following requirements:

1. Employee Recognition

An item of ***tangible personal property*** may be awarded to an employee in recognition of his or her noteworthy work-related accomplishments. Such awards should be of minimal value. Examples include, but are not limited to, flowers, fruit, a book, a plaque, or similar item. In addition, a ticket to a sporting or cultural event (excluding a season ticket) or a one-month parking permit or transit pass may be provided to an employee as a recognition award. The cost of an employee recognition award is limited to the per-person amount set forth in section III.A.

Employee recognition awards are meant to be ***occasional*** and therefore must be presented to an employee on an infrequent basis. An employee should not receive more than ***three*** such awards in a calendar year. Awards presented to an

⁴ I.R.C. Section 512(a)(7) was added under Public Law (P.L.) No. 115-97.

employee on a **regular or routine** basis do not meet the IRS test for exemption and are not allowable.

Employee recognition awards should be provided within an established recognition program and based on objective criteria. Such awards must also be presented to employees on a basis that does not discriminate in favor of highly compensated employees.

a. Gift Certificates and Cards⁵

Only **nonnegotiable** gift certificates and gift cards (i.e., stored-value bank, department store, and other retail cards) qualify as non-cash awards.⁶ Such gift certificates and cards must confer only the right to receive tangible personal property, not cash or cash for the difference between the purchase price and the value of the gift certificate or card. Under these rules, a gift certificate or card will qualify as tangible personal property if it is:

- Inscribed with the recipient's name,
- Not transferable, and
- Cannot be redeemed for cash or used to reduce the balance due on the recipient's account with the merchant.

The IRS tangible personal property criteria do not apply if a gift certificate or card entitles an employee to choose between selecting an item of merchandise or receiving cash or reducing the balance due on his or her account. Nor do they apply if the gift certificate is for services (e.g., facial, spa treatment, golf lessons, etc.) because such services do not constitute tangible personal property.

If a gift card cannot be inscribed (or written in indelible ink) with the recipient's name, the department should inform the employee that the card should not be transferred to another individual.

b. Quantity Purchases of On-the-Spot Awards

Spot awards are non-cash employee recognition awards (e.g., gift certificates or cards) designed to recognize and reward meritorious individual and/or team accomplishments. Because such awards may be presented at any time during the year, departments may purchase advance quantities of gift certificates and cards for this purpose.

The following controls should be established with respect to the quantity purchase of gift certificates and cards used for Spot Awards:

⁵ The treatment of **nonnegotiable** gift cards and gift certificates as non-cash awards does not apply when these are given as Length of Service Awards. Please see Section III.B.2. for more information.

⁶ Gift certificates under \$10.00 should not be purchased because under California law, gift cards or certificates with a face value of less than \$10.00 must be redeemable in cash (Section 1749.5 of the Civil Code).

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Employee Non-Cash Awards and Other Gifts

- Departments should institute appropriate controls to ensure that all pre-purchased gift certificates and cards are kept in a secure place and that a record documenting the use of the certificates and cards is maintained.
- Departments should be careful to purchase only the number of gift certificates and cards expected to be awarded during a fiscal year.

Gift certificates and cards with a value greater than the per-person limits specified in section III.A. should not be purchased.

2. Length of Service

An item of tangible personal property may be presented to an employee for meritorious length of service to the University. Such awards are subject to the following limitations:

- The award must be given for a length of service achievement,
- The recipient must have completed at least five years of service, and
- The recipient must not have received a similar length of service gift in any of the prior four years.

A length of service award shall not exceed the per-person limit specified in Section III.A.

The following properties are subject to wage withholdings because they are not considered tangible personal property for purposes of Length of Service Awards under I.R.C. Section 274(j)(3)(A)(ii)⁷: cash, cash equivalents, gift cards⁸, gift coupons, or gift certificates vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.

3. Retirement

An item of tangible personal property may be presented to an employee upon his or her retirement from the University, subject to the per-person limit included in Section III, A. This does not apply to farewell gifts.

The awards described in sections 2 and 3 above must be awarded as part of a meaningful ceremony, and should not be determined based on an employee's classification.⁹ A non-negotiable gift certificate for tangible personal property may be presented to the employee under the retirement award category, subject to the requirements described in the section on allowable awards for employee recognition (see above).

⁷ I.R.C. Section 274(j)(3)(A)(ii) was added under P.L. No. 115-97.

⁸ Both negotiable and nonnegotiable.

⁹ The reimbursement of expenses related to employee recognition ceremonies and similar events is addressed in Business and Finance Bulletin BUS-79, Expenditures for Business Meetings, Entertainment, and Other Occasions.

C. Sympathy Gifts

Gifts of tangible personal property, such as flowers, may be presented as an expression of sympathy in the event of the death or major illness of an employee or a member of the employee's family or household. A similar type gift may be provided to recognize a birth. The cost of such gifts is limited to the amount specified in section III.A.

As an alternative, a cash contribution may be made to a charitable organization in lieu of a gift of tangible personal property. Such contributions must be accompanied by a transmittal letter on official University letterhead, which states that the donation was made on behalf of the University. Contributions may not be made to any political campaign, political party, committee, or group engaged in any attempt to influence the general public with respect to legislative matters, elections, or referendums.

D. Prizes and Other Gifts

Occasionally, departments will hold raffles for door prizes and other gifts to entice employee participation in an event. In addition, departments may provide gift cards and other tangible personal property to employees as an incentive to complete a survey or questionnaire. Departments should limit the value of such prizes and gifts purchased with University funds to the per-person limit specified in section III. A for employee recognition awards.¹⁰

E. Unallowable Awards and Gifts

Examples of **unallowable** awards and gifts include the following:

- Gifts of cash, except donations to a charity as an expression of sympathy,
- Negotiable gift certificates and cards,
- Gift certificates and cards for services,
- Recreation memberships,
- Season tickets to sporting or cultural events,
- Gifts provided to employees in connection with birthdays, weddings, anniversaries, holidays, farewells, graduations and other occasions of a personal nature, and
- Properties described in Section III.B.2. that are not considered tangible personal property for purposes of Length of Service Awards under I.R.C. Section 274(j)(3)(A)(ii).

¹⁰ The employee recognition award limit would not apply if an outside party (e.g., a vendor) selects and distributes the prize, award, gift certificate, or other item directly to the employee without any direction or decision making on the part of the University. The value of the prize or award must be reported by the outside party on a Form 1099 if the amount is \$600 or more.

IV. COMPLIANCE/RESPONSIBILITIES

| Function | Responsibilities |
|--|---|
| Executive Vice President-Chief Financial Officer | Establishing and updating procedures and award and gift limits. |
| Department Heads | <p>Ensuring that any awards made to employees conform to requirements of this policy.</p> <p>Ensuring that claims submitted for payment or reimbursement includes appropriate supporting documentation.</p> <p>Monitoring the frequency and number of awards made to employees.</p> <p>Establishment of appropriate controls to ensure all pre-purchased gift certificates and cards kept in a secure place and record their usage.</p> |
| Campus and Lab Controller's Offices | <p>Ensuring that payment or reimbursement requests submitted by departments for non- cash award and gift expenditures are made in accordance with the procedures set forth in this policy.</p> <p>Controls for direct and indirect charges to federal funds.</p> |

| Payment Approval Authority | Exceptions Permitted | Exception Approval Authority | Comments |
|--|----------------------|--|---|
| <p>Department Head Authority to approve requests to reimburse expenses under this Bulletin.</p> <p>A Signature Authority or Cancellation form, or its electronic equivalent, must be on file for individuals who have been delegated this authority.</p> | Yes | <p>Exceptions may be authorized by the President; Provost; Executive Vice President-Chief Operating Officer; Vice President-Agriculture and Natural Resources; Chancellors; Principal Officers of The Regents; or their designees. Other written delegations may be at the discretion of the campus.</p> | <p>Approving authority for exceptions should be restricted to a limited number of high-level individuals and must be specifically delegated in writing. This authority must not be re-delegated. An exception request must specify the type of award, the purpose of the award, the special circumstances that require an exception, and the name of the employee for whom the exception will be granted. Exceptions to the per-person limits specified in section III.A of this Bulletin should be avoided, as they would create additional taxable income for the employee.</p> |

V. PROCEDURES

A. *Funding Restrictions*

1. State Funds¹¹ **may** be used for expenditures associated with:
 - Employee recognition,
 - Length of service, and
 - Retirement awards.
2. Federal or State Funds may **not** be used for:
 - Sympathy gifts and cash contributions, and
 - Raffle prizes, door prizes, and incentive gifts to complete surveys and questionnaires.

The terms set forth in an extramural award shall govern, when such terms are more restrictive than University policy. If Federal funds will be charged, directly or indirectly, campus procedures and controls must be in place to ensure that the requirements of [2 CFR Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) are met.

3. Non-State Funds

Various non-State funds controlled by the University (e.g., endowments, gifts, etc.) may be used for employee awards, in accordance with this policy and subject to any restrictions on those funds.

B. *Payment or Reimbursement Procedures*

Requests for payment or reimbursement of employee non-cash award or sympathy gift expenditures must be submitted on a Form U-5, Check Request, or an equivalent campus electronic form. All expenses must be supported by original receipts or by acceptable electronic receipts, including a PDF of the original receipt.

VI. RELATED INFORMATION

For information on Gifts Presented to Non-Employees on Behalf of the University, see [G-42](#), *Gifts Presented to Non-Employees on Behalf of the University* - (e.g., eligible and ineligible gift recipients, gift value and frequency, and basis for allowed gifts).

For cash contributions associated with an employee's attendance at a community or charitable fundraising event, see [BUS-79](#), *Expenditures for Business Meetings, Entertainment, and Other Occasions*.

¹¹ State funds have been identified by the system-wide budget office as encompassing all State General Funds and State Special Fund appropriations to a campus. This includes all of the 199XX funds except those that are classified as UC General Funds (i.e.; 199331, 19933, 19934, 19940, 19941, and 19942).

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[A-253-27](#), *Administrative Fund Payments* - Non-cash gifts and cash contributions made on behalf of the University by recipients of Administrative Funds.

[D-224-17](#), *Delegation of Authority –Signature Authority*.

D-371-16, Disbursements: Approvals.

For information on the tax considerations with gifts or prizes provided to nonresident alien employees, see T-182-27, *Federal Taxation of Aliens*.

Public Law No. 115-97

Internal Revenue Code Sections:

| | |
|-------------------|--|
| Section 132 | Certain Fringe Benefits |
| Section 512(a)(7) | Increase in Unrelated Business Taxable Income by Disallowed Fringe Benefit |
| Section 274(b) | Gifts |
| Section 274(j) | Employee Achievement Awards |
| Section 274(j) | Employee Achievement Awards |

[2 CFR Part 200](#)-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Revenue Procedure 2017-58, 2017-45 IRB 489, 10/19/2017.

VII. FREQUENTLY ASKED QUESTIONS

Not applicable.

VIII. REVISION HISTORY

3/15/2018: Updated that all gift cards and gift certificates given as Length of Services Awards are subject to wage withholding because they are not considered tangible personal property for such awards under I.R.C. Section 274(j)(3)(A)(ii). Updated to include that the University will be subject to unrelated business income taxes (UBIT) on the cost (or value) of pretax transportation benefits awards under I.R.C. Section 512(a)(7). These changes were made due to Public Law No. 115-97. Added footnote to define “State Funds” and made minor technical revisions. Revised to reflect the increase in the one month parking permit and transit pass per Rev. Proc. 2017-58.

This Policy was also remediated to meet Web Content Accessibility Guidelines (WCAG) 2.0.

3/1/2016: Revised to reflect the increase in the one month parking permit and transit pass per Rev. Proc. 2015-53 and the PATH Act, effective 3/1/2016. Updated OMB Circular A-21 with [2 CFR Part 200](#)-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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1/1/2014: Revised to reflect the increase in the one month parking permit and the decrease in the one month transit pass per IRS Rev. Proc. 2013-35, effective 1/1/2014.

1/1/2013: Updated to reflect the increased monthly limitation for transit passes and parking per IRS Revenue Procedure 2013-15, effective 1/1/2013.

10/27/2011: Placed into into the official University of California policy template.

3/12/2008: Updated to provide guidance on the use of gift certificates, door prizes and other incentive gifts, sympathy gifts, and the summarization of the per-person award limits with the corresponding tax treatment as an appendix to the Bulletin.

3/15/1999: First Published