

What are the tax consequences?



Employee Gifts and Awards

The taxability of employee gifts generally depends on the value and the type of award. When giving gifts to employees, explain the tax implications upfront. That way, there won't be any unexpected surprises later that might spoil your generosity. Here are six general rules on the taxation of gifts, awards, and incentives given to employees.



Cash awards, gift cards, bonuses and achievement awards are taxable.



A vacation trip for meeting a sales goal is taxable.



"Tangible personal property" awarded to employees as recognition for length of service or safety achievement is not taxable.



Certificates and other types of awards redeemable for merchandise such as points and cards with point values are taxable.



Gifts of minimal value, such as a holiday turkey, generally fall under the IRS's *de minimis* rule and are not taxable.



The value of holiday gifts, such as merchandise or tickets to sporting events, in excess of the *de minimis* amount is taxable.

The *de minimis* rule says if an employer provides an employee with a product or service that costs less than \$75, it would be unreasonable for the employer to account for it and the value is not taxable income.

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