



University of North Carolina Wilmington

Prizes and/or Awards/Gifts – What you need to know.

The Internal Revenue Code states that under certain circumstances the value of prizes and awards/gifts to individuals is considered taxable income. Merchandise or products won as a prize or award will be considered at the fair market value and could also be considered taxable income. Nonresident aliens may be subject to additional tax rules regardless of amount, depending on circumstances and treaty status.

IRS regulations stipulate that for employees who receive any gift of cash, gift card, gift certificate or cash equivalent, (an item that is easily converted into cash) for reasons related to their employment, such as employee appreciation, service awards, etc., it must be included in the recipient's gross income since it is considered extra salary or wages, regardless of amount awarded or won. This would also pertain to a tangible award/gift as well, such as a computer, bike, DVD player, etc. The fair market value of that gift would be included in the employee's gross income as well.

If an employee wins a prize or award/gift that is for a reason other than related to employment and the contest, program or raffle is open to the general public, then the prize and award/gift amount will be treated as 1099 income. The recipient will receive a Form 1099-MISC from UNCW on any winnings totaling over \$600.00 in a calendar year. The recipient will also be required to provide UNCW with a completed W-9 form, which includes social security number, to be used for issuing a 1099 for tax purposes, as well as signing a prize/award acceptance form.

Nonresidents aliens (non U.S. Citizens), including international student workers, may be subject to additional tax rules depending on circumstances and treaty status and benefits. Where applicable, taxable income will be reported on Form 1042-S and may be subject to 14 – 30% withholding.

For additional information on Prizes and/or Awards/Gifts please contact the Tax Department at extension 22757.