



Applies to: Faculty and staff

POLICY

Issued: 09/01/1999
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The university encourages the recognition of excellent performance and achievement through the use of rewards that are creative, flexible and meaningful. When administered and communicated effectively, reward and recognition are an important part of a total compensation program. Units may choose whether or not to develop Defined Reward Programs. In the absence of a Defined Reward Program, units may give rewards in immediate response to specific accomplishments.

Definitions

Term	Definition
Reward	One-time cash or non-cash award for significant outstanding performance.
Defined Reward Program	Documented reward program developed, communicated and implemented in consultation with the Office of Human Resources and/or Office of Academic Affairs for a particular unit. Defined Reward Programs consist of rewards that range from spontaneous to those that are more formal in nature.

Policy Details

I. Guiding Principles

- A. Rewards should be given for significant outstanding performance that advances unit goals and should be tied to a specific accomplishment.
- B. Rewards are most effective when they are meaningful to the individual.
- C. Care should be taken in communication and distribution of rewards so that they are not viewed as entitlements.
- D. Rewards may be designed to reflect the unique nature of the unit's work culture and organizational structure.
- E. Rewards should not be substituted for a competitive salary plan. For example, rewards should not be used as a long-term alternative to permanent salary adjustments when these adjustments are appropriate for consistently high performance, significant changes in responsibility, increased value of a position or internal pay equity.
- F. Rewards are not adjustments to base salary, supplemental compensation or variable pay programs (such as commission).
- G. Rewards should not be used as a substitute for supplies, support services or training.

II. Reward Guidelines

- A. The following chart summarizes reward value parameters. These values apply to cash awards, as well as to non-cash rewards with monetary value (such as event tickets and gift certificates). Requests for exceptions to these guidelines by department chairs or managers should be submitted to the individual's dean or vice president. Exception requests by vice presidents or deans should be submitted to the Office of Human Resources (OHR), [Compensation](#).
- B. These guidelines do not apply to customary work-related expenses such as travel, conference attendance and memberships in professional organizations.
- C. Through the process of consultation and approval of Defined Reward Programs, parameters may be modified to meet individual college or unit needs.
- D. Units must consult with OHR, [Compensation](#) and/or the Office of [Academic Affairs](#) when cash distributions to an entire unit are being considered. OHR and/or OAA must approve such distributions prior to implementation.



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Reward Guidelines			
Reward Value	Approval Needed	Frequency Per Person/Team	Taxable?
No monetary value (such as letters of commendation)	none	as often as appropriate	no
Up to \$100 (non-cash)	chair or manager	one time per fiscal year	yes
Up to \$100 (cash)	chair or manager	one time per fiscal year	yes
\$101 to \$1000 (cash and non-cash)	dean or vice president	one time per fiscal year	yes
Over \$1000 (cash and non-cash)	dean or vice president and OHR	one time per fiscal year	yes

III. Defined Reward Program Consultation Process

Departments interested in creating a Defined Reward Program should notify the human resource contact in their college or vice president unit, who will initiate the Defined Reward Program consultation process with OHR, [Compensation](#).

PROCEDURE

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I. Implementation Guidelines

- A. All Defined Reward Programs must be designed in consultation with OHR, [Compensation](#). For reward programs applicable to faculty, the Office of [Academic Affairs](#) will be consulted as well.
- B. The purpose, process, parameters and expected outcomes of the reward program should be communicated in writing to college or unit faculty and staff.
- C. All expenditures must be consistent with university and State of Ohio guidelines. Refer to the [Expenditures Policy](#), issued by the Office of Business and Finance.
- D. Cash and non-cash awards should be determined in a manner that considers deductions such as taxes and their effect on the net amount.

II. Payroll Considerations

- A. One-time cash rewards are administered through the additional pay panels of the HR System. Checks are issued during the normal payroll cycle.
- B. All taxable non-cash awards must be reported to the Office of Human Resources through the additional pay panels in the HR System using the Non-Cash Award (NCA) earnings code. The appropriate taxes will be withheld from the individual's paycheck.

III. Tax Law Compliance

- A. Reward and recognition activities must be in compliance with all applicable tax laws. Before issuing awards, offices should work closely with OHR, [Compensation](#), to insure compliance.
- B. Under federal tax laws, all faculty and staff compensation is subject to income tax unless there is a specific exemption. Following are common types of compensation that are exempt from income tax. It is important to properly classify compensation to avoid potential payroll tax liability for the university. For questions regarding these or other income tax exemptions, consult with the [Office of the Controller-Tax Compliance](#). Additional information can be obtained from the [Expenditures Policy](#).



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1. Transportation

Employees may be given a Central Ohio Transit Authority (COTA) transit pass as a non-taxable benefit.

2. Working condition fringe benefits

Costs of working condition fringe benefits may be provided without treating any part of the payments as income to the employee. Working condition fringe benefits are expenses that, if incurred by the employee, would be allowed as a deduction. Examples include:

- a) seminar fees or expenses in the employee's field
- b) dues to professional or trade organizations
- c) magazine or journal subscriptions for publications in the employee's field
- d) use of university vehicles for university business
- e) other similar expenses related to the employee's work.

3. De minimis fringe benefits

De minimis fringe benefits are benefits that are so small that accounting for them would be unreasonable or administratively impracticable. De minimis benefits may only be provided on an occasional basis and must be small in amount. Cash payments qualify as de minimis only if they are for meals or transportation for employees working overtime. Units should track all de minimis payments to ensure they adhere to requirements of the [Expenditures Policy](#).

De minimis fringe benefits include, but are not limited to:

- a) use of office equipment such as copiers or computers for personal use
- b) meal money or taxi fare for employees who work overtime on an occasional basis (amount cannot be based on number of hours worked)
- c) occasional tickets to a sporting or other event
- d) holiday gifts of low value
- e) gifts due to special circumstances such as outstanding performance, illness or family crisis

4. Qualified employee discounts

Employees may be given a discount of up to 20% off the price of services provided by the university or an amount equal to the gross profit percentage on any products or goods sold by the university. Employee discounts must be offered on a non-discriminatory basis.

5. No additional cost services

If the university would incur no additional cost by providing a service to an employee, the employee is not required to include the value of the service in income. The service must also be provided to the university's customers. Examples include the free use of hotel rooms by hotel employees or season tickets for athletic or entertainment events when the event is not sold out. If the university is foregoing revenue, as in the case of a sold-out event (including season tickets when all games or events are sold out), the [Internal Revenue Service](#) (IRS) considers this an additional cost to the university and therefore income for the employee. The university does not lose revenue when tickets to games or events that are not sold out are given to employees.

6. Employee achievement awards

Plans to provide non-taxable employee achievement awards may be developed. The awards can be provided for length of service or safety. They must be awards of tangible personal property given as part of a meaningful presentation, such as an awards dinner or ceremony. Employees must have at least five years of service to receive a service award. Managers, administrators, clerical employees and other professionals are



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not eligible for safety awards. Special IRS rules apply to non-cash awards for length of service and safety. Subject to IRS rules, awards cannot exceed \$1,600 per year for an award to a single employee or an average cost of \$400 per year if the award is made to more than one employee (if certain conditions are satisfied). Refer to the Employee Recognition section of the [Expenditures Policy](#) or contact the [Office of the Controller-Tax Compliance](#) for additional information.

Responsibilities

Position or Office	Responsibilities
Employing Unit	<ol style="list-style-type: none"> 1. Design reward programs that reflect university guidelines and unit strategic plans. 2. Seek consultation on the development and approval of Defined Reward Programs. 3. Provide written communication about the purpose, process and expected outcomes of the reward program to unit faculty and staff. 4. Implement reward programs in a manner that is consistent with the unit's written guidelines. 5. Fund reward programs, reflecting the realities of the university and unit budget and establish accountability within each unit for use of funds. 6. Track all de minimis payments to ensure adherence to requirements of the Expenditures Policy.
Payroll Services, Office of the Controller	<ol style="list-style-type: none"> 1. Process payroll taxes for cash and taxable non-cash awards.
Office of Human Resources	<ol style="list-style-type: none"> 1. Provide guidelines regarding reward program structure and processes. 2. Serve as consultants to units in developing reward strategies. 3. Approve Defined Reward Programs. 4. Oversee the use of reward programs. 5. Serve as a clearinghouse for best practices.

Resources

- Internal Revenue Service (IRS), www.irs.gov
- Expenditures Policy, Employee Recognition section, busfin.osu.edu/FileStore/PDFs/411_Expenditures.pdf

Contacts

Subject	Office	Telephone	E-mail/URL
Policy Clarification	Compensation, Office of Human Resources	614-292-2800	hr.osu.edu/services/compensation/
Accounting Issues	Office of the Controller-Division of Accounting	614-292-4156	controller.osu.edu/acc/acc-home.shtm
Faculty Reward Programs	Office of Academic Affairs	614-292-5881	oaa.osu.edu
Payroll Issues	Office of the Controller-Payroll Services	614-292-2311	payrolloffice@osu.edu controller.osu.edu/pay/pay-home.shtm
Tax Issues	Office of the Controller-Tax Compliance	614-292-4156	controller.osu.edu/pay/pay-tax.shtm

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