

**From:** Murphy, Jennifer  
**Sent:** Wednesday, October 27, 2004 3:23 PM  
**To:** GRP-APS Customer Advisory Group  
**Cc:** GRP-Accounting & Purchasing Services  
**Subject:** FW: TAM 108577-04 regarding "Gift Coupons" to employees

Good Afternoon:

We wanted to share with you guidance that was provided by OGC that you may not be aware. I had trouble understanding what the message below really said, so I talked with Cecilia and determined that it is saying System Administration departments should not purchase gift certificates of any kind, with any UT source of funds, for any amount, for employees. If your department decides to purchase a gift certificate for an employee it will be added to his/her income for the year and they will be taxed on it. U. T. Austin has implemented no gift certificates because of the amount of work that it would be on their Payroll department to add it to employees income. The advice below is the IRS' position on the matter. When in doubt contact OGC. Please share this with applicable people in your departments.

FYI - If the individual is not an employee, no reporting is required unless the individual receives a total of more than \$600 in a calendar year.

On a related note, UT Payroll and OGC informed me that going away gifts and gifts in general continue to be scrutinized by the IRS. UT Austin has implemented that anything (other than cash or gift certificates) with a value over \$50 given to an employee is taxable to the employee, unless it is a length of service award or a safety award, then the amount is \$400. For cash or gift certificates there is no threshold...it is all taxable. We would need OGC to help us know the definitions of a length of service award and a safety award if you are considering this.

I know you have questions, because this is different from what you have experienced in the past. Please help your department understand the importance of knowing this information and complying.

Thank you,  
Jenny

Jennifer C. Murphy  
Assistant Director of Accounting and Purchasing Services  
(512) 499-4366 phone

---

**From:** Gonzalez, Cecilia  
**To:** GRP-Accounting & Purchasing Services; GRP-Business Affairs Directors; GRP-Compensation Managers; GRP-HR Payroll Managers  
**Subject:** TAM 108577-04 regarding "Gift Coupons" to employees

FYI - Here is a link to a new Technical Advice Memorandum regarding "gift coupons" to employees:

<http://www.irs.gov/pub/irs-wd/0437030.pdf>

In the TAM the IRS concluded that an employer-provided holiday gift coupon with a face value of thirty-five dollars that was redeemable at several local grocery stores was not excludable from gross income and wages as a de minimis fringe benefit under Code §132(a)(4). Accounting for cash or cash equivalent fringe benefits like gift certificates and gift coupons is never considered unreasonable or administratively impracticable under Code § 132 because gift certificates and gift coupons have a readily ascertainable value. As such they do not constitute de minimis fringe benefits. (Code § 132(e)(1) defines a de minimis fringe benefit as any property or service the

value of which is (after taking into account the frequency with which similar fringes are provided by the employer to the employer's employees) so small as to make accounting for it unreasonable or administratively impracticable.)

If you have any questions or need additional information, please let me know.

Thanks.

Cecilia

***Anna Cecilia Gonzalez***  
*Office of General Counsel*  
*The University of Texas System*  
*201 West 7th Street, 6th Floor*  
*Austin, Texas 78701*  
*Telephone: (512) 499-4493*  
*Facsimile: (512) 499-4523*  
*E-mail: cgonzalez@utsystem.edu*

Notice: Unless otherwise specifically indicated, the information contained in this e-mail message is an attorney-client communication and/or attorney work product and is, therefore, intended only for the review and use of the above-named person(s). If the reader of this message is not the intended recipient, you are hereby notified that the sender does not waive any privilege accorded to this information, and that the recipient is strictly prohibited from any use, storage, dissemination, distribution, or copying of this communication. If you have received this e-mail message in error, please notify me and delete the message from your system. Thank you.