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**EMPLOYEE AWARDS****Section 1. PURPOSE**

Whenever financially possible, it is the intention of the Bedford Regional Water Authority (“Authority”) to acknowledge and recognize the contributions, length of service, and exemplary performance of the Authority employees. The Internal Revenue Service has certain requirements related to employee awards, and therefore this policy is to document the stipulations associated with the granting of such awards.

**Section 2. TYPES OF AWARDS****A. Achievement Awards:**

1. These awards are given for length of service or safety achievement.
2. They must be awarded as part of a meaningful presentation.
3. With the exception of certificates of recognition, length of service awards cannot be given before 5 (five) years of service and no more frequently than 5 (five) year increments of years of service.
4. Safety awards cannot be given to management, administrators, or professional, clerical, or part-time employees.
5. Safety awards must be limited to less than 10% of eligible employees during the tax year to retain their tax free status.

**B. Bonuses and Monetary Awards:**

1. This includes any award paid by a negotiable instrument such as cash, check, money order, and direct deposit. It also includes any item that can be readily converted to cash, such as savings bonds, gift cards, and gift certificates.
2. These awards are considered wages and are subject to all federal, state, and local withholding taxes and must be included on the employee’s W-2.
3. Taxable income from monetary awards shall be included on the employee’s next regular paycheck and applicable withholding will be deducted from gross wages.
4. Award totals may not be increased to compensate for the taxes to be deducted from the employee’s pay.

**C. Non-monetary Awards:**

1. This includes meals, plaques, trophies, pencils, pens and desk items, cups and mugs, personal items of clothing such as caps, shirts, and sweatshirts, and other items such as tools, electronics, radios, sports equipment, and timepieces.
2. The Finance Department will be responsible for determining whether non-monetary awards are taxable in accordance with IRS regulations.

**D. Door Prizes:**

1. Subject to de minimus threshold, discussed herein.
2. If over de minimus threshold, taxed at fair market value.
3. Monetary Awards, as defined herein, are always taxable even if they are given as a door prize.

## EMPLOYEE AWARDS

**Section 3. STIPULATIONS**

- A. De minimus fringe benefits include any property or service, provided by the Authority for an employee, with a value so small that accounting for it is unreasonable or administratively impracticable. The value of the benefit is determined by the frequency it is provided to each individual employee, or if this is not administratively practical, by the frequency provided by the Authority to the workforce as a whole.
- B. The law does not specify a dollar threshold for benefits to qualify as de minimus. The determination will always depend on facts and circumstances.
- C. The maximum amount to be given to an employee is \$400 per tax year and records must be kept for all items given.
- D. If funds for awards or prizes are provided by an outside party, the award is taxable in the same way as if provided directly by the Authority. If the funds are turned over to the Authority to select and distribute the awards, the employee is responsible for all applicable payroll taxes and withholding.
- E. In the case where the outside party selects and distributes the award directly to an employee without any direction or decision making from the Authority, then the award is income to the recipient and must be reported by the employee. The Authority will not be involved in any withholding in this situation.

**Section 4. REVISIONS**

- A. This policy was approved and adopted by the Authority's Board of Directors on March 26, 2013, July 1, 2013.