

# DEPAUL UNIVERSITY

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## Prizes, Gambling Events, and Wagering

**Category:** Financial Affairs

**Responsible Department:** Controllers Office

**Responsible Officer:** Controller

**Effective Date:** 4/18/2017

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### Policy Summary

This policy provides guidance on the steps that must be completed before and after awarding a prize to an employee and/or non-employee, or holding an event that involves gambling or wagering. Adhering to this policy ensures university compliance with tax, licensing, and reporting requirements associated with awarding prizes and/or accepting wagers.

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### Scope

This policy affects the following groups of the University:

- Entire University Community

This policy affects all members of the university community.

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### Policy

#### A. General Statement

From time to time, university departments may find it beneficial to provide prizes to individuals as the result of a contest or drawing. Prizes may provide benefits in terms of student recruitment or employee morale. Prizes are generally taxable and included in the recipient's gross income.

This policy requires university departments to: 1) obtain pre-authorization from the department's Academic or Administrative Officer prior to purchasing, soliciting or awarding a prize, 2) request pre-authorization from the Controller's Office for events involving gambling or wagering, and 3) report prize-related tax information to prize recipients and the Controller's Office.

#### B. Notice

As prizes are generally included in the recipient's gross income, departments holding events that will result in the awarding of a prize or prizes are required to provide notice to all prospective recipients, prior to or at the event, of the possible tax consequences of accepting a prize as indicated below under Sections D and E of this policy.

#### C. Prizes

1. **Definition:** A prize is tangible property, non-cash or cash, that is awarded to an individual as the result of a competition, drawing, raffle or similar event, whether or not a wager is required for the chance to win the tangible property or cash. See part 5 of this section for additional requirements related to wagers. Prizes do not include scholarship amounts, as long as 1) there is no wager involved, 2) the amount awarded is restricted to educational purposes and 3) the amount awarded is administered through the university's financial aid system.
2. **Value:** The amount subject to possible tax reporting and/or applicable withholding is the fair market value of the prize (non-cash). The fair market value of a prize is generally the purchase or retail price of the item. All prizes must have a stated fair market value.
3. **Authorization for Expenditure or Solicitation:** Departments wishing to provide prizes of any kind must first obtain written approval from their Academic or Administrative Office prior to either 1) soliciting an item that is to be used as a prize or 2) expending funds to provide a cash prize or to purchase a non-cash prize. Departments should use the [Gifts and Prize Pre-Authorization Form](#) to obtain written approval. Refer to the Procedures section of this policy for approval requirements.
4. **Solicitation:** In instances where an item is to be solicited as a donated prize to the university, the department must consult the university's [Gift Acceptance and Processing Policy](#) and work with Advancement Gift Processing to facilitate the donation and to determine a fair market value. If the items solicited are in conjunction with a fundraising event or activity, the department must also submit a fundraising event clearance form to the Vice President of Development, before announcing the event, per the university's [Fundraising Event Policy](#).
5. **Gambling and Wagers:** Activities or events that require wagers (i.e., betting) for a chance to win either a cash or non-cash prize are subject to additional tax reporting obligations and licensing restrictions. Therefore, any department wishing to pursue such an event must first obtain Academic or Administrative Officer approval and then contact the Controller's Office for final approval. This final approval is based on a number of factors including whether the scope or results of the event sufficiently exceed the additional regulatory compliance burden. The final approval request must be received at least three months prior to the event to ensure that the university has time to complete all steps necessary to legally hold an approved event.

#### **D. Prizes to Employees - Tax Reporting and Withholding**

De minimis prizes are non-cash tangible property which are infrequently given and of such small value (\$75 or less) that accounting for them would be unreasonable and administratively impractical. Non-de minimis prizes awarded to university employees constitute supplemental wages and are subject to tax reporting and applicable withholding via normal payroll procedures. For non-de minimis prizes, the Payroll department will tax report via the employee's annual IRS Form W-2.

Gifts to employees, while similar to prizes to employees, are subject to different procedures and policies. For information on providing gifts to employees, see the university's [Gifts to Employees policy](#).

#### **E. Prizes to Non-Employees - Tax Reporting and Withholding**

Prizes awarded to non-employees, including students who are not employed by the university, may be subject to tax reporting and applicable withholding.

1. **U.S. Citizens and Resident Aliens for Tax Purposes:** Prizes awarded to U.S. Citizens or Resident Aliens ([U.S. Persons](#)) for tax purposes are subject to tax reporting via IRS forms 1099-MISC or W-2G depending on a number of factors, including the amount of the prize and whether a wager was involved. If the value of a prize exceeds \$75, the recipient will be required to provide their Taxpayer Identification Number, via IRS Form W-9, which is available from the [forms section](#) of the Accounts Payable website.

**Nonresident Aliens:** Prizes awarded to nonresident aliens ([non-U.S. Persons](#)) are subject to tax reporting via IRS Form 1042-S, regardless of whether a wager was involved. In addition, the prize amount is generally subject to 30% withholding rate unless a tax treaty provision exists that would reduce or eliminate the withholding rate. If the value of a prize exceeds \$75, a prize recipient applying for a treaty benefit, if available, will be required to provide their Taxpayer Identification Number via IRS Form W-8BEN, which is available from the [forms section](#) of the Accounts Payable website.

## Procedures

### A. Obtaining Academic or Administrative Officer Pre-Authorization for Prizes

Departments awarding prizes should obtain pre-authorization from their Academic or Administrative Officer by completing the Gifts and Prizes Pre-Authorization Form prior to purchasing, soliciting, or awarding prizes. After prizes have been awarded, complete the Gifts and Prizes Reporting Form and submit it to the Controller's Office, as explained in section E below. Departments should retain copies of the Gifts and Prizes Pre-Authorization and Gifts and Prizes Reporting forms in accordance with departmental procedures for maintaining receipts.

### B. Obtaining Pre-Authorization for Gambling or Wagering

In instances where wagers are involved, after obtaining Academic or Administrative Officer approval for the event, departments are required to contact the Controller's Office, no later than three months prior the event, and submit the [Gifts and Prizes Pre-Authorization Form](#) for Controller's Office approval. The three months advance notice allows for the coordination and review of legal, tax and licensing requirements by University Tax Services and the Office of the General Counsel should the event be approved.

### C. Providing tax information to prospective and actual prize recipients

The university department must provide prospective or actual recipients of prizes > \$75 the tax reporting and withholding information in either Section D or E above, depending on whether the prospective or actual recipients are employees or non-employees.

### D. Obtaining tax reporting information from prize recipients

Depending on the prize recipient's relationship to the university and the amount and type of prize, the awarding department must obtain the following information from the recipient:

Relationship to University	Prize Type	Prize Amount	Required Information
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Employee	Cash	Any amount	Employee ID
Employee	Non-cash	> \$75.00	Employee ID
Non-employee U.S. Person	Cash or Non-Cash	> \$75.00	Completed form W-9, name, address, phone number
Non-employee non-U.S. Person	Cash or Non-Cash	> \$75.00	Departments are responsible for obtaining contact information from prize recipients (name, address, phone number), so that the Controller's Office can follow-up on documentation needed for tax administration.

Collection and storage of prize recipients' SSN's must be in accordance with the university's Access to and Responsible Use of Data and Information Security policies.

### **E. Reporting prize information to Accounts Payable**

The tax reporting information should be written or typed onto the [Gifts and Prizes Reporting Form](#). Any required W-9s or W-8BENs obtained from prize recipients should be attached to the form. The completed form and attachments should be sent to the Controller's Office.

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## **Divisional Collaborations**

Controller's Office  
Accounts Payable  
Payroll  
Office of the General Counsel  
Advancement

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## **Contact Information**

Accounts Payable Manager  
(312) 362-5372

University Tax Services  
(312) 362-7187

Controller's Office  
(312) 362-6727

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## **Appendices**

[Gifts and Prizes Pre-Authorization Form](#)  
[Gifts and Prizes Reporting Form](#)

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## **History/Revisions**

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Origination Date: 01/26/2011

Last Amended Date: 04/18/2017

Next Review Date: N/A