Prizes and Awards to Nonresident Aliens (NRAs)

IRS regulations require that Nonresident Aliens who are receiving a prize/award are subject to 30% federal withholding on the payment. Prizes/awards are amounts received by an individual primarily in recognition of religious, charitable, scientific, educational, artistic, literary or civic achievement or received as a result of entering a contest. Generally, tax treaty provisions are not available to exempt a prize/award from the 30% tax withholding. If you are giving a prize/award to an NRA, Vanderbilt is required to withhold 30% from the amount and remit it to the IRS. The NRA will receive the balance. The individual will need to create a profile in GLACIER and they will receive a 1042S tax reporting form by March 15 of the next calendar year reflecting the amount award, taxes withheld, and amount netted.

Reporting of Taxable Gifts, Awards, Prizes and Other “Perks”

Certain gifts, awards, and prizes given to faculty, staff members, or student employees must be reported to Human Resources so the value can be added to the employees' taxable income and the appropriate taxes (Federal withholding, Social Security and Medicare) collected from the employees' pay.

**Cash awards, gift cards, and gift certificates *of any value* are *always taxable* to the employee and must be reported at the time the gift or award is given.**

Some *non-cash* gifts of nominal value may be *excluded* from the reporting requirements if the value of the award is so small that accounting for it would be difficult. The Internal Revenue Service has not set a specific dollar maximum at which an item becomes taxable. Examples of such "perks" would be:

* Coffee and doughnuts provided to employees.
* Traditional holiday gifts (candy, turkey, etc) of a relatively small value.
* *Occasional* T-shirts or other apparel of small value for special events.
* *Occasional* tickets for entertainment or sporting events.
* *Occasional* parties or picnics for employees.

Taxable gifts are reported to Human Resources using the [Taxable Fringe Reporting Form](http://hr.vanderbilt.edu/compensation/payroll/TaxableFringeReporting.xls) Excel worksheet.

A corresponding transaction listed as "Taxable Gift,” "Taxable Award," or "Taxable Miscellaneous" will appear in the Earnings section of one the faculty or staff members' future paychecks.