**RATIONALE:**

Indiana University Policy [FIN-ACC-640, Drawings, Games and Prizes](#) outlines the acceptable parameters related to giveaways and prizes. Once the appropriateness of the prize is approved/reviewed, then the possible taxability of the prize needs to be determined.

The value of a prize is generally considered taxable income to the recipient and may require the University to report the value of the prize to federal and state revenue agencies.

**NOTE:** Indiana University’s tax reporting obligations will differ depending on the individual receiving the prize and various other factors. In certain cases, departments may be liable for taxes that cannot be withheld. In addition, participants should be notified by the initiating department/unit of the potential tax consequences of accepting the prize.

**PROCEDURES:**

<table>
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<tr>
<th>STEP 1: DETERMINE VALUE OF PRIZE/GIVEAWAY</th>
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<tr>
<td><strong>LESS THAN $600:</strong>&lt;br&gt;• Communicate with recipient that the value of the prize should be self-reported. The following language is recommended for notifying recipients:&lt;br&gt;&lt;br&gt;&quot;Please note that awards over $600 will be reported on the IRS Form 1099-MISC by Indiana University. The IRS has stipulated that amounts less than $600 are required to be self-reported by the recipient on their personal tax return. Please consult with your personal tax advisor for any questions or concerns.&quot;</td>
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<tr>
<td><strong>$600 OR GREATER:</strong>&lt;br&gt;• Completion of the <a href="#">Prize Tax Data Collection Form</a> is required.&lt;br&gt;• An <a href="#">IRS Form W-9 or W-8BEN</a> must be collected to issue an IRS Form 1099-MISC to the recipient.&lt;br&gt;• The above forms must be submitted to FMS University Tax Services <strong>within 30 days</strong> of the prize distribution, via Fax (due to SSN on Form W-9/W-8) at (812) 856-4861.</td>
</tr>
</tbody>
</table>

**STEP 2: REVIEW FURTHER CONSIDERATIONS**
IS THE WINNER AN IU EMPLOYEE, IU STUDENT OR OTHER?

- If an **employee** or **student employee** with a 10-digit University identification number, only the Prize Tax Data Collection Form needs to be submitted.
- If a **student** with a 10-digit University identification number, the department must collect the Prize Tax Data Collection Form and either an IRS Form W-9, or in the case of a non-U.S. resident, IRS Form W-8BEN. Please refer to the Student Payment Guidelines for more details.
- If “other” is without a 10-digit University identification number, the department must collect the Prize Tax Data Collection Form and either an IRS Form W-9, or in the case of a non-U.S. resident, IRS Form W-8BEN.

IS THE PRIZE GOING TO AN INTERNATIONAL EMPLOYEE, STUDENT OR VISITOR?

- IRS regulations require that an international individual receiving a prize/award are subject to 30% federal tax withholding on the payment. Currently, IU does not offer tax treaty provisions to exempt a prize/award from the 30% tax withholding. Hence, when IU receives a Disbursement Voucher [DV] for a prize/award to an international recipient, IU will withhold 30% from the prize/award amount and remit it to the IRS. The balance will be issued directly to the individual. At the end of the calendar year, an appropriate Form 1042-S tax reporting form will be prepared by IU and sent to the individual.
- If the prize is not issued as a DV, instead as tangible personal property, then there may be tax “gross-up” tax requirements from the department. Please contact taxpayer@iu.edu for assistance.
- If a foreign individual “wins” a prize, then a Form W-8BEN should be collected at the time of award presentation. [This form is similar to Form W-9 that a US person for tax purposes would complete.] Form W-8BEN is used to declare an individual’s status as non-resident alien or foreign national. Form W-8BEN is typically requested by withholding agents from any foreign payee.

IS THE INITIATING UNIT A STUDENT ORGANIZATION?

- University student organizations (USOs) and self-governing student organizations (SGSOs) have different prize reporting responsibilities. University student organizations (USOs) are part of IU and as such are required to comply with all IU Policies and to follow the appropriate guidance outlined in this TSOP.
- Student organizations whose funds are outside the University financial system (SGSOs) are not required to submit the Prize Tax Data Collection Form, since they are not part of IU. However, these organizations and the prize recipients may still be required to complete and submit tax information according to federal and state tax law and IRS policies. They may wish to seek additional financial advice. See Student Organizations Policy STU-01 for more information.

IS THE PRIZE IN THE FORM OF CASH, CASH EQUIVALENTS OR GIFT CARDS?

- The Internal Revenue Service (IRS) considers gift cards, gift certificates, and stored value cards to be cash equivalents. When given to individuals, cash equivalents create the same tax implications as a distribution of cash and should be self-reported by the individual if the $600 limit is not met to require a Form 1099-MISC.

DEFINITIONS:

- **Contest**: A competition for a prize involving actual skill or criteria for winning that is different from a drawing based on luck, such as an academic based contest.
- **Drawing**: A game of chance where the prize is awarded based on participation or attendance, such as a door prize.
- **Giveaway**: Items of nominal value provided to everyone participating in or attending an event.
- **Prize**: Include cash, cash-equivalents (such as gift cards), tangible personal property, and complimentary services.
- **Raffle**: The selling of tickets or chances to win a prize awarded through a random drawing (I.C. 4-32.2-2-26) requires a gaming license issued by the IN Department of Revenue and are strictly prohibited by IU.
- **Cash Equivalents**: Cash equivalents are stored-value products such as gift certificates and gift cards. The IRS specifically defines these instruments as cash equivalents and states that their value is considered taxable income to the recipient, regardless of dollar value
- **Gift Card or Gift Certificate**: A gift card or gift certificate entitles the recipient to receive goods or services of a specified value from the issuer

**CROSS REFERENCES**:

- Policy FIN-ACC-640, Drawings, Games, and Prizes
- Student Financial Aid Guidelines
- Student Prizes & Awards
- Form W-9
- Form W-8BEN
- University student organizations (USOs)/ self-governing student organizations (SGOs)
- Prize Tax Data Collection Form