Goal: Ensure that all staff and student incentive awards meet local, state, and federal guidelines, including the IRS Guidelines related to the Fringe Benefits Guide.

"Incentive" for purposes of these guidelines refer to a "reward" for performing an activity, achieving a milestone, or some other form of recognition or appreciation.

Source of Funding:
The purchase of incentive awards with district funds (as defined below) and incentive awards donated to the district by outside entities are governed by this procedure. All district-issued cash equivalent (gift cards) and property (with a value of $25 and above) will be subject to federal employment taxes through payroll disbursements. Incentive awards presented to district employees directly by outside entities are not processed through payroll disbursements as the district is not making the award; therefore, these awards are not taxed by the district.

District funds: The General Fund (Fund 199) and the Campus Activity Fund (Fund 461) may be used only to purchase "allowable" staff and student incentives.

Non-District funds: Student Activity Funds (Fund 865) may be used to purchase any reasonable staff or student incentive. Although these funds belong to the respective student group or faculty, all purchases shall be approved by the student group treasurer, sponsor, and campus principal, as appropriate.

State and Federal Grant Funds: State and federal grant funds may be used to purchase only allowable awards and incentives. TEA's Budgeting Costs Guidance Handbook defines allowable awards and incentives as noted below:

<u>Awards for Recognition and Incentives for Participation</u>
Minimal-cost certificates, plaques, ribbons, small trophies, or instructionally-related items to be used in the classroom (such as pens and pencils) are acceptable incentives for participation in program activities or awards for recognition.

The following items may be donated by others but may not be purchased with state or federal grant funds:

- Gifts or items that appear to be gifts
- Souvenirs, memorabilia, or promotional items, such as T-shirts, caps, tote bags, imprinted pens, and key chains
- "Door prizes," movie tickets, gift certificates, passes to amusement parks, etc.
- Food of any kind (snacks, beverages, refreshments, meals, etc.)

Meals for staff and students:
Meals provided to staff during meetings and professional development events are not considered an incentive or award and are not taxable. Meals may be provided to staff only during cloistered all day meetings (6 hours) or during a working lunch. These meals are not taxable as they would meet the IRS regulation that states: *Meals provided on the premises and for the convenience of the employer are not taxable.* The meeting and/or training agenda must be submitted as support for the expense.

Meals provided to staff while on a day trip as a chaperone with students are not taxable as we have interpreted that they are excluded from taxes under the IRS directly-related or associated tests.

Meals provided to staff for morale or goodwill, such as staff appreciation days, are generally taxable; however since they are provided on an infrequent basis and they have a minimal value, they are not taxable. IRS Regulations state: *Infrequent meals of minimal value may be excludable [from taxes] as a de minimis fringe benefit.*

Meals provided to food service staff are not taxable as they meet the IRS guidelines which state: *Meals you furnish to a restaurant or other food service employee during, or immediately before or after, the employee's working hours are furnished for your convenience.* The Child Nutrition Program guidelines (TDA) state: *CNPs have the option to charge or not charge nutrition program employees for meals if the employees are directly involved in the operation or administration of meal planning, preparation, and service.*

Note: Meals may be provided to students during school-sponsored events (academic or athletic) while the students are away from the school campus and for on-campus events such as Student of the Week events.

Employee Achievement and Safety Awards
Employee achievement awards, such as length-of-service or safety shall be presented to an employee as part of a meaningful presentation, i.e. End-of-the-Year Employee Recognition & Retiree Event to comply with the IRS regulations. These awards, if compliant with the IRS, are not taxable.

Student incentives shall not violate the UIL Side-by-Side Rules, nor the FMNV federal and state guidelines.

Cash prizes shall not be awarded to staff or students.

All staff and student incentive purchases must be approved by the Chief Financial Officer prior to the item being purchased to ensure compliance with local, State, and Federal regulations.

Campuses should use their budget in the attendance incentive code by fund:

District General: 199 E 11 6499 00 XXX 0 99 ATT
District Campus: 461 E 11 6499 00 XXX 0 99 ATT
Non-District: 865 E 11 6499 00 XXX 0 99 ATT

(XXX represents the campus org within each budget)

Appendix A shows examples of allowable and unallowable purchases using district, non-district, and State/Federal funds.

Appendix A

Staff Incentive Type	Examples	District Funds (199 and 461)	Non-District Funds (865)	State or Federal Funds
Items defined as de minimus, or having a value not to exceed $20 per item	Trophies, certificates, desk accessories, etc.	Allowable	Allowable	Not Allowable
Gifts, or items appearing as gifts	Birthday or other holiday gifts, flowers, candy, or gift cards for personal services.	Not allowable	Not Allowable	Not Allowable
Food, considered a snack	Cookies, Pretzels, chips, ice cream, water, sport drinks, other items that could be considered a snack, or snacks purchased through the Child Nutrition Department.	Allowable	Allowable	Not Allowable
Food, considered a meal	Pizza, hot dogs, hamburgers, tacos, or other food items that could be considered a meal.	Allowable	Allowable	Allowable
School spirit items defined as de minimus, or having a value not to exceed $20 per item	Items purchased through Shop the WILD, or other items related to school spirit purchased from another vendor.	Allowable	Allowable	Not Allowable
Electronics	Digital cameras, iPad, phones, calculators, or any other item considered an electronic device.	Not Allowable	Allowable	Not Allowable

Student Incentive Type	Examples	District Funds (199 and 461)	Non-District Funds (865)	State or Federal Funds
Items defined as de minimus, or having a value not to exceed $20 per item	Trophies, certificates, desk accessories, field trips*, etc.	Allowable	Allowable	Not Allowable
Food, considered a snack	Cookies, pretzels, nachos, chips, ice cream, water, sport drinks, other items that could be considered a snack, or snacks purchased through the Child Nutrition Department.	Allowable	Allowable	Not Allowable
Food, considered a meal	Pizza, hot dogs, hamburgers, tacos, or other food items that could be considered a meal.	Allowable	Allowable	Allowable
School spirit items defined as de minimus, or having a value not to exceed $20 per item	Items purchased through Shop the WILD, or other items related to school spirit purchased from another vendor.	Allowable	Allowable	Not Allowable
Electronics	Digital cameras, iPad, phones, calculators, or any other item considered an electronic device.	Not Allowable	Allowable	Not Allowable

* A field trip is considered one item, so the ticket, meal, and/or any other item during the field trip must all be below the $20 in total.

In addition, the payment of the bus driver will need to be reimbursed from the incentive account to transportation.