AccuPay
Your Professional Payroll People

PayDay

AccuPay assists employers with accurate tax reporting of gifts, in particular as Christmas and year-end approaches. Here is the way in which tax statutes and the IRS looks at employee gifts:

√ Gifts given to employees in the form of cash, including gift certificates, are always taxable for all payroll taxes; and

√ Certain non-cash gifts to employees are not taxable if they are "de minimis", or immaterial in amount. Non-taxable employee gifts include Christmas turkeys/hams, occasional entertainment tickets (but not season tickets), and the like.

It is not uncommon for employers to distribute cash to employees for Christmas since gifts of cash inside cards of appreciation seem "warmer and fuzzier" than Christmas payroll checks, net of various payroll taxes. These gifts of cash need to be entered in the employer's payroll records and "grossed-up" for at least FICA and Medicare taxes.

Call your Accupay payroll professional at 885-7600 to discuss how to report Holiday and year-end gifts (and bonuses too) to your employees. We can help you record cash gifts and "gross them up" for wage reporting and payroll tax purposes.

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.

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