



OFFICE OF THE EXECUTIVE VICE PRESIDENT—
CHIEF FINANCIAL OFFICER

OFFICE OF THE PRESIDENT
1111 Franklin Street, 10th Floor
Oakland, California 94607-5200

January 22, 2018

**CHANCELLORS
VICE CHANCELLORS BUDGET & PLANNING
VICE CHANCELLORS ADMINISTRATION
PROVOSTS**

Subject: Taxability of Certain Employee Achievement Awards Effective January 1, 2018

The Tax Cuts and Jobs Act (P.L. 115-97) that was signed into law on December 22, 2017 impacts the taxability of certain types of employee achievement awards provided by an employer. Specifically, gift cards are excluded from the definition of tangible personal property so the value of gifts cards provided by the University to an employee for an employee achievement are considered taxable wage income on and after January 1, 2018. Because either a gift card or one month of parking or transit passes are included in the definition of cash or cash equivalent, if an employee receives such as award for length of service then the value of the award must be treated as wage income, and campuses should treat the value of such gift cards as subject to federal income tax withholding and FICA.¹

Please note that California is one of a few states that utilize a selective approach to conform to the Internal Revenue Code. The Franchise Tax Board has not yet published conforming code sections as of January 1, 2018 for state income tax purposes.

We are awaiting further guidance from the IRS and will discuss policy changes with the appropriate campus stakeholders during the next few months. Business and Finance Bulletin G-41, *Employee Non-Cash Awards and Other Gifts*, will be revised to reflect any policy changes resulting from the impact of tax reform legislation at the next update. If you have any questions, please call John Barrett at (510) 987-0903.

A handwritten signature in black ink that reads "Nathan Brostrom".

Nathan Brostrom
Executive Vice President and
Chief Financial Officer

cc: Campus Controllers
Chief Human Resource Officers

¹ P.L. 115-97 added new IRC section 274(j)(3)(A)(ii)

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Executive Vice President-COO Nava
Vice President Duckett
Associate Vice President Arrivas
Vice President Budil
Vice President Humiston
Executive Director Kalmijn
Campus Accounts Payable Managers
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