Frequently Asked Questions about Retirement Gifts
Purchased with RIT Funds

I am planning to purchase a retirement gift for an employee using RIT funds; what do I need to know?
All gifts of cash or cash equivalents (e.g. gift cards, gift certificates for goods and services) are taxable to the retiring employee regardless of the dollar amount. The amount of the gift will be added to the retiring employee’s W-2 and the applicable Federal and State taxes will be withheld. This applies to all gifts regardless of the funding source (e.g., gifts, endowment earnings, discretionary funds, NTID operating funds). If you choose to give a cash gift, please complete a Gifts Given Form and forward it to the Payroll/Accounts Payable Office.

Do the same rules apply if I choose to purchase the gifts using my own personal funds?
No, these rules do not apply to retirement gifts purchased with personal funds. They are only applicable if the funds used were provided by the employer (i.e. RIT funds were used to purchase the gift).

Are there limits on how much can be spent on a retirement gift?
Yes, the purchase of the gift must comply with the RIT Discretionary Policy and IRS Guidelines.

- RIT Discretionary Policy Section E.3: Employee Reward, Recognition and/or Achievement: Retirements states: “gifts made to employees upon retirement from the University are allowable. A general guideline is $10.00 for each year of service, up to a maximum of $400. Such gifts are not taxable provided they are tangible personal property. Gifts of cash and cash equivalent are taxable to the recipient regardless of the dollar amount.”

- IRS Publication 535 limits the deduction for the cost of employee achievement awards given to any one employee during the tax year to $400. This means that if you purchase a retirement gift (e.g., an RIT commemorative captain’s chair) and the cost is $401, even though the gift of tangible property exceeds the deduction limit by only $1, IRS rules requires the employer to add the entire amount (in this example the $401) the retiree’s W-2. He/she will be responsible for paying the taxes on the full amount.

What if I purchase an RIT commemorative chair through Barnes & Noble @ RIT?
We have made special arrangements with Barnes & Noble @ RIT to sell RIT commemorative chairs for $400. A shipping charge will also apply but this amount may be accounted for separately from the value of the gift. Please note that the University’s contract with Barnes & Noble requires that RIT commemorative chairs be purchased from them and not any other supplier.
**No matter how hard we tried, the retirement gift cost exceeded $400.**
In order to comply with the RIT discretionary policy, and to not exceed the IRS limit, the maximum dollar amount permitted for retirement gifts paid with RIT funds is $400. If the gift exceeds this threshold, many departments have chosen to collect the funds from the retiree’s colleagues to reduce the amount of the gift that will be paid for with RIT funds to $400.

**Important things to remember:**
- All gifts of cash or cash equivalents are fully taxable to the retiring employee regardless of dollar amount. Gifts of tangible property in excess of the IRS deduction limit of $400 will be added for the full value of the gift to the employee’s W-2.
- The retiring employee is responsible for paying taxes on the value of the gift that is added to his/her W-2.

If you have any questions about retirement gifts purchased with RIT funds, please contact Christa Abugasea, Director of Payroll and Accounts Payable Services at 475-2418 (ceapay@rit.edu) or Milagros Concepcion, Assistant Controller at 475-5428 (mxlcto@rit.edu).