



POLICY: Team Member Gifts

<i>Original Implementation Date:</i>	1/1/2023	<i>Date Reviewed/ Revised:</i>	N/A	<i>Area of Responsibility:</i>	Finance	<i>Version:</i>	1
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PURPOSE: Payments made from Sun Health (or related entities), or items of value given to team members, are considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2, unless a specific exemption applies.

Who is Governed by this Policy: All Sun Health Team Members

POLICY: This policy provides guidance regarding the tax implications of gifts, prizes and awards made to team members so that: 1) proper communication is given to the team member at the time of receipt; and 2) Sun Health is in compliance with federal and state tax laws and regulations. Any question concerning the taxability of a gift, prize or award should be reviewed with the Finance Department prior to processing the transaction.

Sun Health supports the recognition of outstanding team member contributions through the use of gifts, prizes and awards. However, all payments made from Sun Health funds or items of value given to team members are considered compensation, and are subject to federal, state and employment tax withholding and reporting on Form W-2, unless a specific exemption applies. The taxation of gifts, prizes and awards is summarized in the three categories below.

I. Cash and Cash Equivalents

Cash gifts, prizes, or awards, including gift certificates and gift cards (cash equivalents), are considered supplemental wages and are always reportable as taxable compensation, regardless of the dollar amount and beginning with the first dollar. Gifts, prizes or awards of cash and cash equivalents must be processed through payroll and are subject to federal, state and employment tax withholding. The gift, prize or award must also be included in the employee's year-end Form W-2, Wage and Tax Statement.

II. Non-cash Valued at \$100 or Less

A gift, prize or award may be considered a de minimis fringe benefit and not taxable compensation to the team member if: 1) it is a non-cash gift of property such as food, flowers, clothing, etc.; 2) it is valued at \$100 or less; and 3) it is given only on an occasional basis. Gifts, prizes, or awards meeting the de minimis fringe benefit criteria may be paid or reimbursed by Sun Health via the Accounts Payable department.

III. Non-cash Valued at More than \$100

A non-cash gift, prize or award valued at more than \$100 is taxable beginning with the first dollar and must be processed through payroll. Such gifts, prizes and awards are reportable as taxable compensation to the team member, subject to appropriate federal, state and employment tax withholding, and must be included in the team member's year-end Form W-2, Wage and Tax Statement.

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IV. Team Member and Payroll Notification Requirements

When a team member is receiving the taxable gift, prize, or award, they must be made aware of the tax liability associated with it. Also, payroll must be notified of the value of the gift, prize or award, so that it can be included on the team member's upcoming pay statement, for taxation purposes.

Exception to the General Rule- Team Member Achievement Awards

Special rules apply to non-cash awards based on a team member's safety achievement or length of service with Sun Health. A safety or length of service award may be excluded from the team member's income, if specific criteria are met pertaining to the form and timing of the award, its dollar value, and its method of presentation. Departments should consult the Finance department, with any questions, prior to making such awards.

Definitions

Award: A cash or non-cash item given to show thanks, support, goodwill, or recognition of an outstanding accomplishment. A bonus could be one type of an award.

Gift: A cash or non-cash item given as a gesture of goodwill or appreciation, or in recognition of, or in connection with a holiday season, or some other purpose not specifically related to regular job performance. Examples may include holiday or birthday gifts.

Prize: A cash or non-cash item given at random or as a result of chance, not directly related to job performance. Examples include random door prizes and raffles at company sponsored events.

Non-Cash Item: A gift of tangible personal property such as a plaque, electronic equipment, T-shirts, flowers, etc. Tangible personal property doesn't include cash, cash equivalents, gift cards, gift coupons, certain gift certificates, tickets to theater or sporting events, vacations, meals, lodging, stocks, bonds, securities, and other similar items.

De Minimis: A non-cash gift or award that is so small that accounting for it would be unreasonable or administratively impractical. De minimis gifts, prizes or awards may only be provided on an occasional basis and must be small in amount. Only non-cash gifts of property valued up to \$100 are considered de minimis. Cash awards, gift cards and gift certificates are never considered de minimis.