

Taxable or not? What do we do about door prizes for spouses?

Question: Door prizes at our wellness fair included gift cards. We know that employees who receive gift cards are taxed on those amounts, but what about spouses—are gift cards taxable to employees and reportable on their W-2s if their spouses win prizes?

Answer: Yes. According to the IRS, it doesn't matter who actually wins a prize. Taxable gifts given to employees' spouses, friends, significant others, etc., remain taxable to the employee. You will need to impute the value of the gift card into the employees' income, withholding taxes and include the value of the gift card on the employee's W-2.