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Awards

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If morale in your workplace has hit rock-bottom, you can boost spirits – and hopefully productivity – by establishing a program of employee achievement awards. As long as certain requirements are met, the awards are tax-free to employees and deductible by the company.

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Any employee may receive a length-of-service award, but safety awards can't be made to managers, administrators, clerical workers and other professional employees.

- The award doesn't qualify if the company granted safety awards to more than 10 percent of the eligible employees during the same year.
- The award must be part of a meaningful presentation.
- The employee must have worked for the company for a minimum of five years to receive a length-of-service award.

With a nonqualified plan, an employee may receive up to \$400 in awards tax-free. This amount is multiplied by four to \$1,600 for awards under qualified plan. Any amount above either limit is taxable to the employee and can't be deducted by the company.

Two additional requirements must be met for qualified plans. (1) The award must be paid under a written plan that doesn't discriminate in favor of highly-compensated employees. (2) The average cost of all employee achievement awards granted during the year can't exceed \$400.

An achievement award program may encourage employees to do better work and improve overall morale. It's a small price to pay for improving the workplace outlook.

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