



September 20, 2006
Pennsylvania Personal Income Tax
No. PIT-06-012
Awards

ISSUE

Whether an award received by Taxpayer in recognition for his achievements in the field of education is subject to Pennsylvania Personal Income Tax?

CONCLUSION

No. The award received by Taxpayer is not subject to Pennsylvania Personal Income Tax because it was not given in recognition for past or future service.

FACTS

Taxpayer is a professor at a Pennsylvania university and was recently given a monetary award as part of an award program conducted by a corporation and a nonprofit organization. The award recognizes a faculty member who fosters an environment of innovative thinking among students through inventive teaching methods and hands-on opportunities.

No goods or services were provided by Taxpayer for the award and no future goods or services are to be rendered for the award. There are no restrictions on the use of the award money.

DISCUSSION

When an award is given in recognition for the recipient's past or future service, the cash, or value of the award, unless *de minimis* under Federal rules under IRC Section 132, is taxable Pennsylvania compensation. However, an award given out of detached or disinterested generosity or in recognition for civic or humanitarian services is not taxable Pennsylvania compensation.

In the present case, based on the facts presented, because the award given does not constitute a *quid pro quo* for any past, present and future services of the Taxpayer it is not taxable Pennsylvania compensation. Though the award itself was given in recognition of Taxpayer's past work and presumably in the hopes that Taxpayer's work will continue, Taxpayer is under no legal obligation to do so. In addition, there is no obligation on the part of the entities that presented the award to pay for any past services rendered, nor for any present or future services. Neither of the entities receive any direct benefit from the recipient's past achievement, other than an indirect benefit in the betterment of society, and retain very little if any control or oversight over the award money once granted. The recipient is free to use the money once granted for virtually anything within his desire.

As such, based on Pennsylvania statutory and regulatory provisions regarding compensation and awards, it is the position of the Department that the award given to Taxpayer pursuant to the facts presented would not be subject to Pennsylvania Personal Income Tax.

