

GIFT CARD GUIDELINES AND PROCEDURES

Gift cards are a convenient method of providing a gift to an employee, student, or non-employee. Most often they are used to

- encourage participation for research and surveys
- acknowledge an employee's service or retirement
- say "thank you" to a conference participant or volunteer
- award a prize to a student in a campus competition

No matter the reason for a gift card, the IRS considers gift cards to be cash equivalents and therefore may be taxable to the recipient. For that reason, there must be a clear audit trail of the purchase and distribution of the gift cards.

Gift cards can be physical cards hand-delivered to the recipient or an e-gift card sent electronically. In either case, the receipt of gift cards should be acknowledged by the recipients. This acknowledgment provides the audit trail needed to ensure that the gift card was issued and received for the purpose it was intended.

Key Points:

- Gift cards to employees (students, temps, or permanent) are considered taxable income regardless of the amount. The value of the gift card must be included in the employee's next applicable payroll. This is the IRS link to the information: <https://www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits>
- When considering purchasing a gift card for an employee, consult UNCW policy 5.159 Purchase of Gifts for Employees <https://uncw.edu/policies/documents/05-159policypurchasegiftsemployees.pdf>
- Gift cards for foreign nationals (employee and non-employee) may also be taxable based on their country of origin, visa status and the tax treaty between the U.S. and their country. Contact Lisa Eakins, Tax Accountant, at eakinsl@uncw.edu with questions concerning foreign nationals.
- Gift cards cannot be used to pay for services. If services are rendered, the person should be hired as a temp or, if already an employee, receive supplemental pay.
- Gift cards given to volunteers must be a nominal amount in comparison to the volunteer services performed. The gift card should not equate to an hourly wage or be considered compensation.
- The purchase of gift cards is handled one of two ways:
 - A UNCW employee purchases the gift cards and is reimbursed via Chrome River.
 - The employee requests a mission fund through General Accounting.
- Gift cards should be issued in increments of \$5. For example, \$5, \$10, \$15, etc.
- P-cards and PO's cannot be used to purchase gift cards for any reason.

- General funds 1xxxxx cannot be used to reimburse or purchase gift cards. Service Awards given by HR are an exception.
- Gift cards cannot be given to a third party as a donation or sponsorship.
- Gift cards that are not distributed and acknowledged cannot be reimbursed to the UNCW employee that purchased them. The employee's reimbursement will be reduced by the value of those unused gift cards.
- Non-employees (including students) must submit a completed W-9 to vendortaxdoc@uncw.edu for gift cards valued \$50 and above. This will ensure the recipient is set up as a vendor and the value of the gift card(s) is reported as taxable income should gifts/prizes/awards from UNCW total \$600 or more in a calendar year.

Procedures for the purchase of gift cards

There are two methods available to purchase gift cards for distribution:

Method 1: A UNCW employee purchases the cards and submits an invoice/check request in Chrome River to be reimbursed.

Method 2: A UNCW employee requests a mission fund through General Accounting.

Method 1:

A UNCW employee purchases the cards in increments of \$5 and submits an invoice/check request in Chrome River to be reimbursed.

A. To purchase physical gift cards to distribute to recipients in person:

- A UNCW employee purchases the gift cards in increments of \$5. The gift card numbers should be listed on the receipt. If they are not, a copy of each gift card will be needed for support.
- When gift cards are presented to recipients, each recipient must sign an acknowledgement stating the gift card was received.
 - The acknowledgement should include the value of the gift card, the recipient's printed name, signature, and date.
 - If the recipient is an employee, the acknowledgement must also include their 850xxxxxx ID# and a statement that they are aware the value of the gift card will be taxed.
- Non-employee recipients (including students) must submit a completed W-9 to vendortaxdoc@uncw.edu for gift cards valued \$50 and over to be reported as taxable income (if applicable).

B. To purchase e-gift cards to distribute to recipients electronically:

- A UNCW employee purchases the e-gift cards in increments of \$5 and receives a list of recipients, their email addresses and receipt for the purchase from the third party (example, Amazon, Best Buy, etc).
- Non-employee recipients (including students) must submit a completed W-9 to vendortaxdoc@uncw.edu for gift cards valued at \$50 and above.
- After the e-gift cards are sent, each recipient should acknowledge receipt of the e-gift card by sending an email to the employee that purchased them.

- For research or survey situations where participation is considered sensitive, the list of recipients from the third party may be used as the recipient's acknowledgment with the following requirements:
 - The list of recipients is signed by the employee that distributed the gift cards and submitted to the department Business Officer for review and approval.
 - This Business Officer approval must be included with the support documentation in the Chrome River reimbursement request.
- If the recipient is an employee, the acknowledgement email must also include their 850xxxxx ID#.

C. To request reimbursement for purchase of gift cards:

- After the gift cards are distributed and acknowledged, the employee that purchased the gift cards submits an invoice/check request in Chrome River requesting reimbursement.
- For physical gift card reimbursement, the support documentation uploaded in Chrome River includes
 - Receipt for the gift cards
 - Copies of the gift cards if gift card numbers are not on the receipt
 - Signed acknowledgement from the recipients that the gift cards were received
 - Any additional approvals required by Senior Management (for example, DBO approval)
- For e-gift card reimbursement, the support documentation uploaded in Chrome River includes
 - Receipt for the e-gift cards,
 - List of recipients (if not considered sensitive),
 - Email acknowledgements from the recipients that the gift cards were received or Business Officer approval of the list of recipients if considered sensitive,
 - Any additional approvals required by Senior Management (for example DBO approval).
- The account code for the reimbursement of non-employee gift cards is 954922 Prizes and Awards (Non-employee). This account code is used for gifts/prizes/awards purchased for non-employees only. This also includes non-employee students.
- The non-employee acknowledgements for gift cards valued \$50 and above will be submitted to the Tax Accountant and may be reportable as taxable income at calendar year end.
- The account code for the reimbursement of employee gift cards is 958993 Gifts. This account code is used for gifts/gift cards purchased for employees for retirement, separation, small nominal amounts for holidays or recognition, etc.
- The employee acknowledgements for gift cards will be submitted to the Payroll Office to be included as taxable income in the next applicable payroll cycle.

Method 2:

A UNCW employee requests a mission fund through General Accounting.

- Mission funds are generally related to Contract and Grant funds 5xxxxx. However, we have expanded the use of mission funds to include the purchase of gift cards to keep the employee from incurring out of pocket expenses.
- The use of a mission fund to purchases gift cards is helpful if there is a large number of gift cards to be purchased.

- The employee requests a mission fund in writing to Angie Downing (downinga@uncw.edu) in General Accounting. The employee will be the custodian of the mission fund and responsible for its use.
- General Accounting sends the guidelines to the custodian and after reading them, the employee replies to General Accounting acknowledging their understanding of the guidelines and provides a non-general fund to be charged for the mission fund.
- General Accounting submits an invoice/check request into Chrome River for the next scheduled check run for the mission fund amount and payable to the employee/custodian.
- When the check is processed, General Accounting contacts the employee to pick up the check from General Accounting.
- Mission fund checks cannot be direct deposited as the employee must sign for the check before it is released.
- The employee uses the mission funds to purchase the gift cards or e-gift cards in increments of \$5.
- Mission funds are subject to fiscal year end deadlines and must be reconciled and closed by that date.
- The procedures for purchasing physical gift cards or e-gift cards are the same as outlined above in Method 1.A and 1.B

To close out the mission fund:

- The custodian of the mission fund submits to General Accounting
 - Personal check or cashier's check for any unused funding or undistributed gift cards
 - Receipt for the gift cards
 - Copies of the gift cards, if the gift card numbers are not on the receipt
 - Acknowledgement from the recipients that the gift cards were received or list of recipients from the third party approved by the Business Officer
 - Any additional approvals required by Senior Management (for example DBO approval).
- General Accounting will deposit any unused funds returned by the custodian.
- General Accounting processes a journal entry to charge the department's non-general fund and appropriate account code for the actual amount used from the mission fund.
- Mission funds are subject to fiscal year end deadlines and must be reconciled and closed by that date.

Gift cards given as a retirement or holiday gift for UNCW employee

- Follow the Method 1 guidelines/procedures to purchase a gift card or e-gift card and reimbursing the employee that purchased the card.
- A mission fund should not be used for this purpose.
- Gift cards cannot be used as payment for services. A supplemental pay action should be entered for services an existing employee provides to UNCW.
- Gift cards in any form and given to a UNCW employee as a retirement, holiday gift, etc. are taxable income to the employee regardless of the amount.

- A gift card presented to a retiring employee should be done far enough in advance to allow time for the employee that purchased the gift card to request reimbursement and Payroll to be notified to include the value of the gift card on the retiring employee's final paycheck.
- Policy 5.159 addresses gifts to employees <https://uncw.edu/policies/documents/05-159policypurchgiftsemployees.pdf>

Contracting with a third party to provide a survey and the gift card incentive

Some third parties provide survey services that include the distribution of gift card incentives. In this case, the following should be addressed in the agreement, memo of understanding (MOU), etc. between UNCW and the third party:

- The third party, not UNCW, purchases the gift cards and distributes.
- The third party's policies and procedures apply to the purchase and distribution, not UNCW's.
- The third party includes the cost of the gift cards on their invoice to UNCW along with any applicable fee for their services.
- The UNCW department engaged with the third party is responsible for the review and approval of the invoice and must ensure the terms of the agreement are followed.

For additional questions related to the purchase, disbursement and reimbursement request for gift cards, please contact Joanne Ferguson, Associate Controller of Operations, at fergusonj@uncw.edu