

4.02.10.20 Gift Cards



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Policy/Guideline Area

Business and Finance Policies

Applicable Divisions

TCATs, Community Colleges, System Office

Purpose

To provide policies and procedures on the purchase, distribution, tracking and accounting for gift cards using Institutional student activity fees, unrestricted, restricted, agency, Foundation or grant funds. As a cash-equivalent instrument, gift cards are governed by tax rules and internal control requirements. This policy states the circumstances when gift cards may be allowable, the tax implications to the recipient (students or volunteers). Any non-student Institutional employees or a student who is employed by the institution in a regular-part or full-time benefitted position are not eligible to receive gift cards.

Definitions

- *IRS*: Internal Revenue Service
- *Gift Cards*: A store-valued or similar instrument in lieu of cash or check, including without limitation, a gift certificate. Examples of gift cards:
 - Anywhere/anytime cash such as Visa, American Express or money-orders
 - Store gift certificates or cards that are redeemable for a large variety of commodities, such as Walmart or grocery store gift cards
 - Gift cards or gift certificates to restaurants
 - Gift cards to the Institution Bookstore

- Virtual gift cards such as Amazon
- Paper gift certificates are considered the same as gift cards.
- *Gift Card Log*: Log to record gift information required by the Business Office to be able to issue applicable Form 1099 to the recipient unless a separate account code is utilized, if required.
- *Custodian*: Individual charged with physically maintaining and securing the gift card instruments.
- *PI*: Principal Investigator, if applicable for a grant
- *IRS B Notice*: Notice provided to employers indicating incomplete or incorrect data on IRS forms.
- *Form W9*: The form identifying the taxpayer identification number (TIN) and certifications required by the IRS.
- *Form 1042*: Form completed by the Institution for annual withholding for U. S. source of income for foreign persons.

Policy/Guideline

This policy must be adhered to by all faculty and staff.

Gift cards may be allowed in situations where it is determined that expenditures are in the best interest of the Institution and promote the purposes of the Institution. The determination of whether a gift card is allowable is dependent upon the selection of the recipient, the reason for the gift, the source of funding, and the recipient's affiliation to the Institution.

Gift cards, regardless of the value, are considered cash equivalents by the Internal Revenue Service and are subject to tax reporting. Departments purchasing and distributing gift cards are responsible for compliance with IRS regulations and Institution policies.

WHEN GIFTS CARDS MAY BE PURCHASED

Gift cards must have a value of \$100 or less. Individual gift cards may not have a face value greater than \$100 without prior approval from the Chief Financial Officer or their designee. Multiple gift cards may not be given to the same individual for the purposes of circumventing the \$100 limit rule. Gift cards may be purchased under the following circumstances:

- A gift card may be purchased if it is not for a specific person, but for an approved event prize.
- Gift cards may be purchased as a thank you for a volunteer as long as the volunteer is not a College employee (temporary student employees are eligible) or a contractor currently under contract.
- The use of gift cards for sponsored project participants is permitted as incentives or awards of externally-funded sponsored project participants as described in the grant proposal. If the gift card was not described in the grant proposal, the purchase of a gift card on a sponsored project requires prior written approval from the sponsor. If prior approval is not obtained, the gift card purchase is not allowable on the grant.
- All other gift card purchases will be considered during the approval process.

WHEN GIFTS CARDS MAY **NOT** BE PURCHASED

- Gift cards may **NOT** be purchased for College specifically identified active non-student employees, or consultants employed by the Institution.
- Gift cards may **NOT** be purchased as gifts for graduating students.
- Gift cards may **NOT** be purchased as holiday or other gifts to employees or students.
- Gift cards may **NOT** be purchased to pay suppliers and consultants for goods and/or services received.

Procedures

The purpose and purchase of gift cards must be pre-approved by the Chief Financial Officer or their designee due to the fact that gift cards are the equivalent to cash and can have income tax implications.

The unit/department requesting the purchase of gift cards is responsible for overseeing gift card controls in the department. They are also responsible for safeguarding the gift cards at all times and for reviewing and reconciling the gift card purchases. The unit/department is responsible for obtaining and assuring the accurate completion of the W9 form, if necessary, and submitting the completed form to Accounts Payable.

I. Obtaining Approval for Purchase

- A. Each institution must have defined processes to assure that gift card purchases are pre-approved. The PI, if applicable, must verify that the grant proposal indicates approval to obtain gift cards.
- B. Instances where gift card purchases occur before approval is obtained may not be considered for reimbursement.

II. Purchasing a Gift Card

- A. Gift cards may be purchased by using a purchase order. A purchase requisition with the appropriate approvals must be submitted through the normal requisition process.
- B. Individual gift cards may not have a face value greater than \$100 without prior approval from the Chief Financial Officer or their designee.
- C. Gift cards may be purchased from the Institution bookstore, or the Business Office may be consulted for other alternatives.
- D. Gift card purchases must meet all applicable purchase requirements as determined by the Institution's Procurement Officer.

III. Maintaining and Distributing Gift Cards

- A. When gift cards are purchased, the Custodian, PI, or the PI designee must maintain documentation of the card number, card amount, recipient, and date of distribution.
- B. Until disbursed, cards should be maintained in a secure, locked area.

- C. The Institution is required to report payments exceeding \$599.99 to US Residents on Form 1099 and to Foreign Nationals on the appropriate Form 1042.
 - D. Gift card documentation must be submitted to the Business Office or Accounts Payable within 10 days of the final distribution.
- IV. Securing the Social Security Numbers for Gift Cards
- A. Social Security Numbers (SSN) are considered personally identifiable information (PII). The collection and use of social security numbers has been approved as part of the Gift Card policy if necessary, but must be maintained securely.
- V. Exceptions by the Chancellor
- A. The Chancellor may suspend or revoke an institution's ability to use gift cards under this policy. The suspension or revocation would normally be for non-compliance with the policy or other audit issues related to gift card usage. The Chancellor may also make other exceptions to the policy as deemed necessary.

Exhibits

For Exhibits, click the Attachments button at the top right of the page.



Sources

Authority

T.C.A. § 49-8-203, IRS Rules

History

New policy approved at TBR Board Meeting, March 31, 2022.