



Gift Card Procurement

Purchasing Gift Cards at Hocking College

Revision Date – April 2018

Purpose

The purpose of this Policy is to set forth the guidelines and procedures for the purchase and distribution of gifts and gift cards/certificates purchased with Hocking College funds to ensure compliance with the College's tax withholding and reporting obligations. Gift cards may not be purchased via the procurement card all gift card requests must be made through the Fiscal Services Procurement Team in order to ensure compliance with this policy.

According to the rules of the Internal Revenue Service (the "IRS"), because cash and cash equivalents, such as gift cards/certificates, have a readily ascertainable value, they are considered taxable income regardless of the face amount of the gift card/certificates. For employees, the value of gifts and gift cards/certificates is considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2. There is no de minimis fringe benefit amount relating to gift cards/certificates. For non-employees, the value of all gifts and gift cards/certificates in an aggregate amount of \$600.00 or more per calendar year must be reported to the IRS on Form 1099-MISC as other compensation. Finally, gift cards/certificates given to nonresident aliens are subject to federal tax withholding which the department will be responsible for unless an exception applies.

Gift Cards or Certificates to Employees

Any gift card/certificate purchased with University funds and given to an employee will be considered taxable income to the employee and added to their Form W-2 during the calendar year the gift card was received. There is no minimum dollar amount for this rule. As such, gift cards to employees are discouraged and requests for any special type of employee recognition should be paid via University payroll.

Gift Cards or Certificates to Non-Employees

Gift cards presented to Non-employees may be taxable and reportable income on form 1099-MISC to the recipient if they are over \$600.00. Gift cards should not be given in exchange for services. The University will track all compensation received by such individuals, if the individual receives other awards or payments during the calendar year in excess of \$600, the entire amount will be reported on Form 1099-MISC. A gift card log must be kept for such individuals and a form W-9 requested at the time of gift card distribution if there is any indication that an individual might receive \$600 during the year.



Gift Cards or Certificates to Nonresident Aliens

IRS Form 1042-S is generated for all payments received and reported. Because the IRS-required 30% tax was not withheld, the unit will be charged the 30% tax, based upon the amount of the gift card or gift certificate provided.

Procedures

In order to purchase a gift card please complete the appropriate purchase procedure and include a completed Gift Card Purchase Authorization Form. Send the documentation to purchasing@hocking.edu

Once the procurement team has approved the request to purchase the gift cards each department is responsible for filling out and returning the Gift Card Disbursement Log.

As previously stated, if there is any indication that an individual might receive \$600 during the calendar year whether it is the form of gift cards or other payments from Hocking, a Form W-9 should be requested at the time of gift card distribution.

The Department will need to be able to reconcile all gift cards purchased. For example, if a department purchases 5 Gift Cards for \$50 but only disburses 2 gift cards, their disbursement log should reflect that 3 gift cards still remain open. When the department disburses the remaining gift cards, an additional log should be filled out.

Control of Gift Cards

Gift Cards should be kept under lock and key at all times to ensure proper physical security and to protect from theft and loss. Access to the gift cards and keys to the lock areas should be limited to the individual(s) responsible for safekeeping of the gift cards.

If you have any questions on purchasing a gift card, please contact Your Fiscal Services Procurement Team at purchasing@hocking.edu