

## 2316 - Gifts, Prizes, Awards, Gift Cards/Certificates

Barton County Community College complies with all federal and state tax regulations concerning the tax obligations of gifts, prizes, awards and gift cards/certificates to employees, students, and non-employees.

This policy applies to all employees, students, and non-employees and is intended to clarify the circumstances when gifts, prizes, awards and gift cards/certificates may be appropriate, procedures for submitting recipient information to Finance/Human Resources, and the corresponding tax obligations.

### Definitions:

- **Awards/gifts** - may recognize length of service, exceptional performance, special achievement, employee recognition etc.
- **Prize** - recognizes performance as part of a judged competition, e.g. best design, highest score, academic achievement, etc. or winnings from a raffle or drawing.
- **Tangible award/gift** - is any non-cash item provided to employees, students, and non-employees in recognition of special circumstances (e.g. illness, recognition, etc.)  
Examples include:
  - Flowers
  - Books
  - Trophies
  - Plaques
  - Food
  - Apparel items (Barton or other)
  - Gift card of less than \$50 that must be spent for a specific item (such as Golden Belt Theater).
  - Memento items

These items are generally non-taxable provided they are provided infrequently and the cumulative value to the individual is less than \$100 in a taxable period.

- **Cash equivalent awards/gifts** - is any item which can be used to “purchase” merchandise or which can be easily converted to cash. Under IRS code, this includes gift cards, gift certificates, store-value cards, or prepaid credit cards. Under IRS code, cash and cash equivalent fringe benefits (i.e. gift cards/certificates, store-value cards, or prepaid credit cards) constitute income to the recipient, no matter how small, and are taxable and never defined as a de minimis benefit.
- **De minimis benefit** - is any property or service provided to an employee that has so little value that accounting for it would be unreasonable or administratively impractical. Examples of de minimis benefits include the following:
  - Holiday gifts, other than cash or gift cards/certificates, with a low fair market value.
  - Occasional meals.

- Occasional parties for employees.
- Occasional coffee, donuts and soft drinks.
- Special circumstances, such as flowers, fruit, books, or similar items during an illness, family death or for individual recognition.
- An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation. The IRS has ruled previously in a particular case that items with a value exceeding \$100 could not be considered de minimis.

**Gift cards/certificates, store-value cards, or prepaid credit cards:**

- Gift cards/certificates can be susceptible to fraud or misappropriation because they lack the necessary audit trail that exists with a check or other forms of payment. As a result, gift cards may only be given as a prize or award for an event, raffle, or survey.
- Gift cards/certificates may not have a face value greater than \$50.
- Gift cards/certificates **cannot be provided** to employees (including student employees).
- Gift cards/certificates should only be purchased as needed and be secured at all times.
- Gift cards/certificates must be distributed within thirty (30) days of purchase.
- Gift card/certificates issuances must be documented in a spreadsheet (see linked form below) and must uniquely identify each payment in order to document the appropriate use of the card for audit purposes. Departments must submit the spreadsheet to the VP of Administration by June 30<sup>th</sup> of each fiscal year. Information to be included for each card shall include at a minimum:
  - Recipient name
  - Recipient address
  - Date
  - Award/Prize (purpose)
  - Amount of Card
  - Vendor
  - FOAP the card was purchased with
  - Requisition number
  - Supervisors name
- Gift cards may NOT be purchased for the following:
  - To pay/compensate employees, student employees, independent contractors, volunteers, or other individuals for services/work performed. This includes “working” any college event, performance, activity, etc.
  - Holiday or other gifts to employees or students.
  - To pay suppliers and consultants for goods and/or services received.

## Summary of Tax Treatment & Process:

	Description	Taxable regardless of the amount	Can be used as an Award/ Prize	Can be used to "pay" for Services	Require Gift Card / Certificate tracking spreadsheet	Must be submitted to HR for payroll processing (If YES, must also supply completed W-4, K-4, I-9, Oath Form, and One Time pay forms)	Must be submitted via a requisition with required W9 & 1099 will be sent to individual and IRS as required
<b>Employee/Student Employee</b>	Gift Card/Gift Certificate (not allowed)	Yes	No	No	N/A	N/A	N/A
	Cash payment	Yes	Yes	Yes	No	Yes	No
	Tangible personal property from a limited array of items preselected by the college (no cash for difference between price and value) and less than \$100 in value	No	Yes	Yes	No	No	No
<b>Student/NonEmployee</b>	Gift Card/Gift Certificate	Yes	Yes	No	Yes	No	No
	Cash payment	Yes	Yes	Yes	No	Yes, if paying for "contract labor"	No, if paying for expertise in field No, if paying for "contract labor" Yes, if paying for "expertise in field"
	Tangible personal property from a limited array of items preselected by the college (no cash for difference between price and value) and less than \$100 in value	No	Yes	Yes	No	No	No
Contract Labor examples - Ushers for a performance, scorekeepers, individuals collecting gate receipts, individuals assisting with special events, etc.							
Expertise in field examples - Guest speakers, referees, etc.							

The College wants supervisors to find meaningful ways to recognize employees, students, and non-employees while also complying with IRS regulations. If you use tangible awards/gifts to recognize employees, students, and non-employees you will avoid the "red tape" of reporting taxable income as well as diminishing the value of the award due to tax withholdings.

Supervisors are, therefore, encouraged to reward employees, students, and non-employees with tangible property items (e.g. Barton bookstore items – Sweatshirt, T-Shirt, Cougar, etc.), rather than gift cards/certificates.

**Contact:** Vice President of Administration

### Related Form(s):

W9 - [https://docs.bartonccc.edu/forms/businessoffice/fw9blankW9\\_2018\\_Oct.pdf](https://docs.bartonccc.edu/forms/businessoffice/fw9blankW9_2018_Oct.pdf)

W4 - <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

K4 – <https://www.ksrevenue.org/pdf/k-4.pdf>

I9 – <https://www.uscis.gov/i-9-central/acceptable-documents/list-documents/form-i-9-acceptable-documents>

Oath - <https://docs.bartonccc.edu/humres/HRPayroll/oath.pdf>

Staff One Time Payment request -

<https://docs.bartonccc.edu/humres/HRPayroll/staffonetimepayform.doc>

Gift Card Tracking – <https://docs.bartonccc.edu/humres/Gift Card Tracking Spreadsheet.xlsx>

**References:**

<https://www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits>

**Relevant Policy or Procedure(s):** 1310 – Fiscal Expenditures

**Approved by:** President

**Date:** ?/??/2022

**Revision(s):**