



## Example Gift Card Procedure Contract Performance Monitoring Unit

This is an example procedure to implement at your agency. If an existing procedure doesn't exist, these guidelines are required. Enter the information stated in the brackets and delete the brackets.

### Purpose

This policy is to define the guidelines and procedures to adequately document the purchase and distribution of gift cards purchased using the [enter Agency Name] or [enter contract/grant] funds and to ensure compliance with tax withholding and reporting obligations.

### Gift Cards to Employees

Any gift card(s) purchased with [enter Agency Name] funds, and given to an employee, will be considered taxable income to the employee and added to their internal Revenue Service (IRS) Form W-2 during the calendar year in which the gift was received; there is no minimum dollar amount for reporting to the IRS.

### Gift Cards to Non-employees

Gift cards presented to non-employees may be taxable and reportable as income on IRS Form 1099-MISC to the recipient if they are over \$600. Gift cards should not be given in exchange for services. [enter responsible name or position name] will track all compensation received by such individuals. If the individual receives other awards or payments during the calendar year more than \$600; the entire amount must be reported on IRS Form 1099-Misc. [enter responsible name or position name] must maintain a gift card log for such individuals and must request an IRS Form W-9 at the time of gift card distribution, when there is any indication an individual might receive \$600 or more during the year.

## Procedures

[Enter purchaser's name or title] must complete and approve following the Purchasing Standard Operating Procedures (SOP). The purchase requisition must contain a description of the intended use of the gift card(s) and the employee(s) that will be responsible for the documentation, internal control and disbursement of the gift card(s). Gift cards purchased with [enter contract/grant] funds must be specifically listed in the program budget and/or approved by the [enter contractor/grantor name], must be distributed within the grant reporting period and must align with the scope of work. Upon receipt of the gift card(s), the responsible Division will create a Gift Card Disbursement Log for tracking of the gift card(s) before distributing the gift card(s) to the employee. A log will be given to the responsible employee(s) as well. The log will be returned to the [enter Responsible Person/Title] by whichever happens first: a) 10 business days after all gifts cards have been distributed, b) 15 days before the end of the contract period, c) December 31 of the current calendar year.

## Documentation & Gift Card Disbursement Log Instructions

[Enter entity name] is required to record the disbursement of all gift card(s) purchased in a log - even if only one card is purchased for one individual. As previously stated, if there is an indication that an individual might receive \$600 or more during the calendar year, whether it is in the form of gift cards or other payments from [enter Agency Name], said individual must complete an IRS Form W-9 at the time of the gift card distribution.

[enter Agency Name] must be able to reconcile all gift cards purchased on the purchase requisition. For example, if a program purchases five \$10 gift cards totaling \$50, but only disbursed two gift cards, the disbursement log should reflect three gift cards in the amount of \$30 remaining available. When the remaining gift cards are disbursed, additional log entries must be completed.

## Control of Gift Cards

The responsible employee(s) has primary duty for safekeeping and proper use of gift cards. The gift cards should be kept in a locked space to protect from theft and loss.

Access to the gift card(s) and keys to the locked area should be limited to the employee(s) responsible for safekeeping of the gift card(s). The inventory process, as described above in the procedures section, should be independently performed by a separate employee who is not also responsible for safekeeping of gift cards.