

HOWARD UNIVERSITY POLICY

Policy Number: Series 300: Business and Finance
Policy Title: GIFT CARD POLICY
Responsible Officer: Chief Financial Officer Delegated to Chief Procurement Officer
Responsible Offices: Office of Procurement & Contracting,
Office of the Controller, and Office of the Chief Financial Officer
Effective Date:

I. POLICY STATEMENT

University faculty and staff occasionally want to use gift cards to compensate individuals such as event volunteers or research study participants. As cash-equivalent instruments, gift cards are governed by IRS tax rules and internal control requirements. These rules and requirements must be followed and communicated to those involved before purchasing or distributing any Gift cards. When Gift cards are distributed, they must be distributed in accordance with the guidelines outlined in this policy.

II. RATIONALE

In addition to annual W-2 reporting for all payments to employees each year, IRS regulations require reporting any non-employee who receives a total value of \$600 or more from the University in a calendar year. Because of these requirements, the University requires that a complete Gift Card Log be maintained for all recipients of gift cards or reportable non-cash tangible gifts.

The IRS considers gift cards to be tax reportable as compensation when issued or awarded to the recipient, regardless of value. Gifts to employees paid by University funds (source of funding makes no difference) must be taxed as ordinary income to the employee. Gifts, rewards, and gestures of appreciation cannot be provided to employees as disguised compensation. The value of the gift cards (or reportable non-cash tangible gifts) will be included on an employee's annual W-2 in taxable income. The employee's earnings will be reduced by FICA and Medicare taxes, as applicable, at the next pay period after the gift earnings are applied.

For non-employees, the University will file a Form 1099-MISC to report the awards when the value of total payments exceeds the designated 1099-MISC threshold in a calendar year.

The Responsible Employee must make the employee aware of the tax implications of the gift.

III. ENTITIES AFFECTED BY THIS POLICY

This policy applies to all University personnel who use gift cards funded by the University or by an external funding source, such as a grant, and/or research contract.

IV. DEFINITIONS

A. Gift Card – a stored-value or similar instrument issued instead of cash or check.

- B. **Gift Card Log** – an electronic record of gift information required by the Office of the Controller to be able to issue Form 1099 to the recipient if required. The log should include the gift card number, payee name, or participant ID. If using the participant ID, information about the participant should be maintained in a separate secure database that includes information required for tax reporting purposes.
- C. **IRS** – Internal Revenue Services
- D. **PCard** – corporate-liability charge card issued by Howard to qualified employees to use to support Howard business only and in accordance with the PCard policy.
- E. **Responsible Employee** – the faculty or staff member in the department disbursing the gift cards that are responsible for the documentation, internal control, and other requirements of this policy. For sponsored projects, the Principal Investigator (PI) is the Responsible Employee and cannot delegate this role.
- F. **Study Subject** – an individual about whom an investigator conducts research and obtains data through intervention or interaction with the individual.

V. **POLICY PROCEDURES**

A. **Applicable Use of Gift Cards**

- 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 Office of the Controller.
- Gift card may be purchased if it is not for a specific person but for an event. For example, a department may purchase a gift card as a door prize.
- Gift cards may be purchased for RAS-approved research study participants. Disbursements of gift cards must be recorded in a log and include the participant's name. For tax reporting requirements, we advise that the research study have the study participant's address and social security available if the study participant received \$600 or more in non-payroll payments from multiple University departments.
- Gift cards may be purchased to provide to students for emergency situations. Gift cards may be purchased and distributed only by the Office of Student Affairs.

B. **Prohibited Use of Gift Cards**

- Gift cards may NOT be purchased for University's specifically identified active employees, students (undergraduate and graduate students and post-doc research associates), researchers, or consultants employed by the University. Gift cards inadvertently distributed to University employees 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.

- Gift cards may not be purchased to be used as a bonus, honoraria, or other means of compensation to employees. Such payments must be processed through the payroll system.
- Gift cards may NOT be purchased as gifts for graduating students.
- Gift cards may NOT be purchased as holiday gifts or other gifts to employees or students.
- Gift cards may NOT be purchased to pay suppliers and consultants for goods and services.

C. Requesting Gift Cards

The responsible employee must complete a Purchase Request Form (PRF), obtain all signatures, and submit it to AccountsPayable@Howard.edu. The Office of the Controller will provide final approval or denial of Gift card PRF.

D. Custody & Inventory of Gift Cards

The Responsible Employee holds custody over the cards and should always know where they are. Custody may be transferred temporarily from the Responsible Employee to other departmental personnel for disbursement purposes, but the Responsible Employee still holds primary responsibility for safeguarding the cards.

Departments holding more than one gift card must perform a physical inventory at least every week, with the results reconciled to the current Gift Card Log. The inventory should be performed by someone other than the Responsible Employee but in the presence of the Responsible Employee. Any discrepancies must be reported immediately to the Controller.

E. Control of Gift Cards

The Responsible Employee has primary responsibility for safekeeping, maintenance, and proper usage of the gift cards and for advising faculty, staff, or students who handle the cards that they must follow this policy. Gift cards must always be safeguarded and accounted for as if they were cash. For sponsored projects, the PI must maintain all records regarding the Study Subjects.

Gift Cards should always be kept under lock and key to ensure proper physical security and to protect them from theft and loss. Access to the gift cards and keys to the lock areas should be limited to the Responsible employee for the safekeeping of the gift cards.

F. Distributing & Tracking Gift Cards

Gift card disbursements must be documented on the Gift Card Log designed to uniquely identify each payment to document the use of the card for audit and tax purposes. Because of IRS requirements, recipients cannot receive gift cards if they refuse to provide the requested information. If the Responsible Employee disburses the card without obtaining this information, they may be personally

responsible for funding the gift card purchase. Due to the nature of the data collected on the Gift Card Log, please treat the Log as confidential information under the Code of Ethical Conduct Policy.

G. Grant Funded Gift Cards

University research projects may utilize gift cards to compensate Study Subjects. When gift cards are being purchased with grant funds, the following criteria must be met in addition to the other guidelines noted previously in the policy:

- The gift card payment must be allowable by the stated terms and conditions of the specific grant.
- The gift card must only be for Study Subject incentive payments.
- Costs for Study Subject payments must be included in the grant budget.
- The PI must maintain a Gift Card Log for tax reporting purposes, as described earlier in this policy.

H. Recording Keeping

The Responsible Employee is required to maintain the following documentation:

- **Approved Gift Card Payment Request Form**

This form is the official approval method. The Form will be completed by the department, approved by the Controller, and given to Accounts Payable as authorization for purchase and release to the Responsible Employee.

- **Gift Card Log**

For IRS tax reporting purposes, the department must complete the Gift Card Log, which lists the parties receiving the gift cards and the information required for IRS tax reporting purposes. The Responsible Employee will give the Gift Card Log to Accounts Payable by the earliest of the following dates:

1. five (5) business days after all gift cards have been distributed,
2. every thirty days (30) after gift cards were purchased and released by Accounts Payable until all gift cards are distributed, or
3. November 15 of the current calendar year.

I. Lost Gift Cards

The Responsible Employee will be held responsible for any gift cards in their possession that are lost or misplaced. Any shortage must be reported immediately to the Accounts Payable Department.

In conjunction with the Treasurer, the Department of Public Safety, and the Office of Human Resources, the Controller may investigate the circumstances surrounding the loss. Suppose the investigation findings demonstrate that the Responsible Employee did not use adequate internal controls, as defined by this policy. In that case, they cannot be the Responsible Employee for any future gift card disbursements and may be asked to reimburse the shortfall with personal funds.

Suppose the investigation indicates there might have been an intentional misappropriation of the Gift cards. In that case, the Office of the Controller will consult with the Office of General Counsel and either the Vice President of Human Resources (for employees), the Provost (for faculty), or the Vice President of Student Affairs (for students) on the appropriate next steps. Consequences may include employment termination and the matter's referral to a law enforcement agency.

VI. INTERIM POLICY

There is no interim associated with this policy.

VII. SANCTIONS

- Disciplinary action as allowed by HR Policies and Procedures, including termination of employment or student enrollment status.
- The General Counsel and the Chief Audit and Compliance Officer shall have ultimate authority in determining conflicts of interest and recommending appropriate sanctions.

VIII. RESOURCES AND HYPERLINKS

Related Form: Gift Card Disbursement Log

- [Policy Office | Howard University Office of the Secretary](#)
- General Procurement Policy
- Contracting Policy
- PCard Policy
- Sponsored Program Purchasing Policy
- Code of Ethical Conduct Policy
- Gift Acceptance and Administration Policy