

PURPOSE

The purpose of the Gift Card Guidelines is to provide guidance for the appropriate establishment, use and accountability over the use of all gift cards.

STATEMENT

The University discourages the use of gift cards but does recognize that there are situations where it makes sense to provide payment with a gift card.

The purpose of these guidelines is to set forth the procedures for the purchase and distribution of gift cards/certificates purchased with University funds to ensure compliance with the University's tax withholding and reporting obligations. According to the rules of the Internal Revenue Service (the "IRS"), because cash and cash equivalent fringe benefits, such as gift cards/certificates, have a readily ascertainable value, they do not constitute de minimis fringe benefits, regardless of the face amount of the gift card/certificates. For employees, the value of all gifts and gift cards/certificates is considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2. 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 of any value given to nonresident aliens are subject to federal tax withholding.

These procedures also enable Departments to present gift cards as incentive for participation in a specific program or activity such as a research study (see Grant Funded Disbursement / Participant Costs).

REVIEW

These guidelines are to be reviewed by the Controller on an annual basis. Any recommendation for changes and/or additions will be presented to the Controller for review and approval.

APPROVAL

Upon review by the Controller, final recommendation for changes and/or additions to these guidelines will be presented to the Senior Vice President for Business Affairs and Finance for final approval.

SCOPE

The gift card guidelines apply to all University departments and personnel.

DEFINITIONS

A gift card, for the purposes of these guidelines, is defined as a stored-value or similar instrument issued in lieu of cash or check. Gift cards must be valued at \$50 or less unless the Controller or Assistant Controller approves a special exception.

INTRODUCTION

As cash-equivalent instruments, gift cards are governed by tax rules and internal control requirements. These rules and requirements must be followed and communicated to those involved before purchase or distribution of any gift cards. The Accounts Payable Department ("AP") will be responsible for the oversight and the administration of all gift cards.

GIFT CARD USAGE

1. Gift Cards may not be issued to employees
2. Gift Cards must be approved and tracked by AP for non-employees as set forth below:
 - a. For non-employees, IRS regulations stipulate that the value of a gift card must be reported via a 1099 Form at calendar year end if the cumulative amount issued to the recipient throughout the year meets or exceeds the IRS reporting threshold of \$600.
 - b. This process centralizes gift card administration, facilitates tracking for purposes of compliance with IRS tax regulations and eases the purchase process for departments.

GIFT CARD PROCEDURES

The Gift Card Request Form is the official form for requesting a gift card. The form must be completed at least two weeks prior to the need by the requesting individual and appropriate departmental and budgetary approvals obtained. The form is then forwarded to AP for processing the check that will be used to purchase gift cards. Gift cards should be purchased in quantities ONLY to the extent needed. Extra cards should not be purchased. Gift cards should be purchased no more than one month before disbursement. Use of a University Purchasing Card to purchase gift cards is prohibited.

For IRS tax reporting purposes, AP is required to complete a gift card log, which lists the parties receiving the gift cards. If the department is initially unsure of the names of those receiving the gift cards, a gift card department log must be kept and sent to Accounts Payable for verification and tracking within 30 days of distribution.

GRANT FUNDED DISBURSEMENTS / PARTICIPANT COSTS

Payment to participants of CSU research or survey projects may be compensated with cash or a gift card; however such compensation may be taxable income to the recipient. In order to ensure that taxable payments are appropriately reported to the IRS, and to the research subject, Investigators must follow the procedures described in this document. The Investigator should also inform the research subject about potential tax consequences of receiving payment for participation.

For each individual payment to a research subject exceeding \$500, the payment must go through AP. The Investigator must supply the approved IRB protocol number. Steps will be taken by the University to mask the identity of the subject so the personal information is not reflected in the general ledger. Each individual research participant must provide their name, acknowledge their understanding of

potential tax reporting requirements and document their affiliation (if applicable) with CSU, by filling out the payment receipt form. For individual payments less than \$500 the IRB protocol number must be listed in Magnus Mart with the request for the gift cards. A log must be kept by the Principal Investigator with the attached form completed by each participant. The Principal Investigator is responsible for providing AP with the log and reconciliation of payments made to participants within 30 days of completion of the research project. The log should redact all personal information of participants and use numbering or other system that identifies a participant but maintains confidentiality of each. The log and reconciliation should be attached to the payment request in MagnusMart within the prescribed 30 days. The log and forms are subject to periodic review by the University's Internal Audit staff.

Confidentiality

Research subjects will be asked to provide basic information including name and mailing address. The subjects should be informed that the information allows the University to meet government reporting obligations and precautions are in place to keep this information secure. Investigators are reminded that SSNs are confidential and sensitive information about an individual.

Enforcement

Failure to follow these guidelines may result in disciplinary action and/or suspension of permission to use gift cards purchased using University funds. Employees will not be compensated for gift cards purchased using non-University funds, and/or purchased not in accordance with these guidelines.