Policy 412Gift Cards, Gift Certificates, Other Prizes, and Awards

Category: Business Operations

Covered Individuals: All CEI Employees, Students, and Others

Approved: 10/22/2024

Policy

This policy ensures compliance with the College of Eastern Idaho’s (CEI) tax withholding and reporting obligations for the purchase and distribution of gift cards, gift certificates, and other prizes and awards. IRS regulations dictate that cash and cash equivalent fringe benefits, such as gift cards and gift certificates, have a readily ascertainable value and, therefore, do not constitute de minimis fringe benefits, regardless of the face amount. All other prizes and awards with a value of $60.00 or more do not qualify for de minimis fringe benefits status.

Employees who receive gift cards or gift certificates will have the amount subject to income tax withholdings. Employees who receive prizes or awards that do not meet de minimis fringe benefits will have the value subject to tax withholding.

For students and other recipients, all gift cards, certificates, awards, and prizes in an aggregate amount of $600.00 or more per calendar year must be reported to the IRS on Form 1099-NEC as other compensation.

Gift cards and gift certificates are not given in exchange for billed services. In compliance with this policy, all gift card and gift certificate purchases and distributions must be made through a request from the Procurement Department.

**Procedure**

**Definitions**

* De minimis fringe benefits are items that have no cash or cash equivalent value and whose value and frequency are so small that accounting for them becomes unreasonable. Qualified items are excluded under IRS code section 132(a)(4). The list of items may include occasional snacks, coffee, doughnuts, lanyards, pens, stickers, etc.
* Gift cards and gift certificates are acquired with CEI funds and are cash-value credits placed on cards or certificates.
* Prizes entail items of value purchased with CEI funds designated explicitly for participants or winners in a recognized student event.
* Awards are items of value purchased with CEI funds and involve a presentation where they are bestowed upon the individual(s) as a form of recognition or appreciation for their achievements or service.
* Promotional giveaway items are items distributed at recognized student events and are intended for students and the promotion of the College of Eastern Idaho. These promotional items must meet the definition of de minimis fringe benefits.
* Recognized student events are events that benefit students enrolled at CEI and promote enrollment among visiting guests and the community.

**Processing**

For employees, any value of gift cards or gift certificates received or purchased with CEI funds will be considered taxable income and taxed on an upcoming payroll period during the calendar year it was received. There is no minimum dollar amount for this rule. As such, gift cards or gift certificates to employees are discouraged, and requests for any special type of employee recognition should be paid via CEI payroll.

For employees, any awards or prizes that do not meet de minimis fringe benefits, will have the value added to an upcoming payroll period and taxed during the calendar year the award or prize was received.

For students and others, gift cards or gift certificates in any amount will be documented with the recipient’s name, address, phone number, and signature. If a signature cannot be obtained , documentation proving the gift card was awarded must be provided. The recipient is required to complete a W-9 if the gift card value is over $25.00. If the individual receives other reportable gift cards, gift certificates, prizes, or awards during the calendar year over $600.00 or more, the entire amount will be reported on Form 1099-NEC.

Throughout the year, the Business Office will track all reportable accumulated gift cards, gift certificates, other prizes, and awards by students and non-employees. At the end of the year, it will assess if a 1099-NEC must be issued—the accumulative value of $600.00 or more warrants issuing a 1099-NEC.

For College of Eastern Idaho employees, a monthly report of reportable gift cards, gift certificates, prizes, and awards received by CEI employees will be submitted to the Human Resources department. Any items that do not meet de minimis fringe benefits will have their value subject to tax withholdings according to the provisions set forth by both the Internal Revenue Service and the Idaho State Tax Commission.

**Gift Cards or Gift Certificates**

Five (5) business days are needed to fulfill requests.

When a department identifies a need for gift cards, the following process takes place.

An email is drafted by the requester and sent to purchasing@cei.edu. The following information must be provided in this email:

* Quantity of gift cards
* Amount of value for each gift card or certificate
* Type of gift card (ex: Gas, Store, Restaurant, Visa)
* Secondary type of gift card
* Date needed
* Intended use of gift cards or gift certificates
* GL or PCA Account to be charged for the costs
* Contact number for the requester
* Supervisor’s Approval of the GL or PCA Account
* Event Flyer or meeting minutes

Once this request is received, procurement will verify approval. The Procurement Department will purchase and store the gift cards or gift certificates. The requester will be notified when these gift cards or certificates are available for distribution.

Gift Card and Gift Certificate Distribution

When a department or club has identified a recipient(s) for a gift card or gift certificate, an email to purchasing@cei.edu and cashier.office@cei.edu should be sent with the following information:

* Recipient first and last name
* Recipient status as a student, employee, or other individual
* Value and type of gift card to be distributed to the recipient

Procurement will release the gift cards or certificates to the cashier for dispersal. A gift card log will be provided to the cashier. The recipients will pick up their gift card or certificate at the Cashier’s window. The recipient will be required to provide:

* Student ID or other official identification
* Completed W-9 form for students and non-employees
* Recipient signature verification

These requirements ensure proper documentation and accountability in the distribution of gift cards. Once these steps are taken, the recipient may receive their gift card or certificate.

The Procurement Department will keep a current gift card and certificate purchasing log that will contain the following information:

* Assigned Gift Card or Certificate Number
* Type of Gift Card
* Quantity Purchased
* Value
* Date Purchased
* Signature of Purchaser
* Name of receiving cashier (for distribution to awardee)
* Date Released
* Signature of the receiver (for distribution to awardee)
* Collection status

This information tracks the purchase and transfer of the gift cards or certificates to the cashier for pickup.

The cashier will also maintain a log. This log should provide, at minimum, the following information:

* Recipient first and last name
* Recipient status as either an employee, student, or other
* Value of the gift card or certificate
* Date the gift was received by the awarded
* Signature of the awardee
* Date of transfer of gift cards or certificates to the cashier
* The name of the department and/or activity
* For students or others, verification of a completed W-9
* For CEI employees, verification of reported gift received to human resources

An audit of these logs can occur at any time.

Gift cards and gift certificates should be kept in a secure, locked location to ensure proper physical security and protect them from theft and loss. Access to the gift cards and keys to the lock areas should be limited to the individual(s) responsible for their safekeeping. The Business Office will conduct random audits of the gift cards throughout the year.

**Awards, Prizes, and Promotional Giveaway Items**

Awards, prizes, and promotional giveaway items are for recognized student events.

The department that sponsors the recognized student event will be responsible for selecting these awards, prizes, or promotional giveaway items. For the process of procuring these items, please see Purchasing 215 Purchasing Card Policy.

In addition to Policy 215, any purchases of awards, prizes, and promotional giveaway items on the purchasing card must have an event flier, meeting minutes, or event plan documents accompanying the receipt process.

The department sponsor for the recognized student event is also responsible for tracking and reporting purchases and regularly distributing them to the Procurement Department. An inventory log of prizes and awards must be kept on file. An audit of these logs can occur at any time.

Awards and prizes of $60.00 or more do not qualify as de minimis fringe benefits.

Promotional giveaway items (such as stickers, lanyards, pens, etc.) must meet the de minimis fringe benefit guidelines.

Recipients of awards and prizes must complete a W-9 if there is any indication or knowledge that they may or have exceeded the $600.00 total annual limit.

**Violation of Policy**

Failing to issue Form 1099-NEC when required can result in penalties imposed by the IRS.

Violating this policy and procedure or failing to cooperate timely in complying with its provisions by any individuals who purchase or distribute gift cards, gift certificates, other prizes, awards, or promotional giveaway items on behalf of CEI may result in disciplinary action up to and including dismissal.