

ADMINISTRATIVE POLICY

The online version of this policy is official.
Therefore, all printed versions of this
document are unofficial copies.

GIFT CARDS

The use of gift cards and gift certificates is strongly discouraged due to IRS regulations and accounting control issues.

According to the rules of the Internal Revenue Service ("IRS"), cash and cash equivalents, such as gift cards/certificates, have a readily ascertainable value, and are considered taxable income regardless of the face amount of the gift cards/certificates.

The practice of purchasing gift cards that are then given to school employees to make school purchases is not permitted. This results in possible unauthorized sales tax being paid as well as potential unused balances which are difficult to document for audit purposes.

Any gift cards/certificates purchased or donated must always be secured until distributed. Purchasing digital gift cards is strictly prohibited. Gift cards received or purchased for the school year must be documented in a log (BUS-F028 for the district or ISA-F020 for the schools) that uniquely identifies each payment/donation along with the purpose of the gift card/certificate. The logs must also be submitted at the end of each school year to the Business Affairs Department to ensure the gift cards have been properly recorded in the financial system. In addition, logs are subject to internal reviews for compliance. When the gift cards are distributed, the recipient must sign the appropriate documentation (BUS-F027 for employees and ISA-F021 for students). Receipts for any gift card purchases must be maintained with CMCSS/School records. All logs and associated documentation should be retained based on CMCSS retention policy BUS-G001.

Gift Cards or Certificates to Employees

For employees, the value of gift cards/certificates is considered compensation subject to federal, state and employment tax withholding, and reporting on Form W-2. There is not a de minimis fringe benefit amount relating to gift cards/certificates.

Except for programs and events authorized by the Clarksville Montgomery County Employee Insurance Trusts (CMCEIT) or using funds from a restricted donation given specifically for gift card purchases, the purchase of gift cards from CMCSS/School funds to give to employees are prohibited. Any gift cards/certificates purchased with CMCEIT or ISA restricted donated funds given to an employee will be considered taxable income to the employee and added to their Form W-2 during the calendar year the gift card is reported to Business Affairs as received. The department or school issuing a gift card/certificate to an employee must complete the employee gift card taxable income acknowledgement form (BUS-F027). Employees must sign this acknowledgement form at the time the gift card is distributed, and form submitted to payroll immediately. The CMCEIT or school will be responsible to pay for the matching benefits and school will be invoiced by the Business Affairs Department for these matching benefits.

Gift Cards or Certificates to Students and Other Non-Employees

Gift cards given in exchange for services are strictly forbidden. Gift Cards presented to non-employees/students may be taxable and reportable income on form 1099-MISC to the recipient. If an individual receives gift cards and/or other awards or payments for services during the calendar year totaling \$600 or more, the entire amount will be reported on Form 1099-MISC by the Business Affairs Department. All compensation, including gift cards/certificates received by such individuals from the school or CMCSS must be tracked. A gift card log must be kept for recording all gift cards/certificates purchased and given to students and other non-employees. Signatures from recipient(s) are required to be included on the log (ISA-F021).

Donated School Gift Cards (including those received from fundraising)

Gift cards/certificates donated to CMCSS or any school should always be used for the purpose for which the vendor gave the gift card/certificate. Solicitation for donated gift cards is considered a fundraiser and must follow the district's policy and procedures for fundraising prior to engaging in the solicitation. If a donated gift card/certificate is given ***directly*** to an employee or individual by an outside company, it will not be considered reportable taxable income by CMCSS. However, if a donated gift card/certificate is given to CMCSS or a school for their use, and CMCSS or the school gives a gift card/certificate to an employee for other than school use, the gift card would be reportable taxable income by CMCSS. (See Gift Cards or Certificates to Employees.) A log must be maintained for all gift cards donated along with how these gift cards were spent (BUS-F028 for the district or ISA-F020 for the schools).

Gift Cards Purchased with Grant Funds

If a grant permits the purchase of gift cards, CMCSS/Schools must follow grant program guidelines. Purchases not complying with grant program requirements may result in loss of funding. Tracking and reporting of any gift cards purchased with grant funds cannot be any less restrictive than what CMCSS requires; however, requirements by grant or grant sponsor may be more stringent.

Implementing Procedures:

- (ISA-P003) Receiving and Accounting for Funds within Classroom
- (ISA-P004) Accounting for Funds Received at the School Office

Associated Documents:

- (BUS-F027) Employee Gift Cards – Taxable Income Acknowledgement Form
- (BUS-F028) Master Log of Gift Cards Received or Purchased by District
- (ISA-F020) School Gift Cards Received or Purchased by School Log
- (ISA-F021) Student Gift Card Log
- (ISA-A002) Fundraising and Other Resale Activity Policy
- (ISA-P007) ISA Student Fundraising and Other Resale Activities Procedures
- (ISA-F008) Fundraiser Authorization
- (ISA-F018A) School Activity Fundraiser Profit Analysis-Resale Fundraiser
- (ISA-F018B) School Activity Fundraiser Profit Analysis-Donation or Non-Resale Fundraisers



Department: Business Affairs
Policy Number: BUS-A008
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(ISA-F018C) School Activity Fundraiser Profit Analysis-Concessions
(ISA-F019) School Activity Fundraiser Summary Report

Revision History:

<u>Date:</u>	<u>Rev.</u>	<u>Description of Revision:</u>
4/25/22		Initial Release
6/4/23	A	Purchase of digital Gift Cards are not allowed. Logs must sent to Business Affairs each school year. Added solicitation of gift cards is a fundraiser and added related documents.

***** End of Policy *****