

PROHIBITED USE OF GIFT CARDS

Effective July 1, 2018, University funds, including those held in agency accounts, may not be used to purchase gift cards to compensate individuals for work or services, for reimbursement of expenses, or as gifts to employees or relatives of employees, including student workers and/or graduate assistants.

This policy also applies to gift cards provided to the University by a third party.

This prohibition does not affect the use of gift cards used as prizes/awards or incentives for research participation, etc. These uses are still allowed, subject to following proper procedures regarding gift card purchases and use, which can be found on the Financial Accounting website¹.

University funds may not be used to purchase gift cards for UCA employees or relatives for ANY reason. However, this does not apply to student workers and/or graduate assistants, who may still receive gift cards as allowed under the above guidelines.

All payments for work or services must be paid through Payroll or Accounts Payable, as applicable. It is important to note that an individual who has received payment for work or services through Accounts Payable may not be employed by UCA in the same calendar year, nor may an individual who has been employed by UCA receive a payment for work or services through Accounts Payable (other than for reimbursement of expenses) in the same calendar year. The IRS prohibits an entity from issuing a W2 and a Form 1099 to the same individual for the same calendar year.

Please consult with Pam Giblet in Accounts Payable if any one gift card awarded, or total gift cards awarded to one individual, for allowable uses will exceed a value of \$50. Depending on the amount, it may be necessary to set the recipient up as a vendor, to ensure compliance with IRS reporting requirements. Gift card(s) that exceed \$50 to an individual will be reviewed on a case-by-case basis.

In certain cases for gift cards given to student workers and/or graduate assistants, depending on prior payments or gift cards issued to those individuals, the value of the gift cards may need to run through Payroll to ensure proper taxation of the recipient. This should not affect whether the gift card will be allowed or not.

All gift card usage should be tracked using the [Gift Card tracking forms](#) located on the Financial Accounting website. Please consult with Pam Giblet in Accounts Payable for proper use of these forms.

See the FAQ section below for answers to commonly asked questions.

¹ <http://uca.edu/financialaccounting/accountspayable/>

PROHIBITED USE OF GIFTS, PRIZES, AND AWARDS (TANGIBLE ITEMS)

University funds, including those held in agency accounts, may not be used to purchase gifts, awards, or prizes (Tangible Items) greater than \$75 in value for UCA employees or relatives for any reason. This prohibition does not apply to Tangible items provided to non-employees, including student workers and/or graduate assistants as long as the Tangible Item is not related to the individual's employment. Tangible Items may not be used to compensate individuals for work or services or for reimbursement of expenses. This policy also applies to items provided to the University by a third party.

The University's policy is based on IRS guidelines, which state:

*"A prize or award that is not cash or cash equivalent, of nominal value, and provided infrequently is excludable from an employee's wages. Prizes or awards that are given frequently to an employee do not qualify as an excludable de minimis award, even if each award is small in value."*²

The adopted policy prohibits purchase of any Tangible Item, as defined, greater than \$75 in value, for a UCA employee, without exception. No purchases in excess of this threshold will be approved for any reason. *Please note that the \$75 threshold INCLUDES any applicable taxes, fees, etc. in addition to the purchase price of the item.

Tangible Items for non-employees may be purchased subject to University Purchasing rules and regulations. All allowed Tangible Item purchases and usage greater than \$75 in value should be tracked using the [Tangible Items tracking forms](#) located on the Financial Accounting website³. Please consult with Pam Giblet in Accounts Payable for proper use of these forms. Allowed purchases of Tangible Items less than or equal to \$75 in value do not have to be tracked, but must follow all guidelines established above.

All payments for work or services must be paid through Payroll or Accounts Payable, as applicable. It is important to note that an individual who has received payment for work or services through Accounts Payable may not be employed by UCA in the same calendar year, nor may an individual who has been employed by UCA receive a payment for work or services through Accounts Payable (other than for reimbursement of expenses) in the same calendar year. The IRS prohibits an entity from issuing a W2 and a Form 1099 to the same individual for the same calendar year.

In certain cases where the value of a tangible item exceeds certain IRS thresholds, the Tangible item may be taxable, and a 1099 will be issued to the recipient and the amount reported to the IRS. The value of Tangible Items reported will be combined with other payments made to the recipient to determine whether a 1099 will be issued.

See the FAQ section below for answers to commonly asked questions.

² <https://www.irs.gov/pub/irs-pdf/p5137.pdf>

³ <https://uca.edu/financialaccounting/accountspayable/>

FREQUENTLY ASKED QUESTIONS (FAQ)

Q: Can I use gift cards or tangible items to thank volunteers at an event?

A: No. These would be considered payments for work or services, and must be paid through Payroll or Accounts Payable, as applicable.

Q: Can employees still be reimbursed for purchasing gift cards?

A: Yes, subject to current Purchasing guidelines, if the gift cards are purchased for allowed uses described above, an employee may be reimbursed for the purchase of gift cards by following the established guidelines for reimbursement of expenses. A requisition must be submitted and purchase order issued prior to expenditure of funds, and all required procedures regarding gift card use must be followed. Refer to UCA Purchasing for additional guidance.

Q: Can I just use my Foundation funds to buy gift cards for an employee?

A: No, the UCA Foundation will follow the same guidelines established by the University.

Q: Can I still use my Foundation funds to buy gift cards for non-employees?

A: Maybe. The UCA Foundation will follow the same guidelines established by the University, and will not allow gift cards to be paid for work or services. However, the Foundation may reimburse a department for expenses related to work or services from the department's Foundation funds. Please contact Chad Hearne at the UCA Foundation for specific questions.

Q: Can I use my Foundation funds to buy tangible items?

A: If the purchase is allowed under University policy, yes. The UCA Foundation will follow the same guidelines established by the University.

Q: The intended recipient of a gift card and/or tangible item was previously employed at UCA, but works somewhere else now. Can I still give them a gift card?

A: Maybe. If the recipient was employed by UCA during the current calendar year, they are considered an employee, and the same prohibitions would apply. However, if the employee has NOT been employed during the current calendar year, this would be allowed, subject to allowed uses described above.

Q: A donor has provided gift cards to our department, to be given to faculty as awards. Does this affect our ability to award those gift cards?

A: Yes, gift cards received by a department are considered UCA/state property, and may not be awarded to UCA employees or relatives for any reason. Awards to employees must be processed via Payroll. Please work with Accounts Payable and/or the Controller to determine whether the gift cards may be used for other University purposes, in which case the equivalent funds may still be added to the budget and used by the department. These will be reviewed on a case-by-case basis. Please encourage donors to provide funds in cash, if possible (but don't turn them away!)

Q: A donor or vendor has provided tangible items to our department, to be given to staff as prizes. Does this affect our ability to award those prizes?

A: Yes, items received by a department are considered UCA/state property, and must follow the UCA tangible items policy. Items received that are greater than \$75 in value would not be allowed to be distributed to employees.

Q: Can I award a gift card or tangible item to a student worker for outstanding services provided to our department?

A: No. This would be a payment related to employment, therefore for work/services. The payment would need to be processed via Payroll.

Q: Can I award an item worth more than \$75 to an employee if I really, really want to? What if we already bought the item? What if we already gave the item to the employee?

A: NO. Under no circumstances should a tangible item given to an employee exceed \$75 in value. Any items already awarded that would violate policy should be returned to the University as soon as possible, or reimbursement by the employee for the item may be required. Please consult with Accounts Payable or the Controller for additional guidance.

Q: Does this policy mean I can buy items that were previously prohibited by Purchasing regulations?

A: NO. This policy does not change any existing Purchasing rules. All purchases are subject to previously existing policies AND the thresholds established here.