

Eastern Washington University
Office of Controller

Topic: Gift card/prize procedure	Environment: Banner PROD	Approved by: Controller
RE: Operating Procedures	Unit(s): Accounts Payable / Procurement	Effective: 3/30/2022

Purpose and scope

The purpose of this document is to set forth guidelines and procedures for the purchase and distribution of gift cards/certificates purchased with university funds to ensure compliance with procurement requirements and with the University's tax withholding and reporting obligations.

A prize is cash or a cash equivalent presented as a result of participation in a contest, drawing, or judged competition. Gift cards are considered to be a cash equivalent. The requesting department must provide documentation of the event with justification describing how the prizes are integral.

To avoid gift of public funds, prizes may not be purchased using state appropriated funds or Fund 120149 (i.e., Index 1). Self-support (Index 2) and auxiliary services funds (Index 3) may be used if the award/prize is an integral part of a program (and indicated so) and is included in the budget plan. Gift card expense should be posted to Banner account code 71472 Public Relations.

According to the rules of the Internal Revenue Service (the IRS), cash and cash equivalent fringe benefits, such as gift cards/certificates, have a readily ascertainable value and therefore do not constitute de minimis fringe benefits, regardless of the face amount of the gift card/certificate. 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. For non-employees, the value of all gift cards/certificates in an aggregate amount of \$600 or more per calendar year (i.e., the aggregate dollar threshold for 2022) must be reported to the IRS on Form 1099-MISC as other compensation.

Nonresident aliens (i.e., non-US citizens working in the United States) must have 30% withholding on any cash or equivalents received. The withholding and payment will be reported to nonresident aliens on forms 1042-S. Unless the EWU tax compliance manager determines there is a tax treaty exemption, EWU will gross up the value of the gift to include the withholding required using the same Banner Index code that was used to purchase the gift. That is, your budget will be charged for income tax. Accounts Payable (A/P) will forward the dollar amount and completed forms to EWU Treasury Services for remittance to the US Treasury.

These procedures apply to any purchase and/or distribution of gift cards/certificates using University Funds, including the purchase of gift cards/certificates using the Purchasing card (PCard), as well as the distribution of gift cards/certificates that have been donated to the University. These procedures apply to all members of the University community, including trustees, officers, employees, students, and/or any of the University's affiliates or subsidiaries.

Procedures

An "Authorization for the Purchase of Gift Cards/Certificates" form must be completed and approved by the Procurement and Contracts Department **PRIOR** to purchasing gift cards/certificates. Check requests for the purchase of gift cards/certificates submitted without a properly completed Authorization Form and an A19 form will be rejected. Purchasing will forward the completed forms to A/P for payment. If

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using a PCard for the gift cards/certificates purchase, a completed copy of the Authorization Form must accompany the reconciliation of the PCard statement.

The signature of the appropriate Dean, Dept. Chair, or Business Administrator is required for the purchase of ANY gift cards/certificates.

The authorization must be for a single intended purpose, which must be clearly identified on the form. It is recommended to limit the number of gift cards/certificates purchased at one time so that the disbursement documentation is more manageable.

Gift cards are to be treated like cash and must be kept in a secure location. If multiple gift cards/certificates are purchased, appropriate measures must be taken to safeguard any gift cards/certificates that are not distributed immediately. At calendar yearend, the department must remit a log of unused gift cards to A/P.

It is strongly recommended that gift cards/certificates be purchased in modest denominations, i.e. not in excess of \$100 per gift card/certificate. Gift cards/certificates may **NOT** be distributed in lieu of cash compensation e.g. to compensate speakers or to express appreciation to volunteers, etc., or be used to avoid compliance with other applicable University policies/procedures.

- An executed “Authorization for the Purchase of Gift Cards/Certificates” [form](#) is required for each gift card/certificate transaction, and must include the following information:
 1. Purchaser’s Name
 2. Purchaser’s Department
 3. Purchaser’s Signature
 4. Vendor Name (entity from whom gift cards/certificates are to be purchased)
 5. Date and Aggregate Amount of gift cards/certificates
 6. Description of what is to be purchased (number/face value of gift cards/certificates to be purchased)
 7. Description of Intended Use of gift cards/certificates (e.g. drawing, contest, student recognition)
 8. Describe how the prize is integral to the program
 9. Method of Purchase/Acquisition (e.g. PCard, PO/check request, reimbursement, donation)
 10. Month/Year cards are to be distributed
 11. Fund/Index to be charged
 12. Appropriate Authorized Signature (i.e. Dean, Dept. Chair or Business Admin.) and Date

- An “EWU Prize Winner” form must be completed by the administering department for any prizes or gift cards distributed following the process above.

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The department must submit the completed Prize form(s) together with a copy of the “Authorization for the Purchase of Gift Cards/Certificates” to Accounts Payable within 15 days of the event. A/P will forward to Payroll any payments to be made to employees. Departments must collect an IRS Form W-9, Request for Taxpayer Identification number and Certification, from the non-employee recipient when the payment is over a certain dollar threshold determined by the Office of Controller, currently set at \$200 or more per prize. Forms 1099-MISC will not be issued until the cumulative payment for the year meets or exceeds \$600. The exception to this is for nonresident aliens, which do not have a minimum threshold.

It is the responsibility of the department to ensure that sensitive information is protected. To ensure that personal information is not inadvertently disclosed, all Forms W-9 should be submitted to the Accounts Payable Office via the secure OneDrive link [W9 Submissions](#) and should not be retained by the department. Under no circumstances should full social security numbers be kept on a local desktop, laptop or other computing device.

The Office of Accounts Payable will reconcile gift cards purchased to the gift cards distributed. Gift cards purchased on blanket purchase orders or with Pcards will be monitored upon submission of receipts for compliance with this procedure.

Special Procedure for Gift Cards/Certificates Purchased for Human Subject Incentives

To qualify for the special procedures defined by this section, payments to Human Subjects taking part in research studies/protocols must be approved as such by the University Institutional Review Board (IRB). See EWU Policy 302-02. As with other gift card/certificate purchases, an executed “Authorization for the Purchase of Gift Cards/Certificates” is required for each gift card/certificate purchase and should be sent to the Procurement Office with the IRB approval prior to the purchase of the gift cards.

1. The Principal Investigator (PI) is responsible for documenting the number of human subjects and the amount of payments to those human subjects.
2. Human Subject confidential information is only collected when necessary and collection is generally not required when issuing payments of \$75 or less. The exception to this is for nonresident aliens, which do not have a minimum threshold (therefore citizen status must be determined for all recipients regardless of the dollar amount).
3. For any gift cards/certificates distributed with values over \$75, the completed Prize form(s) will be forwarded to A/P.
4. If at any time during the course of the research study it is anticipated that the participants will receive \$600 or more in a calendar year, then the PI is responsible for collecting a completed IRS Form W-9 from each participant meeting this criteria.
5. In the event of payments to single participants exceeding \$600 in a calendar year, the corresponding Prize form(s) and W-9 will be forwarded to the Accounts Payable office via the secure OneDrive link [W9 Submissions](#). For payments to nonresident aliens, there is no minimum threshold and all recipients will have income and withholding reported on form 1042-S.

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6. The PI has the responsibility to ensure that information collected and forwarded to the Accounts Payable Office does not link the subject to the research by title. The forms should be treated as confidential and should be sent securely in the event that the human subject payment exceeds \$600 in any calendar year.

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Revision History

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