

Gift Cards and Cash Equivalents Purchase and Use

NOTE: The website URL for **Workday reference guides** that are referenced in this section is:
<https://confluence.esg.wsu.edu/display/WKB/Workday>

OVERVIEW

The Internal Revenue Service (IRS) considers gift cards, gift certificates, and stored value cards to be cash equivalents. When given to individuals, cash equivalents create the same tax implications as a distribution of cash. The University, the state, and the IRS have complex rules governing the handling and reporting of cash equivalent transactions.

The University has designed standard disbursement systems to comply with these rules, but the purchase of gift cards results in the distribution of cash equivalents to individuals outside normal controls and processes. Therefore, when a department opts for the use of gift cards, the department must assume some of the accounting and reporting responsibilities normally handled centrally.

Use of these procedures promotes compliance with state and federal regulations and promotes accurate reporting to the federal government.

Definitions

Award

For the purposes of this policy, an award is a cash equivalent given, usually to an employee or student, in recognition of past accomplishments. The recipient has made no formal entry or submission and the recipient did not undertake the recognized activity primarily for the financial benefit of the award. (See [Prize](#).)

Departments are to charge employee awards to spend category code SC0089 (Recognition Awards). Departments are to charge student awards to SC00297 (Awards).

Business Gift

For the purposes of this policy, a business gift is a cash equivalent given to an individual to express gratitude or appreciation for support of the University's mission. The recipient performed no service nor provided other consideration in exchange for the gift.

Departments are to charge business gifts to spend category code SC0089 (Recognition Awards).

Gift Cards and Cash Equivalents Purchase and Use

Cash Equivalents Cash equivalents are stored-value products such as gift certificates and gift cards. The IRS specifically defines these instruments as cash equivalents and states that their value is considered taxable income to the recipient, regardless of dollar value.

Gift Card or Gift Certificate A gift card or gift certificate entitles the recipient to receive goods or services of a specified value from the issuer.

Prize For the purposes of this policy, a prize is a cash equivalent presented as a result of participation in a contest, drawing, or judged competition. (See [Award](#).)

Departments are to charge all prizes to spend category code SC0150 (Prizes).

Research Participant Payment For the purposes of this policy, a research participant payment is a cash equivalent offered to an individual (including a study subject) as incentive to participate in a research study.

Departments are to charge research participant payments to spend category code SC0124 (Research Subjects).

Substitute W-9 A Substitute W-9 is a form the IRS allows as a substitute for IRS Form W-9. WSU uses the Record of Distribution and Request for Taxpayer Number and Certification (Substitute W-9). A PDF version of the Substitute W-9 form is available on the Procedures, Records, and Forms (PR&F) website at:

policies.wsu.edu/prf/index/forms/

ALLOWABLE USES

University personnel are to use cash equivalents in only the circumstances outlined in the [Table 1](#): Allowable Uses of Cash Equivalents.

Gift Cards and Cash Equivalents Purchase and Use

Table 1: Allowable Uses of Cash Equivalents

Allowable uses of cash equivalents and appropriate funding sources are presented in the table below. **No other use of gift cards or other cash equivalents is authorized** without the Area Finance Officer’s specific, written approval in advance of the purchase of the cards.

Use ↓	Spend Category ↓	FUNDING SOURCE				
		Appropriated Funds	Donated Funds	Sponsored Programs	Self-Supporting Programs	Auxiliary Funds
		FD001, FD025, FD035, FD036, FD037, FD038, FD039, FD040, FD041, FD042, FD068, FD069, FD070, FD071, FD072, FD073, FD076, FD078, FD085, FD087, FD122	FD049, FD050, FD051, FD089, FD095	When paired with FN017: FD035, FD036, FD037, FD038, FD039, FD040, FD041, FD042, FD043, FD044, FD045, FD046, FD047, FD048, FD085	FD026, FD050, FD053, FD054, FD080, FD088, FD098	FD033, FD053, FD055, FD056, FD057, FD058, FD060, FD061, FD062, FD063, FD077, FD105, FD106, FD107, FD108, FD109, FD110, FD111, FD112, FD115, FD116
Research participant incentive payments (Example: Payment to an individual to encourage their participation in a research study.) (See <i>BPPM</i> 45.53 and 40.21)	SC00124 (Research Subjects)	NO except in conjunction with functions FN013, FN014, FN015 research centers, institutes, and individual research. See also Incentive for participation in a WSU sponsored activity .	YES , but only where such use is in accordance with the organizational mission, gift use agreement, and donor intent.	YES , but only where human subjects are an integral part of the research, have been approved by the IRB, and incentive payments are included on the awarded and approved budget. NOTE: This spend category may be included in the F&A base.	NO , except fund FD026 in conjunction with functions FN013, FN014, FN015 institutional research.	NO
Awards in recognition of employee accomplishment or contribution	SC0089 (Recognition Awards)	YES , but only in strict accordance with <i>BPPM</i> 55.56.	YES , but only where such use is in accordance with the organizational mission, gift use agreement, and donor intent.	NO	YES , but only where awards or prizes are an integral part of the program mission and included in the approved program budget.	YES , but only where awards or prizes are an integral part of the program mission.

Gift Cards and Cash Equivalents Purchase and Use

Table 1 (cont.)

<p>Incentive for participation in a WSU sponsored activity</p> <p>Payments to students for participation in student surveys</p>	<p>SC00124 (Research Subjects)</p>	<p>NO</p>	<p>YES, but only where such use is in accordance with the organizational mission, gift use agreement, and donor intent.</p>	<p>NO</p>	<p>YES, but only where incentives are an integral part of the program mission and included in the approved program budget.</p>	<p>YES, but only where incentives are vital to achieve the program mission.</p>
<p>Participant support costs</p> <p>(Example: direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.)</p> <p>See 2 CFR 200.75</p>	<p>SC00125 (Participant Support Costs)</p>	<p>NO</p>	<p>YES, but only where such use is in accordance with the organizational mission, gift use agreement, and donor intent.</p>	<p>YES, if approved in advance by the awarding agency and the expense is otherwise allowable, allocable, and reasonable.</p> <p>NOTE: This spend category should be excluded from the F&A base.</p>	<p>YES, but only where participation is an integral part of the program mission and included in the approved program budget, if the expense is otherwise allowable, allocable, and reasonable.</p>	<p>NO</p>
<p>Awards in recognition of student accomplishment or contribution</p> <p>Contest prizes</p>	<p>SC00297 (Awards)</p> <p>SC0150 (Prizes)</p>	<p>NO</p>	<p>YES, but only where such use is in accordance with the organizational mission, gift use agreement, and donor intent.</p>	<p>NO</p>	<p>YES, but only where awards or prizes are an integral part of the program mission and included in the approved program budget.</p>	<p>YES, but only where awards or prizes are an integral part of the program mission.</p>

PURCHASING

Departments may use a procurement card (see *BPPM 70.08*) or a research cash advance (see *BPPM 40.21*) to purchase gift cards.

Gift Card/Prize Limits

Departments may purchase gift cards or prizes with values up to \$200. At a single event, departments may not distribute a total of \$200 or more in gift cards or prizes to any individual.

Recognition Award Limit

Gift cards or prizes purchased for employee recognition awards must be in accordance with *BPPM 55.56*.

Verification

Verify each procurement card transaction in Workday. Scan the itemized receipt showing the amount of each card, the number purchased, and any activation fees and upload it to the transaction in Workday. See the Verify Procurement Card Transaction reference guide.

Gift Cards and Cash Equivalents Purchase and Use

Cash Advance

Promptly verify a cash advance after a purchase.

Distribution

Distribute the gift cards ensuring that appropriate information is collected from each recipient and entered on a Distribution Log for Payments of Cash, Gift Cards and Other Cash Equivalents, and Tangible Personal Property. A PDF version of the distribution log master form is available for download at:

policies.wsu.edu/prf/index/forms/

Appropriately safeguard personal information. Periodically reconcile the card inventory to the Distribution Log for Payments of Cash, Gift Cards and Other Cash Equivalents, and Tangible Personal Property.

Distribute cards within 60 days of purchase.

Return unused cards for credit when possible.

Fiscal Year End

Annually, on June 30, the department is to report to General Accounting any inventory of gift cards more than sixty days old.

For gift cards purchased with funding other than grants, the department submits a journal entry to record the value of cards on hand as a prepaid expense. Contact General Accounting if assistance is required to create the journal entry.

Grant/Contract End

At the end of a grant or contract period, the department creates an Accounting Adjustment—Cost Transfer in Workday to move the value of any unused gift cards purchased with grant or contract monies (funds FD043, FD044, FD045, FD046, FD085, FD047, FD048 to an unrestricted funding source. (See *BPPM* 30.25 and the Workday Accounting Adjustment—Cost Transfer reference guide.)

SECURITY AND INVENTORY

Do not leave gift cards unattended and unsecured. Store gift cards in a secure and locked location. Control and limit access to the storage location.

Periodically reconcile the gift card inventory to the Distribution Log for Payments of Cash, Gift Cards and Other Cash Equivalents, and Tangible Personal Property.

Gift Cards and Cash Equivalents Purchase and Use

Audit

The Distribution Log for Payments of Cash, Gift Cards and Other Cash Equivalents, and Tangible Personal Property must support the outstanding card inventory. The Controller's Office and other internal or external auditing authorities may audit gift card inventories and distribution logs at any time without notice.

Confidentiality

The department is to develop a system for assigning unique recipient identifiers when the identities of research participants must be kept confidential. Enter the unique identifier on the log and Record of Distribution and Request for Taxpayer Number and Certification (Substitute W-9) if required. (See [Table 2: Tax Treatment of Cash Equivalents \[Research/Prizes\].](#)) The department securely maintains a crosswalk between the unique identifier and the taxpayer information in accordance with HIPAA human research requirements.

TAX REPORTING

Because the IRS regards gift cards as cash equivalents, gift card distribution may create tax and reporting implications for both the recipient and the University. When such distribution occurs, it is important for the protection of the recipient, department personnel, and WSU that the appropriate processes are followed and WSU offices responsible for reporting are notified.

IMPORTANT: In all cases, the department *must* maintain a Distribution Log for Payments of Cash, Gift Cards and Other Cash Equivalents, and Tangible Personal Property. The department must retain such payment documentation in accordance with the University records retention schedules. (See *BPPM* 90.01.)

If gifts to one individual equal or exceed \$600 in a calendar year, the department submits a Record of Distribution and Request for Taxpayer Number and Certification (Substitute W-9) to Accounts Payable as soon as possible, but no later than January 5th of the following year in order to ensure inclusion in 1099 reporting. (See also [Purchasing](#) and [Table 2: Tax Treatment of Cash Equivalents \[Research/Prizes\].](#)) [Table 3: Tax Treatment of Cash Equivalents \(Awards\)](#) outlines some of the most common situations and the appropriate handling. Contact Accounts Payable with questions.

For single amounts over \$50, the department must collect the recipient's name, social security number, street address, and the date of payment.

Gift Cards and Cash Equivalents Purchase and Use

TAX REPORTING (cont.) Any amount paid to an employee is to be reported to Payroll Services on a Substitute W-9.

EXCEPTION: Departments are not required to report to Payroll regarding research participant incentive payments to employees. Departments handle such payments in the same manner as any other research participant payment, following 1099 reporting rules.

SAFEGUARDING INFORMATION

Departments are to collect and maintain taxpayer information with a high level of security. Departments are to make such information available only to WSU employees who require it for IRS reporting purposes. Refer to *BPPM* 90.78 for policy regarding the use of social security numbers on forms. When it is necessary to collect taxpayer information, the information is to be collected prior to distribution of the gift card.

See [Confidentiality](#) for procedures for protecting identities of research participants.

Table 2: Tax Treatment of Cash Equivalents used for:

- Research participant payments,
- Prizes (normally requires entry into a contest, competition or drawing),
- Incentives for participating in a WSU-sponsored activity, and
- Business gifts

(See table on next page.)

Gift Cards and Cash Equivalents Purchase and Use

Table 2 (cont.)

Face Value	CLASS OF RECIPIENT		
	Employees, including student- employees (except for employees paid study subject incentives)	Non-resident Alien, including students	All Others, including students and employees paid study subject incentives
Single payment of \$50.00 or less AND Expected payments totaling less than \$600 in a calendar year	Complete Substitute W-9 form and submit to Payroll Services at 236 French Administration Bldg., mail code 1024.	Gift card may not be used. Pay with check. Contact Accounts Payable.	Not reportable.
Single payment of \$50.01 - \$250.00 AND Expected payments totaling less than \$600 in a calendar year	Complete Substitute W-9 form and submit to Payroll Services at 236 French Administration Bldg., mail code 1024.	Gift card may not be used. Pay with check. Contact Accounts Payable.	Department must collect reporting information (see Tax Reporting) to be kept on file in the department.
Single payment in an amount between \$250.01 and \$599.99 AND Expected payments totaling less than \$600 in a calendar year	Secure Area Finance Officer's approval prior to purchasing the card. Complete Substitute W-9 form and submit to Payroll Services at 236 French Administration Bldg., mail code 1024.	Gift card may not be used. Pay with check. Contact Accounts Payable.	Secure Area Finance Officer's approval prior to purchasing the card. Recipient must complete the Substitute W-9 to be kept on file in the department.
\$600 or more to a single individual in a calendar year (Regardless of the amount of individual payments, reporting is required for any individual who indicates on the Substitute W-9 form that \$600 or more has been received in cash and property combined from all WSU sources in a calendar year.)	Gift card may not be used. Contact Accounts Payable for instructions.	Gift card may not be used. Pay with check. Contact Accounts Payable.	Recipient must complete the Substitute W-9 to be submitted to Accounts Payable at 240 French Administration Building, Mail Code 1025.
IRS Reporting	W-2 (Payroll) All amounts.	1042-S (Payroll) All amounts.	1099-Misc (Accounts Payable) for total of \$600 or more paid to an individual in a calendar year.
Tax Consequences	Normally taxable and subject to withholding tax withheld on next payroll cycle.	May be taxable. Tax will be withheld at time of payment.	Normally taxable

Gift Cards and Cash Equivalents Purchase and Use

Table 3: Tax Treatment of Cash Equivalents used for awards (recognizes accomplishments as a student or employee)

Face Value	CLASS OF RECIPIENT			
	Employee (including student-employee)	Students	Non-Resident Alien, including students	All Others
Single payment of \$50.00 or less AND Expected payments totaling less than \$600 in a calendar year	Complete Substitute W-9 and submit to Payroll Services at 236 French Administration Bldg., mail code 1024.	Not 1099 reportable. Awards may represent income for students and may impact the financial aid package. Access the Office of Scholarship Services website at saras.wsu.edu for more information.	Gift card may not be used. Pay with check. Contact Accounts Payable.	Not reportable.
Single payment of \$50.01 - \$250.00 AND Expected payments totaling less than \$600 in a calendar year.	Complete Substitute W-9 and submit to Payroll Services at 236 French Administration Bldg., mail code 1024.	To be used for educational expenses- Not 1099 reportable. Awards may represent income for students and may impact the financial aid package. Access the Office of Scholarship Services website at saras.wsu.edu for more information. Otherwise- Recipient must complete WSU Substitute W-9 to be kept on file in the department.	Gift card may not be used. Pay by check. Contact Accounts Payable.	Recipient must complete WSU Substitute W-9 to be kept on file in the department.
Single payment in an amount between \$250.01 and \$599.99 AND Expected payments totaling less than \$600 in a calendar year	Secure Area Finance Officer's approval prior to purchasing the card. Complete Substitute W-9 and submit to Payroll Services at 236 French Administration Bldg., mail code 1024.	To be used for educational expenses- Not 1099 reportable. Awards may represent income for students and may impact the financial aid package. Access the Office of Scholarship Services website at saras.wsu.edu for more information. Otherwise- Recipient must complete WSU Substitute W-9 to be kept on file in the department.	Gift card may not be used. Pay with check. Contact Accounts Payable.	Secure Area Finance Officer's approval prior to purchasing the card. Recipient must complete WSU Substitute W-9 to be kept on file in the department.

Gift Cards and Cash Equivalents Purchase and Use

Table 3 (cont.)

Face Value	CLASS OF RECIPIENT			
	Employee (including student- employee)	Students	Non-Resident Alien, including students	All Others
\$600 or more to a single individual in a calendar year, or more than three payments. (Regardless of the amount of individual payments, reporting is required for any individual who indicates on the Substitute W-9 form that \$600 or more has been received in cash and property combined from all WSU sources in a calendar year.)	Gift card may not be used. Contact Payroll for instructions.	To be used for educational expenses- Not 1099 reportable. Awards may represent income for students and may impact the financial aid package. Access the Office of Scholarship Services website at saras.wsu.edu for more information. Otherwise- Recipient must complete WSU Substitute W-9 to be submitted to Accounts Payable at 240 French Administration Bldg.	Gift card may not be used. Pay by check. Contact Accounts Payable.	Recipient must complete WSU Substitute W-9 to be submitted to Accounts Payable at 240 French Administration Bldg.
IRS Reporting	W-2 (Payroll) All amounts.	1099-Misc (Accounts Payable) for amounts over \$600 in a calendar year.	1042-S (Payroll) All amounts.	1099-Misc (Accounts Payable) for amounts of \$600 or more in a calendar year.
Tax Consequences	Taxable- tax withheld on next payroll cycle. Some exceptions for length of service or safety awards to be determined by Payroll.	May be taxable	May be taxable, to be determined by Payroll. Tax withheld at time of payment.	Taxable