

# Gift Card Policy

## 1. Purpose

This policy establishes guidelines for the issuance, use, and documentation of gift card purchases and distributions at Keck Graduate Institute (“KGI”) to ensure compliance with federal and state tax regulations, institutional policies, and proper stewardship of KGI resources. It also aims to mitigate financial and reputational risks associated with the improper use of gift cards.

## 2. Scope

This policy applies to all faculty, staff, students, and individuals at KGI who purchase, distribute, or receive gift cards, regardless of the funding source (e.g., operational budgets, grants, or gifts).

## 3. Key Definitions & Classification Guidelines

**a. Cash Equivalent:** A cash equivalent is any item that can be used to purchase merchandise or that can be easily converted to cash. Cash equivalents include cash, gift cards, gift certificates, gift vouchers, and prepaid debit/credit cards with face value.

**b. De Minimis:** A non-cash award, gift, or prize is considered de minimis if it is so small that accounting for the items would be considered unreasonable or administratively impractical. De minimis awards, gifts, or prizes should be provided on an occasional basis only. Non-cash awards, gifts, and prizes with a value of less than \$50 will be considered de minimis. Cash and cash equivalents are never considered de minimis.

**c. Gift Card:** A gift card is any prepaid debit card or store-issued card that can be used as a substitute for cash. It includes, but is not limited to, Visa/Mastercard gift cards, Amazon gift cards, and retailer-specific cards.

## 4. Prohibited Uses & Recipients

Gift cards **may not** be used for:

- Employee compensation or bonuses
- Meals or per diem
- Holiday, birthday, or other gifts to employees or students
- To pay suppliers and consultants for goods and services received
- Bypassing procurement protocols



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The following individuals are **not permitted** to be given gift cards issued by or on behalf of KGI:

- **KGI employees** (including student employees): Employees may not be given gift cards for any reason, including raffles, door prizes, recognition awards, performance awards, or other work-related activities, in accordance with IRS regulations classifying gift cards as taxable compensation.
  - *Exceptions may be granted for formal staff development or recognition programs through the Human Resources Department.*
  - *Gift cards purchased with personal funds and presented on behalf of KGI are prohibited and will not be reimbursed.*
- **Independent contractors or consultants:** Gift cards are considered taxable income, subject to 1099 reporting.
- **Visiting scholars, volunteers, or guests providing professional services.**
- **Foreign nationals or non-resident aliens:** Gift cards given to such individuals require prior review and approval by the Finance & Administration Department. Gift cards issued to foreign nationals may be subject to 30% federal tax withholding and IRS reporting via Form 1042-S. The department giving the gift card will be responsible for all taxes, as taxes cannot be withheld from a gift card. For example, a non-resident alien student wins a \$100 gift card. The gift card amount would be grossed up to \$142.86; the department would be charged the additional \$42.86 in tax, so that after the 30% tax remittance, the student would net the \$100 gift card amount.

*Exceptions may only be granted with written approval from the Vice President of Finance & Administration.*

## 5. Permissible Uses & Recipients

Gift cards may be issued in limited circumstances:

- As tokens of appreciation for non-service contributions (e.g., survey completion), only when allowed by funding source terms.
- As prizes for officially sanctioned student contests or raffles.
- As incentives for research study participants. Use of gift cards in such instances requires prior IRB approval. KGI tracks all compensation received by such individuals. If an individual receives awards or payments over \$600 during the calendar year, the entire amount must be reported to the IRS.

All permissible users are subject to restrictions imposed by the specific funding source, including grants and donor-imposed limitations.

## 6. Approval Requirements

All gift card purchases must be:

- Pre-approved by the department head and the Finance & Administration Office



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- Supported by a clear business purpose
- Funded from allowable budget lines or funding sources

Persons seeking gift card approval should use the form found in Appendix A.

## 7. Purchasing Procedures

If a gift card purchase is approved:

- Purchases should be made using a KGI-issued credit card.
- A detailed list of recipients and corresponding amounts must be maintained and entered on the expense report when reconciling the gift card expense.
  - Please use the expense item “Gift Cards” when reconciling.
- Departments must safeguard physical cards, ensure unissued gift cards are stored securely, and limit access to authorized personnel only.

## 8. Distribution & Tracking

Each department must maintain a **Gift Card Tracking Log** (see Appendix B). This log must be submitted to the Finance & Administration Department every quarter or within seven business days upon request.

**Required tracking information includes:**

- Date of purchase
- Name of purchaser
- Purpose/event
- Dollar amount of gift card
- Name of recipient\*
- Date of distribution
- Recipient signature or acknowledgement (if applicable)
- Any applicable tax documents (e.g., W-9 or W-8-BEN)

Please note: Unused or unclaimed gift cards must be returned or reported.

\*For IRB-approved research studies, where recipient anonymity must be preserved, use unique study participant IDs in place of names.

## 9. Tax Implications

Under IRS regulations:

- **Gift cards are considered taxable income** and must be reported on a Form W-2 (for employees), regardless of amount, or Form 1099-NEC or MISC (for non-employees) if the individual receives \$600 or more in a calendar year.



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- Recipients of gift cards in any amount **are required to submit Form W-9** before issuance.
- **Nonresident aliens** may be subject to withholding and reporting under IRS Section 1441 and should consult with the Finance & Administration Department before any disbursement.

Recipient Type	Purpose	Form Used	Withholding?
Non-Employee (U.S.)	For services	1099-NEC	No
Non-Employee (U.S.)	Prize or award	1099-MISC	No
Foreign National	Any reason	1042-S	Yes (30% default)
Employee	Any reason	W-2	Yes (through payroll)

Departments are responsible for consulting the Finance & Administration Department to ensure proper tax handling and reporting.

## 10. Compliance

Failure to comply with this policy may result in disciplinary action and financial liability for all responsible individuals. The Finance & Administration Department reserves the right to audit gift card usage at any time.

Approved by Cabinet

Effective Date – 09/08/2025

Revisions –

Responsible Officer – Vice President of Finance & Administration



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## Appendix A - Gift Card Approval Form

Requestor Name: \_\_\_\_\_

Department: \_\_\_\_\_

Date of Request: \_\_\_\_\_

Business Purpose: \_\_\_\_\_

Total Number of Gift Cards Requested: \_\_\_\_\_

Individual Gift Card Amount: \$\_\_\_\_\_

Total Amount Requested: \$\_\_\_\_\_

Recipient Type (Check All That Apply):

☐ Employees   ☐ Students   ☐ Research Participants   ☐ External Partners

Funding Source (Cost Center & Account Number): \_\_\_\_\_

Approvals:

Department Head: \_\_\_\_\_ Date: \_\_\_\_\_

Finance Office: \_\_\_\_\_ Date: \_\_\_\_\_

HR (if employee recipients): \_\_\_\_\_ Date: \_\_\_\_\_



## Appendix B - Gift Card Tracking Log



### Gift Card Tracking Log

**Note:** This log must be completed and submitted to the Finance Department quarterly or upon request. Maintain a copy for your department's records.

Department \_\_\_\_\_  
Approved by \_\_\_\_\_

#	Purchase Date	Purchaser	Gift Card Vendor	Purpose/ Event	Gift Card Amount	Date Issued	Recipient Name or ID	Recipient Signature (or Email Confirmation)	W-9 Received? (Y/N)
Ex	05/01/25	Jane Jones	Amazon	Rare Disease Day - door prize	\$10	05/08/25	John Smith		Y
1									
2									
3									
4									
5									
6									
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