Questions Concerning the Purchase of Gift Cards

1. *I assume that gift baskets for speaker recognition, etc. are acceptable.  Can you confirm?*

**Yes, as long as you are using Foundation funds.**

1. *Does this (no purchase of gift cards) include student organizations?*

**Student Organizations should be processed through Ledger 9. Ledger 9 is for funds held in trust for others, and as such, we do not have control as to how these funds are expended. However, we do have recommendations as to how this type of transaction should be handled:**

* **Approval for the purchase should be made prior to the actual purchase of the cards and should include the sponsor and officers of the organization.**
* **Set a limit of the total amount purchased at one time ($250) and a maximum card limit of $25 per card.**
* **Document information about the receiver of the gift card to include the name, address, CWID and the amount of the gift card. This information should be attached to the disbursement voucher requesting payment.**
* **As the cards are issued, the signature of the recipient should be obtained and the complete log of signatures attached to the purchase documentation.**

1. *I have a department that wants to purchase gift certificates through OSUF for retiring faculty.  I have always had the understanding that gift certificates were unallowable (even through the Foundation) for several reasons including the fact that the actual recipients cannot be verified.  In other words, I might sign off on a voucher saying the gift certificates were for someone else but keep them myself instead.*

**This is precisely why we have moved to ban the practice. There are also taxability issues that must be considered. In the February 2008 issue of Fiscally Fit the following clarification was reprinted from the Office of State Finance DCAR Newsletter:**

***“Gift cards, certificates, and coupons given to employees are to be included in the employee’s taxable income.  They are considered by the Internal Revenue Service to be cash or a cash equivalent and do not meet the requirements to be excludable as a de minimus fringe benefit.  Even when an employer provides gift cards, certificates, or coupons to purchase a turkey, ham, or other nominal value property, these are considered wages and are subject to income and employment taxes (even when the card restricts the items purchased, the time to use the coupon, and any unused portion is forfeited) because cash equivalents do not meet the de minimus fringe benefit requirements.  However, giving such gifts to employees is restricted and should only be given as part of a formal employee recognition program pursuant to Oklahoma Statutes, Title 74, Sections 4121 and 4122.”***

1. *Can you suggest an alternative way for us to provide awards to our students engaged in competitions and other similar activities that merit recognition?    Although the number of dollars involved is relatively small, it is important that we have an efficient and cost effective way to reward students for extraordinary achievements.   We have several equities in the OSUF that were set up with the intention of providing awards to students for extraordinary achievements.*

**Yes. Our issue is with the anonymity of gift cards, not the actual award. University Accounting will process payments to your award winners with appropriate documentation (name, address, CWID, and amount) attached to a requisition approved by the appropriate personnel.**

1. *We use online “gift cards” as one way of rewarding student teams who excel in our annual competitions. In the past we have used amazon.com. The winners are sent a special unique serial number that identifies the online gift card (gift certificate). It appears your new rule will prevent this. Or, is this a case where this isn’t really a gift card since there is no physical card?*

**While a student’s name may be identified as the recipient when purchasing a gift card online, there are still opportunities for abuse. There are simply no controls as to who is redeeming the card. A person could enter a student’s name as the recipient when purchasing the gift card online, print the gift card or have the gift card emailed or mailed to themselves; and later use the gift card for themselves. An option for providing a reward to students who excel in competitions is provided in the response to question #4.**

1. *We do not give gifts or gift cards as awards to students.  However, we do have a foundation account that is explicitly set up to provide modest monetary prizes for winners in our competitions.*

**See #4 above. This is an acceptable and preferred practice.**

1. *We provide token gifts representing OSU or our department (pen set, baseball cap, etc.) to various individuals.*

**These are considered promotional items and are acceptable. Please remember these items should be of de minimus value. Although the IRS does not define de minimus, a good rule of thumb is less than $10.**