

Guidance when issuing gift cards to employees, students, non-employees, foreign nationals, and non-resident aliens

Gift cards may only be purchased when the department can document a business purpose. The federal government considers gift cards to be cash equivalents. Therefore, the distributions of gift cards are required to be tracked and reported. To avoid increased administrative burden to track gift card distributions, UND discourages the use of gift cards as a form of payment.

WHEN CAN GIFT CARDS BE PURCHASED WITH UND FUNDS FOR THE FOLLOWING:

- Awards/prizes for a contest or participation incentive
- Survey/Research requires participation support payments
- Drawings with a business purpose

PURCHASING GIFT CARDS

- Gift Cards should be purchased using a UND Purchasing Card, rather than by reimbursing an individual
- Prior to purchasing the Gift Cards, the cardholder must email UND.pcard@und.edu to obtain a Purchasing Card waiver. The emailed request must include the following items:
 - The business purpose
 - Where the gift cards will be purchased
 - Dollar amount(s)
 - Quantity
 - When/how they will be distributed
- The waiver number must be included on the Gift Card Recipients Tracking spreadsheet submitted each month including gift card purchases
- Once the waiver is obtained the cardholder may purchase no more than a one-month supply of gift cards
- Electronic gift cards are the preferred option for purchasing the gift cards because the department can purchase and email the gift card to the winner at the same time. This way cards are not being purchased and held for future awards

AWARDING GIFT CARDS

- The department purchasing cardholder is responsible for the secure delivery of the Gift Cards to the correct individuals
- Following the distribution process, the department cardholder is responsible for submitting a completed Gift Card Recipients Tracking Spreadsheet for each month including gift card purchases with their P Card Statement and receipts
 - The spreadsheet(s) must also be emailed to UND.pcard@und.edu, UND.scholarships@und.edu, & Trish.muir@und.edu
 - If the gift card value is \$10 or greater and awarded to a student, it is considered student support and must be counted in the student's financial aid package

- Employees (including student employees) - Gifts are compensation, therefore Federal and State taxes are withheld along with Social Security and Medicare taxes, and the amount is added to the employee's W2
- Student Athletes are generally prohibited from any additional aid/benefits including gift cards if they are based on athletics display or participation in a UND Hosted event. Any questions should be directed to the UND Athletics Compliance Staff
- Residency status
 - If a foreign individual/Non-Resident Alien is awarded a gift card, generally a mandatory rate of 30% tax withholding would apply. Since the gift is issued before residency status is known, the department will be responsible for an additional 30% payment to the IRS

REQUIRED REPORTING FOR RECIPIENT OF GIFT CARDS

- IRS tax reporting requires the issuance of a 1099, a 1042-S, or a W-2
- Any gift card awarded of \$75 or more requires the department to collect and submit a W9 for each recipient to PPS
- Payment Services must collect all gift card recipient data by calendar year-end to verify if the payments will result in a 1099 for the recipient. Any combination of gift cards and other payments made by UND to a particular individual that result in total payments of over \$600 for the calendar year will result in a manual recording of the gift card amount in PeopleSoft to generate a 1099 Misc