

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.

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

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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. Unused gift cards are to be returned to the vendor when possible. If it is not possible to return the gift cards then they will be held by the department that purchased them and used in future projects. Any cards that are returned to the department for use in other projects may be removed from the project fund by journal voucher.

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 (link can be requested from Accounts Payable). 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. Unused gift cards are to be held by the department that purchased them and included in their annual reporting of unused gift cards.

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. Payments received by participants are likely to be considered taxable income by the IRS, when requesting completed forms W-9 or other identifying information the research participant can be informed that their tax information is not being stored with their research data.

- Responsibilities of PI
 - Documenting and tracking the human research subjects and the amount of payments received by each participant
 - Log of payments to be submitted to AP at year end which can be used to confirm that no individual recipient received \$600 or more. Identifying information can be removed from the log, but each payment received by an individual must be included in their annual total.
- Authorizations:
 - Approval required by Institutional Review Board to make payments to research subjects
 - Authorization for the Purchase of Gift Cards/Certificates required to be filed with the Procurement and Contracts office for each purchase of gift cards

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- Purchases of gift cards with face values in excess of \$100 require Dean approval
- Tracking and Reporting
 - All payments, regardless of dollar amount, made to human research participants are required to be tracked by the paying department. Only those that receive either a gift card over \$75 or a total of \$600 from a series of payments during one calendar year must be reported to Accounts Payable. Individuals that receive a single payment/card in excess of \$75 must complete and promptly submit to Accounts Payable a Prize Winner form. For individuals that receive payment of \$600 or more in a calendar year, the department/PI must collect Prize Winner form(s) and a completed form W-9 from the recipient.
 - If a research participant is a foreign national (nonresident alien for tax purposes) then any payment/card they receive must be reported to the IRS on form 1042-S. There is no minimum threshold for payments to foreign nationals for reporting. Foreign nationals should complete form W-8BEN in place of form W-9 (if they are a resident alien for income tax purposes they should complete form W-9).
 - When reporting payments that are below the threshold for reporting to the IRS (\$600 for US citizens, \$0 for non-US citizens), the PI may mask the information for confidentiality while maintaining suitable records to obtain additional documentation if required.
 - It is recommended that if an individual is anticipated to receive \$600 or more, to obtain a completed form W-9 as early as possible.
 - W-9s and W-8BENs can be submitted to this link: [W9 Submissions](#).

Total Payments to Recipient	Tracking and Reporting Requirements	Additional Commentary
Less than \$600 – US Citizen	• PI tracks all payments • Prize Winner form required for individual payments in excess of \$75	Department must maintain internal tracking of payments to research subject which is submitted to AP at year end.
Less than \$600 – foreign national	• PI tracks all payments • W-8BEN (or W-9 if resident alien)	Any payments to foreign nationals are reportable on forms 1042-S and will require documentation to be collected from the recipient
\$600 or more	• PI tracks all payments • Prize winner form required for individual payments in excess of \$75 • Completed form W-9 required	Individuals in this category must provide sufficient information to allow for reporting of payments on form 1099 to the IRS.

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Revision History

6/7/2016 Created by Sue Potter, EWU OOC A/P Supervisor

3/17/2022 Jointly edited by Michelle Rasmussen, Dir-Campus Services, Lindsay McKay, Contracts Specialist 2, Lori Holznagel, A/P Manager, Tammy Felicijan, Assoc. Controller, Tim Davenport, Controller

3/30/2022 Procedure finalized and published on OOC A/P website

11/9/2023 Carl Ingram updated links

5/28/2024 Carl Ingram made updates to procedure to capture the handling of unused gift cards

5/30/2024 Carl Ingram redrafted the Special Procedure for Human Subjects

6/18/2024 Collaborative edits made for greater readability of the document