Gift Cards

Introduction
This policy states the circumstances when gift cards may be allowable and the tax implications to the recipient.

Policy Statement
This policy is applicable to all Brown University faculty, staff and students.

Gift cards, regardless of the value, are considered cash equivalents by the Internal Revenue Service and are subject to tax reporting. Departments purchasing and distributing gift cards are responsible for compliance with IRS regulations and university policies.

WHEN GIFTS CARDS MAY BE PURCHASED

Gift cards must have a value of $100 or less. Individual gift cards may not have a face value greater than $100 without prior approval from the Controller’s Office. Gift cards may be purchased under the following circumstances:

• A gift card may be purchased if it is not for a specific person, but an event. For example, a department may purchase a gift card/certificate as a door prize. The receipt must specify the purpose of the expense.

• Gift cards may be purchased as a thank you for a volunteer as long as the volunteer is not a Brown University employee, student, researcher, or a contractor currently under contract.

• Gift cards may be purchased for IRB approved research study participants. Disbursements of gift cards must be recorded in a log and include the participant’s name. For possible tax reporting requirements, we advise that the research study have the study participant’s address and social security available in the event the study participant received $600 or more in non-payroll payments from multiple University departments.

• Gift cards to students for emergency situations may be purchased and distributed only by the Assistant Dean of the College for Financial Advising. Please contact the Controller’s Office with questions about gift cards for students.

Note: If one individual receives $600 or more in non-payroll payments in a calendar year (ie. gift cards, honorarium, prizes, etc.), Brown University is required to report those payments to the federal government on either a Form1099 or Form 1042s.

WHEN GIFTS CARDS MAY NOT BE PURCHASED:

• Gift cards may NOT be purchased for Brown University specifically identified active employees, students (undergraduate and graduate students, and post doc research associates), researchers or consultants employed by Brown University. For example, a department may not purchase a gift card/certificate for an employee for achieving specific employment milestones.

• Gift cards may NOT be purchased as gifts for graduating students.
• Gift cards may NOT be purchased as holiday or other gifts to employees or students.
Gift Cards
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- Gift cards may NOT be purchased to pay suppliers and consultants for goods and/or services received.

Definitions
IRS: Internal Revenue Service

Gift Cards: Examples of gift cards:

- Anywhere/anytime cash such as Visa, American Express or money-orders
- Store gift certificates or cards that are redeemable for a large variety of commodities, such as Walmart or grocery store gift cards
- Gift cards or gift certificates to restaurants
- Gift cards to the Brown University Bookstore
- Virtual gift cards such as Amazon

Paper gift certificates are considered the same as gift cards.

Gift Card Log: Log to record gift information required by the Controller’s Office to be able to issue Form 1099 to the recipient, if required. Log should include: gift card number, payee name or participant ID. If using the participant ID, information about the participant should be maintained in a separate secure database that includes information required for tax reporting purposes.

Responsibilities
Financial Coordinator

Initiates gift card purchases using either a Pcard or a purchase order. Check with their OSP Grant Accountant with questions related to Cost Transfers.

PCard Holder:

PCard holders are responsible for following the University’s PCard Policy. All gift card purchases must adhere to both this policy and the PCard policy: Purchases must be logged on a Pcard Log along with a detailed business purpose. Receipts must be maintained.

Cost Center Manager: Responsible for developing and overseeing gift card controls in the department. Gift cards must be safeguarded at all times. Responsible for reviewing and reconciling the gift card log. Responsible for ensuring the Tax ID number of gift card recipients is kept confidential. Provides list of gift card recipients, including name, address, and tax identification number to Accounts Payable for Form 1099 reporting. Transfers the cost of gift cards distributed from the Cost Center to a grant in accordance with the Office of Sponsored Project’s Cost Transfer Policy. Check with their OSP Grant Accountant with questions related to Cost Transfers.

PI or Designee: Distribute gift cards and coordinate with the cost center manager to ensure the information required on the gift card log is complete.

OSP: Review and approve cost transfer of gift cards from the cost center to the grant.

Accounts Payable - review supplier invoices, ensure appropriate documentation is included.

Purchasing Department: Review and approve purchase requisitions for gift certificate and gift card purchases.
Procedures
Purchasing a Gift Card

- Gift cards may be purchased by using a Pcard, purchase order, or the purchaser may be reimbursed using an expense report.
- Individual gift cards may not have a face value greater than $100 without prior approval from the Controller’s Office.
- Gift cards must be charged to unrestricted funds. Gift cards may not be directly charged to sponsored funds.
- Use the following spend categories for gift cards:
  - Participation Fees (3340): use this spend category for gift cards that are purchased for research studies.
    - If there are gift cards undistributed at fiscal year-end, the gift cards held may need to be reclassified for financial statement purposes. Please email the Controller’s Office for assistance.
  - Supplies Other (3040): use this spend category for gift cards purchased as a volunteer appreciation gift or as a door prize.
- When purchasing on a Pcard, ensure the appropriate spend category is charged when reviewing during the month-end review and reconciliation of Pcard charges.

Maintaining and Distributing Gift Cards

- When gift cards are purchased, log all of the gift card numbers on a gift card log. Keep that log with that group of gift cards. Gift card logs are required to support federal tax reporting obligations.
- Until disbursed, cards should be maintained in a secure, locked area.
- When disbursing gift cards, log the recipient’s information on the gift card log. Brown is required to report payments exceeding $599.99 to US Residents on Form 1099 and to Foreign Nationals on Form 1042S. Payments include cash, check, and gift cards and include payments made by multiple departments.
  - It is important to collect gift card recipient’s full legal name, home address and tax identification number for year-end tax reporting.
- Gift cards cannot be distributed to individuals for whom Brown has been notified by the IRS that the tax identification number provided is incorrect in the IRS annual B-notice notification. The Controller’s Office will notify affected departments when this occurs.

Securing the Social Security Numbers for Gift Cards

Social Security Numbers (SSN) are considered restricted information covered under the Policy on the Handling of Brown Restricted Information. The collection and use of social security numbers has been approved as part of the Gift Card policy, but must be maintained securely.

All departments that purchase gift cards must do the following:

- Keep the social security numbers on only one device
- Install Identity Finder software on device where the SSN will be stored
- Ensure that all SSN have been identified by Identity Finder
- Utilize the “SECURE” option in Identity Finder to protect the SSN
- Schedule Identity Finder to run at least monthly, review the results, and secure any new SSN identified
Frequently Asked Questions

- Where can I get Identity Finder?
  - it can be downloaded at software.brown.edu

- How can I get assistance with Identity Finder?
  - your local computing support person can help, as well as the CIS IT Service Center

- Is the information form Identity Finder stored anywhere?
  - the CIS-Information Security Group knows where the software is installed, when it is run, whether any personally identifiable information is found, and whether it has been protected.

- What is a B-notice
  - An IRS Backup Withholding Notice, or B-Notice, is an annual IRS notification to payers, that IRS Forms 1099 have been filed with either missing or incorrect name/TIN combinations. If the information is not corrected, the University must begin withholding taxes on the payments. Brown cannot withhold taxes on the gift card therefore, individuals who have provided incorrect information, as identified by the IRS, cannot receive further payment from the University.

Related Policies: PCard Policy
Related Information: Learn About Identity Finder

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