**Gift Card Policy**

Table of Contents

[1 Policy Statement 2](#_Toc225676756)

[2 Reason for Policy 2](#_Toc225676757)

[3 Who Needs to Know This Policy 2](#_Toc225676758)

[4 Definitions 2](#_Toc225676759)

[5 Taxation 2](#_Toc225676760)

[6 Procedures for Implementation 3](#_Toc225676761)

7 Similar and/or Related Policies 3

[8 Contacts 3](#_Toc225676762)

# 1 Policy Statement

This policy is to provide guidelines and procedures for the appropriate purchase, accounting, and taxation of gift cards (including gift certificates, gift coupons, and their equivalents) distributed to employees and non-employees.

# 2 Reason for Policy

This policy is to define, document, account, budget, and report cash equivalent disbursements.

# 3 Who Needs to Know This Policy

This policy applies to all University departments and personnel.

# 4 Definitions

**Employee** – Pace University staff, faculty, and student workers (regardless of student worker employment classification)

**Nonemployee** – Pace independent contractors, students (non-workers), and volunteers.

# 5 Taxation

A fringe benefit is a form of pay for the performance of services[[1]](#footnote-1). A de minimis benefit is one for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical[[2]](#footnote-2). Cash and cash equivalent fringe benefits, no matter how little, are never excludable as a *de minimis* benefit[[3]](#footnote-3) and the receipt of said are includible in gross income[[4]](#footnote-4).

Nonemployees receiving gift cards exceeding $600 annually will be issued Form 1099-MISC.

Gift cards issued to employees are subject to employment taxes and reported on Form W-2. Gift cards received are categorized as supplemental income. Supplemental income payments are taxed utilizing supplemental tax rates as follows:

Social Security Tax – 6.2% (up to the annual maximum amount)

Medicare Tax – 1.45%

Additional Medicare Tax - 0.9% (on wages exceeding $200,000 annually)

Federal Withholding – 25%

NYS Withholding – 9.62% (State rates vary per jurisdiction)

Residential Tax (if applicable):

NYC Withholding - 4.25% (Employees residing within the 5 boroughs)

Yonkers Withholding – 1.84704% (Employees residing within Yonkers city limits)

For example, an employee receiving a gift card in the amount of $100, with an annual salary of $60,000 and who does not reside in NYC or Yonkers, will have the following taxes withheld from their paycheck:

Social Security Tax = $6.20

Medicare Tax = $1.45

Federal Withholding = $25.00

New York State Withholding = $9.62

Total Tax Withheld = $42.27

The budget responsible (i.e. University department, club, organization, etc.) for purchasing and distributing gift cards will be charged an internal fringe benefit expense at the rate designated for one-time payments on the face value of the gift card. Internal fringe rates are reviewed and updated annually.

# 6 Procedures for Implementation

Employees and/or delegated representative purchasing gift cards for distribution will be reimbursed by Accounts Payable upon receipt and review of a completed T&E Form with an accompanying Gift Card Disbursement Reporting Form. **Failure to provide a Gift Card Disbursement Reporting Form will cause reimbursement request to be rejected.** The Gift Card Disbursement Reporting Form must substantiate 100% of the gift cards purchased and distributed.

Upon receipt of Gift Card Disbursement Reporting Form, Accounts Payable will process the reimbursement. The Payroll Department will include the gift card value received by an employee within the next available pay cycle post submission.

It is recommended gift cards be purchased as close as possible to the scheduled distribution date, if known, to avoid potential financial burden on the purchaser.

# 7 Similar and/or Related Policies

Travel and Expense Reimbursement Policy and Procedure

Purchasing Card Policy and Procedure Manual

# 8 Contacts

For questions about the contents and implementation of this policy, please call one of the following responsible parties:

Angelique Diaz - Assistant Controller, Payroll & Tax Compliance: 914-923-2379

Jean Kwartler - Assistant Controller, Accounting and Reporting: 914-923-2638

1. IRS Publication 15-B [↑](#footnote-ref-1)
2. Treas. Reg. §1.132-6(a) [↑](#footnote-ref-2)
3. Treas. Reg. §1.132-6(c) [↑](#footnote-ref-3)
4. IRC § 132(a) [↑](#footnote-ref-4)