



# Professional Development: Gift Card Purchasing Guidance

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# Gift Cards & Public Funds



Are gift cards an allowable purchase with public funds?



# Guidelines for Gift Cards



Generally speaking, the purchase and issuance of gift cards using public funds are an unallowable expense.



# Conflicts of Interest & Audit Trail



## What's the reasoning behind the scrutiny of gift card purchases with public funds?

- Conflicts of Interest/Personal Benefit
- When using public funds, it is necessary to have an audit trail which helps ensure that funds are not used for inappropriate items (i.e. alcoholic beverages, cigarettes, etc.).
- Gift cards do not provide an audit trail, accordingly, they are generally unallowable.





# What About IRS De Minimis?



## Why Are Gift Cards Not Considered “De Minimis” By The IRS?

- Historically, there was a threshold of \$25 as the maximum amount one could give before having to be taxed, but that is no longer the case.
- A gift card or cash equivalent is now taxable, regardless of the amount.
- The reason is because gift cards are essentially the same as cash, they are considered an easy item to be accounted for and, therefore, taxable.
- Gifts, awards and prizes may not be provided in lieu of payment for services.

# What's the Reasoning?



- Protecting employee pay. If gift cards were exempt from taxes, it could encourage companies to redistribute how employees are paid to avoid or reduce additional taxes.
- The takeaway: Regardless of the amount, a gift card given to employees is not considered a de minimis fringe benefit, it should be included in wages on Form W-2 and subject to tax withholdings.
- [IRS Fringe Benefits Guide](#)
- [IRS Memo CCA 200108042](#)
- [Publication 15-B \(2023\), Employer's Tax Guide to Fringe Benefits](#)

# Gift Certificates



- Cash or cash equivalent items provided by the employer are never excludable from income. An exception applies for occasional meal money or transportation fare to allow an employee to work beyond normal hours. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.
- A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.
- Check with your own board policies on the purchase of gift cards or gift certificates.
- <https://www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits>

# Gift Cards & Federal Funds



- What does the law say about the use of federal funds and purchasing gift/store cards?
- ESSA refers us to The Uniform Grant Guidance (UGG). UGG requires districts to implement and maintain financial management systems that comply with federal systems management requirements detailed in the Code of Federal Regulations (CFR).





# Uniform Grant Guidance & Gift Cards



## §200.445 (a) Goods or Services for Personal Use:

- Costs of goods or services for personal use of the non-Federal entity's employees are *unallowable regardless of whether the cost is reported as taxable income to the employees.*

## §200.303 Internal controls:

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

## § 200.405 Allocable costs.

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or *assignable to that Federal award or cost objective* in accordance with relative benefits received. This standard is met if the cost:
  - (1) Is incurred specifically for the Federal award;
  - (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
  - (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

# UGG Continued: Misuse of Funds



- §200.423: Alcoholic beverages
- §200.438: Entertainment costs- under which the use of store cards could inadvertently result in misuse of funds.

# Gift Card Exceptions?



## Homeless Children and Youth (HCY)

- The McKinney-Vento (MV) Act defines “homeless children and youth “as individuals who lack a fixed, regular, and adequate nighttime residence.”
- The McKinney-Vento Act is designed to address the challenges that homeless children and youths face in enrolling, attending, and succeeding in school. To that end, the purchase of store cards with federal funds for the benefit only of students who meet the definition above, is allowable under certain specific circumstances.
- [SDE Page: Title IX-A: Education for Homeless Children & Youth Program](#)
- SDE Program Coordinator Contact: Emily Sommer (208)332-6904

# More Gift Card Purchasing Exceptions



## Migrant Education

- Door prizes, movie tickets, *gift certificates (gift cards)* Prizes that are “reasonable and of nominal cost” may be used especially to promote participation in the local Parent Advisory Council (PAC) or parent events that support the completion of Measurable Performance Outcomes (MPOs). Per the Office of Migrant Education, “It is also a good idea to focus on prizes that have educational merit.”
- For more information, see the details under the Migrant Education Program inside the resource: [Federal Programs Allowable Use of Funds](#)



# What About Accepting Gifts?



## Idaho Code § 18-1356: GIFTS TO PUBLIC SERVANTS BY PERSONS SUBJECT TO THEIR JURISDICTION

No public servant having any discretionary function to perform in connection with contracts, purchases, payments, claims or other pecuniary transactions of the government shall solicit, accept or agree to accept any pecuniary benefit from any person known to be interested in or likely to become interested in any such contract, purchase, payment, claim or transaction.

(meaning-no optics of quid pro quo)



# Gift Card Purchasing Takeaways - Federal



- The purchase of store cards (gift cards/certificates) with federal funds is **not allowable** because even if the card is intended to be used for allowable uses under the grant program, the recipient may not use it accordingly, either knowingly or unknowingly.
- The exception: McKinney Vento (Homeless Children & Youth) Act *may* have specific allowable uses.