



Procedure 202-13 Purchase and Distribution of Gift Cards

Sponsor: Business and Administrative Services

Purpose

The College wants to appropriately recognize and appreciate employees and students and their contributions to the College whenever possible. However, Since the College is funded through public funds from the State of Arizona and property tax revenues, it is important that the College follow all rules and regulations concerning use of public funds to purchase gift cards. The purpose of this procedure is to provide direction for the purchase and distribution of gift cards/certificates purchased with public funds and the associated requirements for tracking and taxation of gift cards or certificates.

Definitions

Agency funds Resources held by the College as custodian or fiscal agent for faculty, staff members, and student organizations, including student activity funds raised by the efforts of students for education activities and programs.

De minimis Lacking significance or value.

Gift card Any stored value card or certificate that can be used like cash to purchase goods or services from one or more vendors.

Token acknowledgment See de minimis.

Procedure

Public funds should not be used to purchase gift cards except in certain circumstances as outlined below. Any exceptions require prior written approval of the President.

Compliance

Gift Clause

Article IX, Section 7 of the Arizona Constitution, the “gift clause,” prohibits the giving of gifts, loans, etc., to individuals from public funds. In addition, the notes to this article state that “Public funds are to be expended only for public purposes and cannot be used to foster or promote purely private or personal interests of any individual.” As it relates to gift cards, disbursing public monies without receiving recompense judged to be of equal or greater value is prohibited in absence of statutory or other legal support. For more information regarding the Arizona Gift Clause, see Procedure 202-02 Food and Beverage at College Sponsored Events.

Higher Education Act (HEA)

The Higher Education Act states that compensation of any kind, including gift cards or certificates, must not be based in any part, directly or indirectly, on success in securing enrollments or the award of financial aid. The Office of Student Financial Aid must be informed in writing that a gift card was provided to a student and the financial aid office must then record the value of the gift card as a financial aid resource on the student's account and adjust other aid as required by regulation.

State of Arizona Accounting Manual (SAAM)

The SAAM is the authoritative accounting guidance for public entities in the state of Arizona. It is designed to ensure compliance with all legal and constitutional requirements within the state. All State agencies are required to comply with its central accounting policies and procedures.

Use of Public Funds

The Arizona Gift clause prohibits personal inurement from public funds. According to the SAAM, there are few circumstances under which public monies can be used to purchase gift cards. When they are purchased, the following apply:

1. Gift card purchases should be restricted as much as possible; it is recommended that only gift cards for restaurants, grocery store, or from travel related organizations be purchased, unless impractical to do so.
2. In no case should the value of an individual gift card exceed twenty-five dollars (\$25).

Gift Cards and Compensation

Gift Cards are taxable to the employee, regardless of whether the College procured the card or if it was donated to the College. Because a gift card is similar to cash, their distribution to staff members must be treated as regular income.

1. While gift cards may be awarded to employees in connection with employee recognition events or other recognition of employees, gift cards awarded to employees must be reported as taxable income. There is no de minimis application available. The value of the gift card will be added to the employee's taxable wages and appropriate tax will be assessed and withheld.
2. Compensation of any kind, including gift cards or certificates, must not be based in any part, directly or indirectly, on success in securing enrollments or the award of financial aid. (HEA section 487(a) (20))

Exceptions

Some programs may purchase gift cards and distribute them to program participants.

1. Under certain circumstances, the purchase and distribution of gift cards to individuals who answer program related surveys may be allowed. The value of the information garnered from the surveys is often of significant value in measuring the effectiveness of the program being surveyed, often more valuable than the gift card itself.
2. If gift cards are acquired, the purchase should only be made with agency funds. Examples would include purchasing of gift cards or certificates for employee events for which there is a fee paid for by the employee to attend or participate.

Limitations on Gift Cards for Student Achievement

Gift cards for student achievement are permissible, however, they are limited to a "token acknowledgment" of the accomplishment. A student may be awarded a gift card as a special recognition of academic achievement, provided the consideration paid for the awards does not violate the constitutional prohibition against improper gifts of public funds. Funds such as student activity funds, which are raised by the efforts of students, may be spent for such awards. Regardless of whether a gift card is procured by student activity funds or donated as an in-kind gift, the Office of Student Financial Aid must be informed in writing that a gift card was provided to a student and the financial aid office must then record the value of the gift card as a financial aid resource on the student's account and adjust other aid as required by regulation.

Accounting

As recommended by the SAAM, gift cards must be treated like inventory. They should be logged on a spreadsheet or equivalent record. The record must contain the amount and type of gift card, the gift card identification number (if available), the name and contact information to whom the gift card was distributed. Additionally, the gift cards should be kept under lock and key in either a safe or a lock-secured storage unit. The gift card inventory should be reconciled quarterly and any shortages reported to the Business Office.

Recommendation

Consider alternatives to gift cards/certificates, like de minimis (under \$25) College public relations items (e.g., mugs, mousepads) or small bookstore purchases, when looking to award or incentivize employees or students.

References

Procedure 202-02 Food and Beverage at College Sponsored Events

A.R.S. § 1-254, A.R.S. § 35-154, A.R.S. § 35-196, A.R.S. § 35-212, A.R.S. § 35-301

Arizona State Constitution

HEA section 487(a)(20) and 34 C.F.R. § 668.14(b)(22)

1990 Ariz. AG LEXIS 70 *; 1990 Op. Atty Gen. 114

State of Arizona Accounting Manual (SAAM) Topic 80, Miscellaneous, Section 05, The Purchase and Distribution of Gift Cards.

Procedure History

September 18, 2020 New and Approved by Executive Leadership Council

Legal Review

July 30, 2020