



## **Gift Card Procedure**

This procedure provides guidance and direction for the purchasing of gift cards to meet the needs of the research community, minimize the administrative burden, and comply with federal and tax reporting requirements.

### **1. Requesting Department**

Principal Investigators and others conducting research, Grants Managers, Departmental Finance Managers, Cost Center Managers/Accountants, Research Accounting, Directors, Deans, Office of Sponsored Research

### **2. Purpose and Use of Gift Cards**

- A.** The University often conducts research where there is a requirement to obtain participation and/or collect information from participants. Researchers frequently find it necessary to offer incentives in order to obtain sufficient participation. Prior to conducting research and offering participant incentives the research must be approved by the Institutional Review Board (IRB) at FAU.
- B.** Gift cards may be used within the established guidelines to facilitate making payments to participants in research studies. These incentives are subject to Internal Revenue tax laws and there are specific rules that must be followed in order for the University to remain in compliance. Gift Cards are **for the sole purpose of participant payments** and cannot be used to pay trade suppliers for goods and/or services received and/or rendered or pay any type of wages for services rendered.

### **3. Who Can Receive Payments, Payment Limitations, and Required Documentation**

Florida Atlantic University is responsible for maintaining compliance with both the letter and intent of all federal, state and local laws. The Internal Revenue Service (IRS) considers gift cards as “cash or cash equivalents” and therefore the receipt of a gift card by a participant is treated the same as the receipt of cash. The participant’s U.S. residency status and relationship with the University will determine the tax reporting and documentation requirements needed.

#### US Person (US Citizen or US Resident)

The University is responsible for compliance with Internal Revenue Service (IRS) requirements for information reporting. Current IRS regulations require that cumulative annual payments greater than \$600 to an individual must be reported on form 1099-MISC. Other special reporting rules apply to employees or nonresident aliens (NRAs). In complying with this reporting requirement, the University has established a threshold for the collection of taxpayer identification information for non-University employees and non-NRAs.

If a single study subject payment exceeds \$200 or cumulative study subject payments to an individual during the calendar year are expected to exceed \$500, a completed and signed W-9 form should be obtained by the gift card custodian and forwarded to Tax Compliance Services in the Controller’s office.



The gift card custodian must also provide Tax Compliance with the payment date and the amount of the gift card. The IRS Form W-9 contains confidential taxpayer information and should not be emailed, instead the documents should be delivered to Tax Compliance, AD-10 room 164.

Non-resident Alien (NRA) – not allowed.

All payments to NRA's, including participant payments, are subject to a 30% federal income tax withholding requirement. There is no minimum threshold amount, and the full 30% withholding is applicable regardless of the value of the payment made to an NRA (even \$1 will trigger tax). **Therefore, NRAs cannot be paid with a gift card for their participation as there is no way to withhold the 30% tax from a gift card.** Participant payments to NRA's must be paid via Payment Services.

University Employee

If the study subject is an employee, the taxpayer information must be collected and the payment information must be reported to the University Payroll Department. The amounts received will be reported as additional compensation on the employee's W-2 form.

#### 4. Process to Purchase Gift Cards

##### A. Purchasing Gift Cards from Suppliers that Accept Purchase Orders

The Procurement team has negotiated with the Royal Buying Group and Publix for the use of PO's for gift cards. These are the recognized approved suppliers, and every attempt should be to use these suppliers. Use of any other supplier requires prior approval from Procurement.

1. The Principal Investigator (PI) or designee will complete online Workday Requisition and submit for approval. The requisition submission must include the IRB approval consent document which includes the specific amount of the gift card. Once completed and approved a PO (purchase order) will be sent to the Supplier.
2. Procurement will notify Requestor, PI or designee when the gift cards have arrived. Gift cards can be picked up by an authorized representative of the department directly from Procurement, AD-10 room 148.
3. Upon pick-up, the authorized designee must sign the Gift Card Log confirming receipt of the card.
4. Procurement will attach to the purchase order in Workday the packing list/shipping confirmation indicating the number of cards and numerical sequence series received.
5. Once the cards have been picked out and signed for by the authorized representative, the responsibility is thereby transferred from Procurement to the requesting departmental research unit.



**5. Best Business Practices for Maintaining and Distributing Cards**

Gift cards are the same as cash and must be handled accordingly; ensuring adequate controls are in place to safeguard, store, and prevent loss. PI's and their designees are required to appropriately safeguard, account for and document all gift cards. Until disbursed, cards should be maintained in a **secure, locked** storage location.

**Disbursing and accounting for gift cards:**

1. All gift cards distributed should be logged in to control and account for all gift cards distributed to Participants.
2. The distribution log should be kept together with the gift cards pending disbursement in a secured, locked boxed or some other appropriate location for money storage.
3. Monthly and at year end, the PI or designee should reconcile all gift cards purchased. The reconciliation should verify the physical gift cards, to verify that all gift cards purchased are either still present in inventory or have proof of distribution. The gift card process is subject to audit – records should be maintained in the department.

Policy Reference:

10.5.1 Accounting for Payments to Research Student Subjects, Including Gift Cards @ <https://www.fau.edu/research-admin/docs/policies/research-accounting/10.5.1-gift-card-policy.pdf>

Research Integrity - Frequently Asked Questions @ <https://www.fau.edu/research-admin/research-integrity/human-subjects-irb/faq/#general>