

**HILLSBOROUGH TRANSIT AUTHORITY
POLICY MANUAL**

**900: FINANCIAL AND BUDGETING POLICIES AND PROCESSES
970: GIFTS TO EMPLOYEES**

970.10 GIFT CARD POLICY

(1) Introduction

HART management and outside organizations will occasionally use gift cards or gift certificates to compensate employees. As cash-equivalent instruments, these items are governed by tax rules (Internal Revenue Code 132) and internal control requirements. These rules and requirements must be followed and communicated to those involved before purchase or distribution of any gifts. When gifts are distributed, they must be distributed in accordance with the guidelines set forth in this policy.

This policy applies to all HART personnel and is limited to gift cards funded by HART or where gifts will be provided to HART staff from an external source (e.g. vendor). The portions of the policy related to tax reporting are also applicable to distributions of any gifts and awards of non-cash tangible items with a fair market value greater than \$25 if funded by HART.

(2) Definitions

- (a) Gift Card** means a stored-value or similar instrument issued in lieu of cash or check. For purposes of this policy, "gift card" includes gift certificates and non-cash tangible gifts.
- (b) Non-Cash Tangible Gift** means a product or service provided to an employee of a value in excess of \$25.
- (c) Responsible Employee** means the staff member in the department disbursing the gift cards that is responsible for the documentation, internal control and other requirements of this policy.

(3) Allowable Uses and Limits

- (a)** Gift cards may only be distributed as prizes, recognition awards or tokens of appreciation to employees.
- (b)** Gift cards cannot be used as a bonus, honoraria, or other means of compensation to employees. Such payments must be processed through the payroll system.

(4) Approvals

Prior to purchase, gift card usage must be approved by the responsible department director and the Chief Financial Officer (CFO) by completing the Gift Card Request Form. Once approval notification has been received from the CFO, the cards can be purchased using the method described below. Included on the Gift Card Request Form is a Statement of Responsibility that the Responsible Employee must sign to signify that he or she understands the additional responsibilities associated with gift card stewardship and distribution.

HART Clerk: _____ 

**HILLSBOROUGH TRANSIT AUTHORITY
POLICY MANUAL**

**900: FINANCIAL AND BUDGETING POLICIES AND PROCESSES
970: GIFTS TO EMPLOYEES**

970.10 GIFT CARD POLICY (cont'd)

(5) Approved Purchase Method

Departments can only purchase gift cards by going through HART's Procurement Department. This process centralizes gift card administration, facilitates tracking for purposes of compliance with IRS tax regulations and eases the purchase process for departments.

Once the CFO has approved the Gift Card Request Form, the department can attach this form to the electronic requisition completed through WorkPlace. The Procurement Department will process the purchase request and ensure the vendor delivers the cards directly to the Finance Division. The Finance Division's inclusion in the delivery process will provide a "check and balance" internal control.

Gift cards should be purchased no more than one month prior to disbursement. For a situation where gift cards will be disbursed over a longer period of time, the gift cards should be purchased in increments with each increment tracked on a separate Gift Card Log.

(6) Required Documentation

The Responsible Employee is required to maintain the following documentation:

(a) Gift Card Request Form

This form is the official approval method, as noted above. The Form will be completed by the department, approved by the CFO and given to the Procurement Department as authorization for purchase along with a requisition form.

(b) Gift Card Log

For IRS tax reporting purposes, the issuing department is required to complete the Gift Card Log, which lists the parties receiving the gift cards and information required for IRS tax reporting purposes. The Responsible Employee will give the Gift Log to the Payroll Department by the earliest of the following dates: a) ten (10) business days after all gift cards have been distributed; or b) sixty (60) days after gift cards were purchased. In addition to the above, taxable gifts must be processed through Payroll during the calendar year it was provided to the employee.

(7) Internal Controls

The Responsible Employee has primary responsibility for safekeeping, maintenance and proper usage of the gift cards and for advising staff or management who handle the cards that they must follow this policy. Gift cards must be safeguarded at all times and accounted for as if they were cash. The following controls are required at a minimum:

HART Clerk: _____



**HILLSBOROUGH TRANSIT AUTHORITY
POLICY MANUAL**

**900: FINANCIAL AND BUDGETING POLICIES AND PROCESSES
970: GIFTS TO EMPLOYEES**

970.10 GIFT CARD POLICY (cont'd)

(a) Custody

The Responsible Employee holds custody over the cards and should always know where they are. Custody may be transferred temporarily from the Responsible Employee to other departmental personnel for disbursement purposes, but the Responsible Employee still holds primary responsibility for the safekeeping of the cards. The Finance Division will record the serial numbers of the gift cards held in inventory and distributed to departments for purposes of tracking custody of each card.

(b) Physical Access

Gift cards must be secured at all times (e.g. in a locked box in a locked cabinet or drawer) with limited access. The Finance Division is responsible for safeguarding any gift card related tax documentation and must keep these records secured with limited access at all times. The Finance Division will keep its inventory in the safe.

(c) Tracking

Gift card disbursements must be documented on the Gift Card Log, designed to uniquely identify each payment in order to document the use of the card for audit and tax purposes. Because of IRS requirements, a recipient cannot receive the gift card if he or she refuses to provide the requested information. If the Responsible Employee disburses the card without obtaining this information, he or she may be subject to disciplinary action. Due to the nature of the data collected on the Gift Card Log, please treat the Log as confidential information. As noted on the Gift Card Log, information to be included for each card shall include at a minimum:

- Purpose of the payment
- Recipient name
- Employee Number
- Gift Value
- Partial serial number of the gift card
- Date of Disbursement
- Signature of the recipient, confirming receipt

(d) Inventory

Departments holding more than one gift card must perform a physical inventory at least on a weekly basis, with the results reconciled to the current Gift Card Log. The inventory should be performed by someone other than the Responsible Employee but in the presence of the Responsible Employee. Any discrepancies must be reported immediately to the CFO.

The Finance Division will inventory all centrally held gift cards at least weekly.

HART Clerk: _____



**HILLSBOROUGH TRANSIT AUTHORITY
POLICY MANUAL**

**900: FINANCIAL AND BUDGETING POLICIES AND PROCESSES
970: GIFTS TO EMPLOYEES**

970.10 GIFT CARD POLICY (cont'd)

(8) Tax Reporting

In addition to annual W-2 reporting for all payments to employees in a given year, IRS regulations require reporting of any non-employee who receives a total value of \$600 or more from HART in a calendar year. Because of these requirements, HART requires that a complete Gift Card Log be maintained for all recipients of gift cards or reportable non-cash tangible gifts.

The IRS considers gift cards to be tax reportable as compensation when issued or awarded to the recipient, regardless of value. Gifts to employees paid by HART funds (source of funding makes no difference) must be taxed as ordinary income to the employee. Gifts, rewards, and gestures of appreciation cannot be provided to employees as disguised compensation. The value of the gift cards (or reportable non-cash tangible gifts) will be included on an employee's annual W-2 in taxable income. The employee's earnings will be reduced by FICA and Medicare taxes, as applicable, at the next pay period after the gift earnings are applied.

It is the Responsible Employee's duty to make the employee aware of the tax implications of the gift.

(9) Lost Cards

The Responsible Employee will be held responsible for any gift cards in their possession that are lost or misplaced. Any shortage must be reported immediately to the CFO.

The CFO, in conjunction with the Safety & Security Department, may investigate the circumstances surrounding the loss. If the investigation findings demonstrate the Responsible Employee did not use adequate internal controls, as defined by this policy, he or she cannot be the Responsible Employee for any future gift card disbursements and may be subject to disciplinary action.

HART has no responsibility or liability for the gift card(s) once they have been presented to an employee.

Associated Forms:

- Gift Card Request Form
- Gift Card Log

HART Clerk: _____

