

WHAT'S THE BIG DEAL ABOUT GIFT CARDS?

WHY ARE GIFT CARDS SUCH A BIG DEAL?

The rules regarding **gift cards** do not originate with PTA; they affect any **501(c)3 nonprofit organization**. The IRS has issued regulations that dictate that any item with a "face value" (like a gift card) is considered "same as cash," or a "cash equivalent." As a gift card is a cash equivalent, all regulations, guidelines and laws regarding financial management apply to the use and ownership of gift cards, regardless of whether they are purchased or donated.

GIFT CARD REGULATIONS

EXCESS BENEFIT AND INUREMENT

Individuals cannot benefit from association with a nonprofit, especially individuals who are in a position to influence the nonprofit – which means unit officers, PTA members, school staff, and students all are *disqualified persons*. Benefiting individuals, especially disqualified individuals like those working with your organization, qualifies for **excess benefit taxation*** by the IRS – which can jeopardize nonprofit status!

Remember: gift cards and cash cannot be given as incentives for assistance or gifts.

VOLUNTEERS NOT EMPLOYEES

As a 501(c)3 nonprofit much of our work is done by **volunteers**, and being a volunteer is an important distinction. Using gift cards as incentives (thank you gifts, recognition gifts, etc.) is viewed by the IRS as "compensation," and compensating a volunteer changes their status from that of a "volunteer" to an "employee," and technically would require a W2 issued by the PTA.

Remember: PTAs want *volunteers* not *employees*.

USE DONATED GIFT CARDS PROPERLY:

- Raffle/silent auction raffle prize
- Purchase items that benefit the *organization*, not *individuals*. Buy supplies needed to make events happen instead of benefiting people.

Procedure Spotlight!

Gift Card Management!

Gift cards may not be purchased by the unit, nor may their purchase be reimbursed by the unit. Gift cards can be donated, but their use must be documented appropriately.

- **Receipt of gift cards must be recorded.** Just like any other donation, the receipt of donated gift cards, and their intended use, must be recorded in the minutes.
- **Keep a record of gift card donations, including donor name, date of receipt, and value.** Depending on the donations received, this information may need to be reported for tax purposes.
- **Document gift card use!** When a gift card is used, documentation matters! The expended card, a completed disbursement form, and receipts should all be provided to the treasurer (just like any other expense!). The treasurer will file the documentation for audit, just like any other expense record!

*See Section 4958 of the Internal Revenue Service code for more information on Excise Tax and disqualified persons