

Prepaid Card/Gift Card and Cash Equivalents Policy

Summary

- Prepaid cards / gift cards may be used for University business with restrictions.
- Prepaid cards / gift cards are equivalent to cash as defined by the IRS.
- Additional documentation is required when prepaid cards / gift cards are purchased.
- Any employee receiving a prepaid card / gift card for any reason will be taxed on the amount of the card.
- Prepaid cards / gift cards may **not** be used to compensate any person or company for work performed.
- Prepaid cards / gift cards must be purchased using an MSJ-issued credit card.
 - Prepaid cards / gift cards purchased with personal funds will not be reimbursed.
 - Failure to submit required documentation will result in the purchaser of the prepaid cards / gift cards paying all taxes due.
- Prepaid cards / gift cards are limited to \$100 per card per recipient unless prior approval is granted by the Controller.
- Gift cards should be coded to general ledger account 6235 (Prepaid/Gift Cards).

I. Statement of Policy

This policy is implemented to ensure compliance with the tax withholding and reporting obligations of both the Internal Revenue Service (IRS) and the State of Ohio. Under Internal Revenue Code Section 132, a gift card, gift certificate, stored-value card, or prepaid credit card—collectively referred to as a Prepaid card or gift card—is considered a cash equivalent and is taxable regardless of its face value.

The value of prepaid cards / gift cards given to students and non-employees is considered taxable and reportable income on IRS Form 1099-MISC if the total received equals or exceeds \$600 in a calendar year (for 2025; the threshold increases to \$2,000 in 2026).

Prepaid cards / gift cards pose a risk of fraud or misappropriation due to the lack of an audit trail that typically accompanies checks or other traceable forms of payment.

This policy outlines the rules for purchasing prepaid cards, gift cards, gift certificates, and other cash equivalents, and details the tax implications for recipients.

II. Scope

This policy applies to all employees and students, as well as any individual who reviews, approves, or records financial transactions on behalf of the University.

III. Definitions

A. Cash Equivalents:

Cash equivalents include, but are not limited to, cash, gift cards, gift certificates, gift vouchers, and prepaid debit/credit cards with a face value.

B. Prepaid Card / Gift Card:

A preloaded debit card or certificate that allows the cardholder to purchase goods or services either at a specific retailer or anywhere major credit cards are accepted.

C. Senior Officer:

For the purposes of this policy, this refers to the President or any divisional leaders of the University who report directly to the President.

D. De Minimis:

A non-cash gift, prize, or incentive is considered de minimis if it is so small in value that accounting for it would be unreasonable or administratively impractical. These items must be non-cash and only provided occasionally. Non-cash items valued under \$75 will be considered de minimis. Cash and cash equivalents are never considered de minimis. Prepaid cards / gift cards are never considered de minimis.

IV. Policy

A. General Provisions

- Individual prepaid cards / gift cards must not exceed a face value of \$100.
- Prepaid cards / gift cards or other cash equivalents must be purchased using a University-issued MSJ credit card. Employees will not be reimbursed for gift cards purchased with personal funds.
- Roar Store or eCampus gift certificates may be purchased.
- Prepaid cards / gift cards may not be purchased with federal, state, city, or other grant/endowment funds unless explicitly permitted by the grant or endowment terms.
- Prepaid cards / gift cards may not be given to employees or students (current or graduating) as gifts. These payments may be considered income and can impact a student's financial aid package.
- All prepaid cards / gift cards distributions must be documented and retained for audit purposes. Recipients must sign an acknowledgment form including their name, student ID (if applicable), and amount received. Guest speaker logs must include the speaker's name and contact information.
- Exceptions to these provisions require prior approval from the Controller's Office.

B. Allowable Uses

Student Prizes & Incentives

Prepaid cards / gift cards may be provided to students to encourage participation in University-sponsored programs, surveys, focus groups, events, or contests, and as recognition for achievements. These uses are subject to the general provisions above.

Guest Speaker Appreciation

Prepaid cards / gift cards may be provided as tokens of appreciation for non-professional guest speakers (e.g., alumni, volunteers, community members). They may not be used in place of an honorarium for professional speakers.

Employee Events

Prepaid cards / gift cards may be given to employees during University-sponsored employee recognition or engagement events (e.g., service awards, bingo, trivia, scavenger hunts, benefit fairs). However, the value of gift cards is taxable income and must be reported to Payroll for inclusion on the employee's Form W-2 for the calendar year in which the gift card is received. There is no minimum dollar threshold for taxation.

C. Prohibited Uses

- Prepaid cards / gift cards may not be used as compensation to employees—including student workers—for any reason, including bonuses, incentives, or tokens of appreciation for work performed. Special recognition must be processed through Payroll and approved by Human Resources.
- Prepaid cards / gift cards may not be provided to suppliers, contractors, or consultants.
- Prepaid cards / gift cards may not be used in lieu of an honorarium for professional speakers.
- Faculty, staff, and students may not receive Prepaid cards / gift cards instead of travel reimbursements or for other business-related expenses.

D. Tax Compliance and Reporting

Prepaid cards / gift cards are considered taxable income under both federal and state law. Failure to report gift card recipients may result in the purchaser being held responsible for the related taxes.

- Prepaid cards / gift cards distribution logs must be submitted to Payroll and Accounts Payable within 60 days of purchase.
 - Failure to submit required documentation will result in the value of the prepaid cards / gift cards included in the purchaser's taxable income.
 - The purchaser will be taxed on the value of the cards not identified.
 - Once processed for taxation, prepaid cards / gift cards transactions are non-reversible.

- Non-compliance with this policy may result in restrictions on future gift card purchases and may lead to disciplinary action. Theft or negligence leading to the loss of University resources can result in disciplinary actions up to and including the termination of employment.

E. Control of Prepaid cards / Gift Cards

Control of prepaid cards / gift cards should be kept under lock and key at all times to ensure proper physical security and to protect from theft and loss. Access to the Prepaid cards / gift cards and keys to the lock areas should be limited to the individual(s) responsible for safekeeping of the Prepaid cards / gift cards. Cards should be treated the same as cash.

Appendix A: Examples of Allowable and Prohibited Uses

Allowable Uses (with proper documentation and tax reporting)

1. **Student Incentive – Survey Participation**

A \$15 Visa gift card is provided to 15 students who participated in a wellness survey conducted by the Office of Student Affairs.

- Documented with signed log including names and student IDs
- Funded from unrestricted operating budget
- Reported to Accounts Payable and monitored for 1099 thresholds

2. **Non-Employee Guest Speaker**

An alumna returns to speak to a student leadership class. A \$50 Roar Store gift card is given as a token of appreciation.

- Name and contact info documented
- Gift is under \$100
- Not a professional speaker—no honorarium agreement

3. **Employee Engagement Event**

During Staff Appreciation Week, employees participate in a bingo game. Ten \$20 Amazon gift cards are distributed as prizes.

- Recipients reported to Payroll
- Taxed via W-2 as required
- Approved as a campus-sponsored event

Prohibited Uses

1. **Student Worker Bonus**

A department wants to give a \$25 Target gift card to a student worker at semester-end as a “thank you” for good performance.

- Not allowed – constitutes compensation
- Must be processed through Payroll with HR approval

2. **Contractor Appreciation**

A department gives a \$50 gift card to a speaker who is also paid by the University as a preceptor for one of the health sciences programs.

- Not allowed – contractors cannot be paid or rewarded via gift cards

3. **Personal Purchase Reimbursement**

An employee purchases five \$20 Walmart gift cards using personal funds, intending to distribute them to student volunteers.

- Not reimbursable – must use MSJ-issued credit card and follow documentation requirements

Appendix B: Gift Card Distribution Log

Appendix C: Request for Exception Approval Form

Department Name: _____

Requestor Name and Title: _____

Purpose of Gift Card(s): _____

Number of Cards and Amount: _____

Funding Source (Account Number): _____

Recipient Group (Students, Employees, External Guests, etc.): _____

Distribution Plan and Security Measures: _____

Justification for Exception: _____

Signature of Senior Officer: _____

Date: _____

Fiscal Operations Use Only

Approval: Yes No

Notes: _____