Section 4.10
GIFT CARD PURCHASES

While gift card purchases were discussed in Section 5.8 previously, it warrants another mention due to its tax implications. Section 3.7 Gifts, Awards, and Other Presentations of the System Tax Manual http://www.tamus.edu/offices/budgets-acct/tax/taxmanual/GiftChrt.html states that “Cash and cash equivalents, including gift certificates and use of a charge or credit card are considered taxable income to the employee regardless of the value.” Therefore, their use is discouraged. In the event that a gift card is given to an employee, the amount of the gift card is considered taxable compensation. The department making the gift must supply the payroll department with the employee’s name and UIN number so the employee may be taxed. In cases where an employee was not notified in advance of the gift that they would be taxed, the department giving the gift card must pay for taxes associated with the gift. Gift cards given to non-employees or given in a random drawing (i.e. door prize) will not be subject to tax. A department issuing a gift card is required to keep record of the recipient(s) in all cases.

The purchasing card can only be used to purchase gift cards that will be given in a random drawing or to non-employees. A Gift Card Purchase Form must be submitted to the purchasing department documenting the recipients of these gift cards. The form can be found on the purchasing department website at http://purchasing.tamucc.edu/purchasing_p_card_forms.htm.