

The Use Of Gift Cards

Implications for PTAs

A White Paper Prepared by Utah PTA

Original Draft – October 7, 2009

Approved by the Executive Committee – October 8, 2009

Approved by the Finance Committee – October 15, 2009

Reviewed by the Region Directors – November 4, 2009

The gift card industry is a growing one, with nearly \$100 billion dollars in annual sales. Many PTAs in Utah have recognized the benefits that gift cards offer and are purchasing them for use in their programs. Inherent with the use of gift cards, however, is the potential for misuse, and occurrences of such problems are increasing around the state. This white paper will review some of the problems that can occur with the use of gift cards and outline recommended policies and procedures for their use. For the purposes of this paper, the term “gift cards” includes gift certificates.

What Are Some of the Ways That PTAs Are Currently Using Gift Cards?

- As prizes or incentives for students in Reflections, Battle of the Bands, and other programs
- As membership incentives. As “stipends” for teachers
- For the purchase of classroom supplies
- In conjunction with teacher appreciation activities
- As donated merchandise for “silent auction” fundraising events
- As thank you gifts for volunteers

What Are the Potential Problems with Using Gift Cards in These Ways?

- Loss of accountability. Gift cards, like cash, can be used by anyone. Without adequate documentation of the purchase and distribution of gift cards, no one is accountable for those items and there is no “audit trail.” For example, students who do not attend their Reflections award night might never receive the gift cards purchased as prizes because they can readily be slipped into a purse and forgotten. Similarly, a PTA officer who accepted a donated gift card from a local business might use it for a purpose other than that approved by the board or even for a personal purchase. Unfortunately, PTAs, like all non-profit organizations, are susceptible to fraud. The policies and procedures in place for control of cash transactions – such as two signatures on checks, prompt reconciliation of bank accounts, and detailed documentation – are sometimes nonexistent or easily circumvented with gift cards, resulting in an even greater possibility for the perpetuation of fraud.
- Turning volunteers into employees. When cash, gift cards, or gift items of more than nominal value are given to PTA volunteers, the PTA runs the risk of turning the volunteer into an employee in the eyes of the IRS. While the work of PTA volunteers is invaluable, if a PTA attempts to “compensate” a volunteer for his/her services, then he/she is no longer a volunteer. As an employee, he/she becomes liable for paying taxes on her income, and the PTA, as an employer, becomes subject to payroll filings and taxes.

How Can These Problems Be Avoided?

- Treat gift cards as cash.
- Institute the use of a log for disbursement of gift cards (or cash) used for prizes or incentives for students so that there is documentation of who received each award. (That log, signed by each prize recipient, would be attached to the check request form used for the purchase of the gift cards.)
- Limit use of gift cards for PTA purchases to items in the approved budget, and maintain, to the extent possible, the same controls that should be in place for cash purchases (including having two people coordinate gift card use and retaining receipts for purchases made). (See Appendix 2 for sample.)
- Require submission of receipts for purchases made on gift cards used by teachers for classroom supplies.
- Eliminate use of gift cards (or cash) for teacher “stipends,” as this creates an employer-employee relationship.
- Maintain an “accountable plan” for reimbursement of legitimate PTA expenses. (Such a plan – which is accomplished by following PTA’s recommended basic fiscal management procedures—includes the timely submission of documentation of the expenses incurred through invoices, receipts, etc.)
- Eliminate use of gift cards (or cash) as “thank you” gifts for volunteers, as this creates an employer-employee relationship.

References

“Stay Exempt: Tax Basics for Exempt Organizations. Course 3: Employment Issues.” Internal Revenue Service. www.stayexempt.org

“Exempt Organizations: Compensation of Officers.” Internal Revenue Service. www.irs.gov/Charities-&-Non-Profits

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