SC PTA Gift Card Guidance

SC PTA strongly discourages the use of gift cards due to IRS regulations and accounting control issues. It is recommended that PTA units utilize gifts or rewards ***other than gift cards*** for volunteer and staff appreciation, Reflections prizes, and other gifts.

Why Gift Cards[1] are Problematic for PTAs

- Potential for Fraud: While gift cards are essentially equivalent to cash, the policies and procedures in place to control financial transactions – such as two signatures on checks, prompt reconciliation, and detailed documentation – are often nonexistent or easily circumvented with gift cards.
- Turning Volunteers into Employees: When cash, gift cards, or gift items of more than a nominal value[2] are given to PTA volunteers, the PTA runs the risk of having the IRS consider those volunteers as compensated employees. This makes the volunteer liable for paying income taxes on the gift and places the PTA in the role of an employer subject to payroll filing and taxes.
- Use of PTA Funds Not Aligned With the Mission: If a PTA gives a general gift card (e.g., Visa, Amazon, Target), there is no way for the PTA to control what those funds are used to purchase. If the IRS determines that those PTA funds were used to purchase items not aligned with the PTA's stated mission and purpose, they can revoke the organization's non-profit status and bring charges of negligence or mismanagement against the officers and directors.

A PTA's tax-exempt status is one of its most important assets. Therefore, when considering a proposed activity, the PTA should ask, "Will this activity adversely affect our tax-exempt status?" Strict compliance with all applicable federal, state, and local laws is extremely important to prevent even the most well-intentioned effort from becoming a serious problem for a PTA.

If a PTA unit is going to utilize gift cards, a list of recommended best practices is provided below.

Best Practices for the Use of Gift Cards

- Ask for gift cards to be donated by businesses or individuals, rather than purchasing them with PTA funds. This is an easy way for members to support the PTA. Use Signup Genius or a similar platform to have donors sign up to provide gift cards of a specific type and amount. Like cash donations, ensure that a donation receipt is provided to gift card donors.
- Use a gift card log that is similar to a check register to properly track all gift cards. For each gift card, document the date it was purchased/donated, card number, store/type, value, relevant budget line item, and recipient of the gift cards. Ensure that each gift card recipient signs the log to confirm receipt of their gift card. This log, signed by each gift card recipient, should be attached to the payment request form authorizing the purchase of the gift cards.
- Develop a clear, written procedure for handling gift cards. Include the process for purchasing/ receiving a gift card, where the cards are securely stored, who has access to the cards, and the process for distributing cards.
- Never give a gift card purchased with PTA funds to a member of the PTA Board. This is specifically prohibited by the IRS.

[1] The term gift cards applies to gift cards, gift certificates, and pre-paid cards.
[2] Nominal value is generally considered $25 or less.