

Gift Cards are Taxable!

Per IRS Regulations, gift cards are taxable to the recipient and must be reported as income to the IRS. In addition, because the IRS considers them to be cash equivalents, there is no de minimis value (see IRS Publication 15-B page 9 *De Minimis (Minimal) Benefits*). All cash and cash equivalents must be reported on a tax return.

A gift card cannot be distributed to a student or other non-employee without a completed W-9 first being received. The department issuing the gift card will be responsible for collecting the W-9. To facilitate this process, you can find a blank W-9 form on the business office website <http://www.southwestern.edu/business-office/>, or you can contact Accounts Payable to have one sent to you. We recommend that you have blank forms available for recipients to fill out at the time they pick up their gift card. Accounts Payable can also securely send W-9s to students and receive them back through Self Service. Contact Pam Cofer in AP for more information.

Recipients should sign when receiving their gift cards. The Business Office recommends that you have recipients sign a log showing their name and gift card amount. Send the completed W-9(s), along with the aforementioned gift card log to Pam Cofer in the Business Office.

If the recipient is an employee, the gift card amount will be added to the employee's W-2 at the calendar year end, and both employee and employer portions of FICA taxes owed (15.3%) on the card amount will be charged to the issuing department. If the recipient is not an employee or is a student, the gift card amount will be reported on Form 1099-MISC if total qualifying payments from Southwestern to the recipient equal \$600 or more for a given calendar year. The Business Office will manually add gift card amounts to recipients' W-2 or 1099.