**\*RISK ALERT\***

**Gifts and Gift Cards to Volunteers and Employees**

**Executive Summary**

Parishes and Archdiocesan agencies often express appreciation to their volunteers and employees for their assistance, especially near holidays such as Easter and Christmas.

Please be aware that the Department of Labor and the Internal Revenue Service (IRS) has established rules and regulations regarding recognition.

* Cash and cash equivalents (e.g., gift cards) are considered taxable income to the employee and must be processed through payroll.
* Gift cards, cash and cash equivalents should not be given to volunteers. The IRS considers these “gifts” to volunteers to be payment of services and changes their status from volunteer to employee.
* Scrip gift cards given to employees or volunteers to purchase supplies must be supported with documentation (e.g., ministry purpose and receipt), otherwise the gift card is considered taxable compensation to the individual.

**Gifts to Employees**

The IRS considers gifts of cash and cash equivalents (e.g., check, gift card, etc.) to be taxable income to an employee, regardless of the amount. This includes gifts given by auxiliary organizations (e.g., Men’s Club, Parent Teacher Organization, etc.). Parishes or agencies may wish to “gross up” bonuses/gifts to recognize the employee with a certain amount. Additionally, gift cards can only legally reward an employee through payroll.

**Gifts to Volunteers**

The Archdiocese encourages non-monetary gifts to volunteers such as luncheons or other public recognition. Cash gifts or gift cards should not be given to volunteers, due to recent Department of Labor rulings.

**Scrip Gift Card Usage**

Some parishes may use scrip gift cards to purchase supplies or pay for business expenses. For example, teachers may receive a retail store gift card to purchase supplies for their classroom or the maintenance supervisor may use a hardware retailer gift card to purchase supplies for a repair job.

Internal Audit strongly discourages the use of a scrip program’s gift cards by employees or volunteers to purchase supplies. This practice increases the risk of loss or misuse of ministry or parish funds and often circumvents established internal controls.

Additionally, any potential savings received from using the gift cards are often negated by the sales taxes that could be avoided if the supplies were purchased through Coupa
(i.e., Archdiocesan Procurement) or using the parish’s sales tax exemption.

**If gift cards are used for purchasing supplies, the parish must ensure that appropriate controls are in place, including:**

* Documented and logged distribution of gift cards.
* Submission of itemized receipts and a clear statement of mission (i.e., business) purpose for all purchases. Without this substantiation, the IRS would consider the gift cards taxable compensation for the individual receiving the card.
* Return of any cards with remaining balances to the parish.

We appreciate your adherence to these guidelines to help safeguard parish resources and maintain accountability.