

## **\*RISK ALERT\***

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

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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.

#### **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 in order to recognize the employee with a certain amount. Additionally, gift cards can only legally reward an employee through payroll.

#### **Gifts to Volunteers**

Cash and cash equivalents must not be given to volunteers (e.g., one who donates their time freely). This includes gifts given by auxiliary organizations. According to the Department of Labor, any cash or cash equivalents given in recognition of a volunteer, changes their status from volunteer to employee. Once a person is no longer a volunteer, that person is subject to the Fair Labor Standards Act and is eligible to receive minimum wage for all hours "worked" and the appropriate taxes must be paid on those earnings. The unintentional consequence of changing a volunteer to an employee must be considered by the parish.

Separately, a gift given using personal funds may be permissible, but such gifts are not eligible for reimbursement and cannot be processed through the parish/agency bank account.

#### **Documentation of Gifts**

Parishes and agencies should maintain detailed documentation related to gifts given to employees and volunteers. The documentation should, at a minimum, include the name of the recipient, amount given, and date of the gift. This documentation allows the parish/agency to ensure that Department of Labor and IRS guidelines related to the taxability of the gifts are followed.

Parishes/agencies should contact their Archdiocesan payroll professional, Parish Support Services, or the Office of Internal Audit with any questions or concerns related to the treatment of gifts.