



OFFICE OF THE
STATE AUDITOR

Comment Period: In an effort to make our publications accurate and useful to our intended audience, we invite individuals who work for and with local government entities to read this draft and provide comment. The comment period will last 15 days. Comments should be submitted to Jeremy Walker at jeremywalker@utah.gov by September 2, 2017.

Auditor Alert 2017-02 Draft

Date: August 17, 2017

Subject: Gift Card Reporting and Taxing

The Office of the State Auditor (“Office”) has recently investigated or been advised of instances where public entities have not appropriately reported and taxed gift cards given to employees as benefits.

The intent of this alert is to clarify de minimus benefits and to encourage public entities to review their employee benefits policy and practices relating specifically to gift cards.

A de minimis benefit is a benefit that is so infrequent and low value that accounting for its costs is unreasonable. According to the IRS, when determining whether a benefit is de minimus, an entity should ensure the benefit is not compensation disguised as a benefit. Gift cards that are redeemable for merchandise or that have a cash equivalent value are not de minimus benefits and are subject to employment and income tax. If the benefit given to the employee is determined to be taxable, it should be reported as wages.

Furthermore, if governmental entities purchase gift cards, the risk of misappropriation of public funds increases because public funds are effectively converted to cash through this process. If gift cards are offered through an incentive program, this program should be defined in policy, with amount limits and disbursement frequency specified within the policy. In rare instances where gift cards are issued to employees for entity business use or issued to members of the public for service provision, policy should define a usage and tracking process.

Lastly, cash, or cash equivalents (such as gift cards), needs to be reported within compensation on the Utah Public Finance Website.