



LOS ANGELES UNIFIED SCHOOL DISTRICT REFERENCE GUIDE

TITLE: Tax Implications on Employee Receipt of Gift Cards, Tickets, and Other Fringe Benefits

NUMBER: REF-055300

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Controller

DATE: August 27, 2018

ROUTING

All Employees
All Locations

PURPOSE: The purpose of this Reference Guide is to provide administrative guidance for the tracking, distribution, and tax reporting requirements for gift cards, tickets, and other fringe benefits distributed to employees.

MAJOR CHANGES: This is the initial version of this Reference Guide.

BACKGROUND: Internal Revenue Service (IRS) regulations require that benefits provided to employees are taxable unless a specific exemption is allowed. This rule applies regardless of whether the District is the entity actually providing the benefit.

One of the most common exemptions is known as a De Minimis benefit. A De Minimis benefit is one where the value is so small and infrequent that tracking and reporting it would be impractical. IRS regulations have indicated that De Minimis benefits cannot be worth more than \$100.

TAX REPORTING AND DOCUMENTATION PROCEDURES FOR GIFT CARDS

The IRS requires that all money given to employees is taxable as wages unless a specific exemption is allowed. Cash is never considered De Minimis. For tax reporting purposes, gift cards are considered the same as cash under IRS regulations. The only IRS exemption available to District employees is if the cards are spent and tracked under an “Accountable Plan”.

An Accountable Plan requires the employee to submit receipts to the District for items purchased and return any unused amount of the Gift Card. The amount spent under the Accountable Plan will not be reported as taxable income. This also means that the expenditures made with the card for job-related purposes cannot be reflected as an income adjustment or deduction on your personal taxes.



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Step 1 – Initial Receipt

Gift Cards must be tracked similar to cash. The gift card sponsor/coordinator may use the Gift Card Tracking Form (Attachment A) to record the Gift Cards by serial number.

Step 2 – Distribution

When the Gift Cards are distributed, the Principal or Administrator may use the Gift Card Tracking Form (Attachment A) to record name of the recipient (i.e. employee or student*). If the recipient is an employee, the desired tax treatment should be indicated.

*Please note: The same form, Gift Card Tracking Form (Attachment A), can be used to track Gift Cards issued to students, however, they are not subject to the tax reporting procedures in this Bulletin.

Step 3 – Receipt

When an employee receives a Gift Card, the employee should complete and sign the Gift Card Recipient Information Sheet (Attachment B).

Step 4 – Final Accounting and Tax Treatment

The total amount spent and the return of unused funds must be documented on the Submission of Receipts for Gift Cards Form (Attachment C). This form must be returned to the administrator or designee of the employee's work location within 30 days of when the gift card was issued, along with the card if there is a remaining unused amount. The administrator or designee must also reflect the amount of receipts and amount returned on the Gift Card Tracking Form (Attachment A).

If the amounts are not tracked and no receipts are submitted as part of an Accountable Plan, the money will be included as taxable income for W-2 and withholding purposes. This must be documented on the Gift Card Tracking Form (Attachment A) and forwarded to the Payroll Administration Branch, Beaudry Building, Floor 27, Attention: Tax Reporting and Reconciliation Unit.

TAX TREATMENT OF TICKETS

There are a couple of exemptions available with regards to the taxability of tickets. Tickets received by employees that do not fall completely within one of the exceptions below are taxable and the recipient's employee ID, name, description of



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the tickets, and value of the tickets must be forwarded to Payroll to be reflected in the employee's paystub.

Tickets may be considered De Minimis if they are infrequently given. However, season tickets and any tickets valued over \$100 are never considered De Minimis.

If the tickets are used in the performance of one's job, they are not considered a taxable benefit. In order to be part of one's job, the employee must be 'on-the-clock' during the performance. Tickets given to employees but used by non-employees are not considered District business and the tickets are taxable to the employee to whom they were given.

In accordance with Cal. Code Reg. Section 18944.1, tickets distributed by an agency which serve a public purpose require disclosure on the Form 802. When a ticket or pass is disclosed on the Form 802, the ticket or pass does not require disclosure on the individual's Form 700 and does not count towards the individual's annual LAUSD cumulative gift limit of \$100 per calendar year, per single source. The law also requires that an agency publicly post its Form 802's online. Please send originally signed Form 802's to the Ethics Office for posting. Please refer to BUL-5085.0, "Distribution of Tickets and Passes from Outside Sources", Office of General Counsel, dated March 18, 2010.

OTHER FRINGE BENEFITS

For information on the tax treatment for use of District vehicles, please consult BUL-3822.1 "W-2 Fringe Benefit Reporting for Users of District-Owned Vehicles".

Mileage reimbursement for use of a personal vehicle for District business is not reportable as taxable income.

RELATED RESOURCES:

BUL-3822.1, "W-2 Fringe Benefit Reporting for Users of District-Owned Vehicles", Accounting and Disbursements Division, September 7, 2015.

BUL-5085.0, "Distribution of Tickets and Passes from Outside Sources", Office of General Counsel, March 18, 2010.

ASSISTANCE:

For assistance or further information, please contact the Accounting and Disbursements Division at 213-241-2150.

For assistance or further information regarding the CA Form 802, please contact the Ethics Office at 213-241-3330.

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August 27, 2018

LOS ANGELES UNIFIED SCHOOL DISTRICT
Accounting and Disbursements Division

Attachment B

Gift Card Recipient Information Sheet

Instructions: The administrator or designee will complete the section Guidelines. Recipient will complete the remainder of the form and sign when card is picked up. Administrator or designee will copy the form and retain the original form.

Completed by Administrator	Description	
	Card Number	
	Amount	
	Guidelines:	

Completed by Employee	Recipient Name	
	Employee ID	
	School/Office	
	Contact Information	
	email	
	telephone	
	Options (please mark one [X])	
	<input type="checkbox"/> (1) Tax Free under an Accountable Plan : This requires that you submit receipts to the District for the items purchased and return any unused amount to your Principal or Designee at your school. The money will not be reported as taxable income, which also means that the expenditures made with the card cannot be reflected as an income adjustment or deduction on your personal taxes.	
	<input type="checkbox"/> (2) Taxable Income : You do not need to provide any receipts to the District but the amount of the gift card will be included as taxable income for W-2 and withholding purposes.	

I acknowledge receipt of a gift card in the amount stated above. I will follow the guidelines set forth above.

Employee Signature / Date

Approval Signature / Date

Instructions: If Option 1 was chosen, recipient is to complete this form after purchases are made and attach receipts. Form must be returned within 30 days of receipt of the card unless alternate arrangements are made.
Administrator: Retain form and receipts. Use information to complete summary.

Description	
Total Amount	
Recipient Name	
Employee ID	
School/Office	
Contact Information	
email	
telephone	

Under the accountable plan, recipient is required to compile receipts and record description of purchases and corresponding amount. Any unspent amount must be returned to the Administrator that distributed the card.

Please list below description of purchases:		Amount
	TOTAL amount of receipts submitted	
	Original Gift Card Amount	
	Unspent amount to return (difference)	

Approval Signature / Date