



NAPEBT
Serving Those Who Serve the Public

Procedure for De minimis Gifts

Purpose

NAPEBT wants to appropriately recognize members whenever possible. However, since the member agencies are funded through public funds, the NAPEBT Board believes it is important to follow similar rules for de minimis gifts that public entities are required to follow. The purpose of this procedure is to provide direction for the purchase and distribution of de minimis gifts.

Definitions

De minimis Lacking significance or value.

Gift card Any stored value card or certificate that can be used like cash to purchase goods or services from one or more vendors.

Procedure

NAPEBT funds should not be used to purchase gift cards except in certain circumstances as outlined below. Any exceptions require the prior written approval of the NAPEBT Chair.

Gift Clause

Article IX, Section 7 of the Arizona Constitution, the “gift clause,” prohibits the giving of gifts, loans, etc., to individuals from public funds. In addition, the notes to this article state that “Public funds are to be expended only for public purposes and cannot be used to foster or promote purely private or personal interests of any individual.” As it relates to gift cards, disbursing public monies without receiving recompense judged to be of equal or greater value is prohibited in absence of statutory or other legal support.

Use of Public Funds

State of Arizona Accounting Manual (SAAM)

The SAAM is the authoritative accounting guidance for public entities in the state of Arizona. It is designed to ensure compliance with all legal and constitutional requirements within the state. All State agencies are required to comply with its central accounting policies and procedures.

The Arizona Gift clause prohibits personal inurement from public funds. According to the SAAM, there are few circumstances under which public monies can be used to purchase gift cards. When they are purchased, the following apply:

1. Gift card purchases should be restricted as much as possible; it is recommended that only gift cards for restaurants, grocery stores, or travel-related organizations be purchased, unless impractical to do so.
2. In no case should the value of an individual gift card exceed twenty-five dollars (\$25).

Gift Cards and Compensation

Gift Cards are taxable to the member employees, regardless of whether the public agency procured the card or if it was donated. Because a gift card is similar to cash, their distribution to employees must be treated as regular income.

1. While gift cards may be awarded to employees in connection with member wellness events or other recognition of employees, gift cards awarded to employees must be reported as taxable income. There is no de minimis application available. The value of the gift card will be added to the employee's taxable wages and appropriate tax will be assessed and withheld.

Exceptions

Some programs may purchase gift cards and distribute them to program participants.

1. Under certain circumstances, the purchase and distribution of gift cards to individuals such as to answer program related surveys may be allowed. The value of the information garnered from the surveys is often of significant value in measuring the effectiveness of the program being surveyed, often more valuable than the gift card itself.

Accounting

As recommended by the SAAM, gift cards must be treated as inventory. They should be logged on a spreadsheet or equivalent record. The record must contain the amount and type of gift card, the gift card identification number (if available), the name and contact information to whom the gift card was distributed. Additionally, the gift cards should be kept under lock and key in either a safe or a lock-secured storage unit. The gift card inventory should be reconciled quarterly and any shortages reported to the Treasurer.

Recommendation

Consider alternatives to gift cards/certificates, like de minimis (under \$25) such as mugs or mousepads when looking to award or incentivize members.