**SCOPE:** All Corporate Departments and all Company-affiliated facilities, including but not limited to hospitals, ambulatory surgery centers, physician practices, service centers, freestanding imaging and radiation oncology centers and all corporate departments.

**PURPOSE:** To ensure all gift cards and gift certificates transferred from a Company-affiliated employer to Company-affiliated employees are treated as income to the employee in accordance with IRS regulations.

**POLICY:** The awards of gift cards and gift certificates always constitute taxable compensation to employees. Since cash equivalents, which are defined by the IRS to include gift cards and gift certificates, have an ascertainable value, the IRS holds that cash equivalents do not constitute de minimis fringe benefits because they are not unreasonable or administratively impracticable to account for. Therefore, the amount of a gift card or gift certificate, regardless of the amount, given by a Company-affiliated employer to a Company-affiliated employee must always be included as compensation.

Examples of gift cards and gift certificates include, but are not limited to:

- $2 gift card to Starbucks
- $5 gift card to McDonalds, Wal-Mart, Target or any store
- $20 gift card to the movies (that can be exchanged for tickets, popcorn and/or soda, etc.)
- $50 gift certificate to a restaurant

Additionally, Company-affiliated employers are required to correctly report and withhold employment taxes on this employee compensation. This obligation includes:

- Reporting the compensation as wages on IRS Form W-2
- Withholding the corresponding federal income tax (FIT)
- Withholding the employee’s share of Social Security and Medicare (FICA) taxes
- Withholding state and local income taxes, if applicable
- Company is also liable for the employer’s share of FICA taxes, Federal Unemployment (FUTA) taxes, and state unemployment (SUTA) taxes.

This policy is specific to gift cards and gift certificates transferred from Company-affiliated employers to Company-affiliated employees. It does not cover tangible property given for Achievement Awards (e.g., watch, clock, etc.) or non-cash transactions (e.g., sweatshirt, hat, etc.).

**PROCEDURE:** The following steps must be performed to ensure appropriate reporting of employee earnings and associated taxes.

1. Facility personnel are responsible for documenting the recipients of gift card and gift certificate awards (employee name, employee identification number, and amount).
2. Recipient information is to be communicated by the designated facility personnel to their Payroll Service Center, or applicable payroll processing unit, no less than monthly.
3. The Payroll Service Centers, or applicable payroll processing units, are responsible for entering information into the payroll system.

Please note: Each Payroll Service Center, or applicable payroll processing unit, should communicate any additional requirements to their customers (e.g., spreadsheet specifications for system uploading, year-end timeline requirements, protocols to request “gross-up” for Federal Taxes and/or Social Security amounts, etc.).

REFERENCES:
Internal Revenue Code (IRC 132)
Employer’s Tax Guide to Fringe Benefits (Publication 15B)