



Delaware PTA Policy Statement

Approved by Executive Board March 18, 2021

Individual Gifts, Gift Cards, Families in Need, and Appreciation Gifts

References and Resources:

1. IRS Guidelines for Existing 501C3 Organizations
<https://www.stayexempt.irs.gov/home/existing-organizations/existing-organizations>
2. StayExempt by IRS
 - a. <https://www.stayexempt.irs.gov/t> common issues around gift cards here.

Individual Gifts

PTA funds should not be used to purchase personal gifts, equipment for staff lounges and lunchrooms or for furnishings for principals' offices. Personal gifts include gift cards and gifts for baby showers, Secretary's Day, bereavements, weddings, or birthdays. If the membership determines that such items are necessary, the individual members can make voluntary personal donations to purchase the designated items. These donations should not be commingled with PTA funds.

Gift Cards

Many PTAs have questions around gift cards – whether the cards are for appreciation, or to give out to families in need. Gift cards are a complicated topic, and the IRS has a great deal to say about their use. We'll summarize some of the biggest issues around gift cards here. It is worthwhile noting that reloadable debit cards are specifically prohibited and should never be used to disperse PTA funds.

What Are Some of the Ways PTAs May Want to Use Gift Cards?

1. As prizes or incentives for students in Reflections, Battle of the Bands, and other programs
2. As membership incentives. As “stipends” for teachers
3. For the purchase of classroom supplies
4. In conjunction with teacher appreciation activities
5. As donated merchandise for “silent auction” fundraising events
6. As thank you gifts for volunteers

What Are the Potential Problems with Using Gift Cards in These Ways?

1. Loss of accountability. Gift cards, like cash, can be used by anyone. Without adequate documentation of the purchase and distribution of gift cards, no one is accountable for those items and there is no “audit trail.” For example, students who do not attend their Reflections award night might never receive the gift cards purchased as prizes because they can readily be slipped into a purse and forgotten. Similarly, a PTA officer who accepted a donated gift card from a local business might use it for a purpose other than that approved by the board or even for a personal purchase. Unfortunately, PTAs, like all non-profit organizations, are susceptible to fraud. The policies and procedures in place for control of cash transactions – such as two signatures on checks, prompt reconciliation of bank accounts, and detailed documentation – are sometimes nonexistent or easily circumvented with gift cards, resulting in an even greater possibility for the perpetuation of fraud.
2. Turning volunteers into employees. When cash, gift cards, or gift items of more than nominal value are given to PTA volunteers, the PTA runs the risk of turning the volunteer into an employee in the eyes of the IRS. While the work of PTA volunteers is invaluable, if a PTA attempts to “compensate” a volunteer for his/her services, then he/she is no longer a volunteer. As an employee, he/she becomes liable for paying taxes on her income, and the PTA, as an employer, becomes subject to payroll filings and taxes.

How Can These Problems Be Avoided?

1. Treat gift cards as cash.
2. Institute the use of a log for disbursement of gift cards (or cash) used for prizes or incentives for students so that there is documentation of who received each award. (That log, signed by each prize recipient, would be attached to the check request form used for the purchase of the gift cards.)

3. Limit use of gift cards for PTA purchases to items in the approved budget, and maintain, to the extent possible, the same controls that should be in place for cash purchases (including having two people coordinate gift card use and retaining receipts for purchases made). (See Appendix 2 for sample.)
4. Require submission of receipts for purchases made on gift cards used by teachers for classroom supplies.
5. Eliminate use of gift cards (or cash) for teacher “stipends,” as this creates an employer-employee relationship.
6. Maintain an “accountable plan” for reimbursement of legitimate PTA expenses. (Such a plan – which is accomplished by following PTA’s recommended basic fiscal management procedures. includes the timely submission of documentation of the expenses incurred through invoices, receipts, etc.)
7. Eliminate use of gift cards (or cash) as “thank you” gifts for volunteers, as this creates an employer/employee relationship.

Gift Cards as Appreciation

A frequent question is whether the PTA may purchase and disburse gift cards as appreciation gifts for volunteers or for school staff using PTA funds.

The IRS considers gift cards cash, and when gift cards are given to volunteers, the IRS considers them compensation. Below are some guidelines for offering gift cards as appreciation gifts.

1. Never give a gift card that has been purchased with PTA funds to a member of the board of directors. The IRS is specific on this question: No amount of PTA funds may inure to the benefit of an “insider.”
2. Although it is allowable to give gift cards to volunteers in a nominal amount, it is not recommended. Cash gifts and gift cards that are given for volunteering (in any amount) are treated by the IRS like a stipend or other type of compensation – so even though they are allowed, they are considered taxable income by the IRS. Volunteers are required to report them as taxable income, and the PTA is required to pay taxes and FICA on the amount given, just as they would if they were paying an employee.
3. While it’s preferred that PTAs show appreciation in other ways, gift cards for staff or teacher appreciation are generally allowed if the amount is insubstantial (under \$25) and the funds are part of a member-approved budget line item for staff appreciation.

Supporting Families in Need with Gift Cards

Another frequent question is whether it is acceptable for PTAs to collect and distribute gift cards for families in need, or to accept donations of gift cards to purchase necessities for children or families in need.

Although it is common for PTAs to involve themselves with activities in their community that help families meet basic needs, there are some important considerations before a PTA embarks on such a program. Here are some other things PTAs should know:

PTA funds must be spent on PTA purposes. Check to make sure that new activities are aligned with the PTA's purposes.

Each PTA submitted an IRS Form 1023 or an IRS Form 1024 when they applied for nonprofit status (501 c 3 or 501 c 4). On that form, the PTA told the IRS everything they would be doing. Review these forms to ensure new programs are in alignment. A PTA's standing rules state who the PTA serves. For example, "ABC PTA serves the students, staff, and families of ABC School."

PTA funds must serve a "class" or group of people, not individuals.

Nonprofits are organized for the benefit of the public, not individuals, and they must serve a charitable class. Giving funds to individuals endangers a PTA's nonprofit status. For example, PTA funds may not be spent to help a family after a job loss, fire, or other emergency. If a PTA were to notice that a family was going without warm winter coats, they could not give that family gift cards to purchase coats. However, if a PTA were to note that many students needed new coats, they could set up a program through which any student at the school could obtain a new coat or a gift card for a new coat, regardless of whether or not they or their family are members of the PTA.

Respect Privacy.

A PTA should avoid getting involved with directly identifying families in need. Anonymity is crucial; the confidentiality of families in the community is paramount. For this reason, it is often preferable for a PTA to work with a school counselor or nurse, or to donate funds or gift cards to another charity or nonprofit that serves local families in need. A cause may be very important, but PTA may not be best positioned to do the work.

Know District Policy.

Some school districts have policies that prevent school staff from handling donated gift cards, and without staff participation, the PTA may be left with no way to determine who the families in need are. Make sure that you are aware of all district policies before embarking on a program of this nature.

Gift Cards are Cash.

It is not recommended that PTAs purchase gift cards for this type of program with PTA funds; it is preferable to receive gift cards that are used or passed on as needs arise. This is because the board is responsible to ensure that PTA funds are spent on PTA purposes, and there is no way to ensure that gift cards are used for their intended purpose once they've been given out.

Final Considerations

PTAs must also create a clear, written process for handling gift cards. Include the process for receiving and logging a gift card, where gift cards are stored, who has access to the cards, and the process for distributing cards or checking out a card and submitting receipts. PTAs must consult their insurance companies to make sure the loss of gift cards are covered by insurance and under what terms.

Gift card donations should be handled like cash donations. The PTA should give the donor a cash receipt, must keep a record of each donation, and track the funds as donation income in bookkeeping. Best practice would be to track gift cards as a separate, restricted fund, and to include this report in the monthly financial reports.

Likewise, when cards are distributed, those funds must also appear in the PTA bookkeeping. If the PTA is using donated gift cards to purchase items that are then distributed, there should also be a system in place to ensure that all items purchased are accounted for; for example, ten coats purchased and ten coats distributed to families in need.

Disclaimer:

The information, suggestions, and recommendations in this document are provided for educational and informational purposes only. They are not intended to, and do not constitute, legal or tax advice. PTAs and their members should consult their own attorneys or accounting professionals for relevant laws and regulations. PTAs should also consult their insurance companies for any restrictions on their purchase and use of gift cards.