

PTA Guidance for the Utilization of Gift Cards

PTAs may be soliciting donations of gift cards (often grocery gift cards) or money to purchase gift cards with the intent of distributing them to families in need. This is the equivalent of asking for cash donations and handing cash to families in need, prohibited under 501(c)(3) regulations. **A PTA must not solicit gift cards (or funds to purchase gift cards) for grocery, school supply, rent, basic necessities, etc. assistance and then distribute those gift cards to individuals.** Collection and distribution of gift cards MUST be done by an organization or group that is not PTA affiliated. Any promotion/advertising/literature of such a drive must make it clear that the funds/gift cards are going to a non-PTA group. If PTA officers are involved as community members with such a group/drive, ensure transparency by clarifying. For instance, attach a statement such as, “The gift card collection and delivery for this effort is being handled by APS parents who are active in XXX PTAs including NAME, NAME, NAME. Please note that this is not a PTA sponsored drive due to 501(c)(3) regulations and donations are not charitable donations.

Purchasing gift cards for use in PTA programs, while permissible, comes with the potential for misuse. The Virginia PTA is noting that occurrences of such problems are increasing around the state.

What Are Some of the Ways That PTAs Are Currently Using Gift Cards?

- As prizes or incentives for students in Reflections and other programs
- As “stipends” for teachers to purchase classroom supplies
- As donated merchandise for “silent auction” fundraising events
- As thank you gifts for volunteers and teachers/staff

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

- **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. Donated gift cards from a local business might end up being used personally. 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.
- **Creating an employee/employer relationship.** When cash, gift cards, or gift items of more than nominal value (\$25) are given to PTA volunteers or school staff, the PTA runs the risk of turning the individual into an employee in the eyes of the IRS. An employee is liable for paying taxes on income, and the PTA, as an employer, becomes subject to payroll filings and taxes.

How Can These Problems Be Avoided?

- **Treat gift cards as cash and institute the use of a log for disbursement of gift cards** 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.
- **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. For teacher supply gift cards, **require submission of receipts for purchases made to ensure appropriate use.**
- **Eliminate or reduce the use of gift cards - or cash - for “thank you gifts”** to volunteers, teachers and/or staff to avoid the potential to create an employer-employee relationship. Ensure that the total amount of gift cards to any individual does not exceed \$25 for each fiscal year.