

Gift Cards and Volunteers

Volunteering is defined by Wikipedia as “an altruistic activity...serving the society through own interest, personal skills, or learning, which in return produces a feeling of self-worth or respect, instead of money.” As a community of believers and followers of Christ, each member of the body of Christ has a responsibility to exercise their gifts in service to the body and a duty to do so. The exercise of such gifts is vital to the maturing of the body and its members. Constance deeply appreciates the service of its volunteers and desires to demonstrate that appreciation in tangible ways while maintaining its altruistic and spiritual benefits. Certain formative considerations determine the most advantageous methods of demonstration.

While it is not wrong to reward or show appreciation to one in Christian service through monetary gifts, it may inhibit or diminish the value of the service. A Christian, in the exercise of his gifts, is spiritually rewarded by fulfilling his God given design, attaining to the whole measure of maturity, and thankfully anticipating a future reward. In Ephesians 4, Paul exhorts believers to walk worthy of the vocation—the purpose to which each was called—by, among other things, exercising the unique gifts apportioned to him according to the Spirit. In addition, exercising gifts, according to Paul in Ephesians 4:13, allows followers to mature, attaining to the whole measure of the fullness of Christ. Finally, Colossians 3 encourages followers to serve the Lord in thanksgiving, knowing that they will receive an eternal inheritance as a reward. All of these motivations or rewards may be nullified, diminished, or inhibited by a monetary appreciation gift.

Furthermore, appreciation should not be demonstrated in such a way as to create the appearance of an employee/employer relationship. IRS Publication 3079—Tax Exempt Organizations and Gaming—addresses some of the issues related to giving volunteers any kind of compensation with an example.

"Example: ABC Organization operates a private school and sponsors fundraisers to raise revenue for the school. Parents who work at the fundraising session are given a tuition reduction of \$50 for each week they work. This reduction of tuition constitutes compensation to the parents; they are not working as “volunteers.”

"Compensation may also include non-monetary benefits such as free drinks or food if such items are more than a mere gratuity and are intended to be compensation for the workers' services. On the other hand, a worker who receives merely insignificant monetary or non-monetary benefits is considered a volunteer, not a compensated worker. Determining whether a benefit is insignificant requires consideration not only of the value of the benefit but also:

- The quantity and quality of the work performed;
- The cost to the organization of providing the benefit; and
- The connection between the benefit received and the performance of services."

Moreover, reasonable reimbursement for actual expenses incurred related to volunteering is not considered income. In other words, reimbursement for the gas a volunteer utilizes while towing a group of students around a lake would not be considered income.

In addition, taxable income does not include any "de minimis fringe benefit." Section 132(e)(1) of the tax code defines such a benefit as "any property or service the value of which is so small as to make accounting for it unreasonable or administratively impracticable." Cash can never be a de minimis fringe benefit since it is not "unreasonable or administratively impracticable" to account for its value. The same conclusion applies to "cash equivalents," such as gift coupons and certificates, even though the property acquired with a coupon or certificate would have been a nontaxable de minimis fringe benefit had it been provided by the employer. In this case, the church would be required to report such as wages, be liable for payroll taxes, and subject to an increase in worker's compensation.

The income tax regulations provide several examples of de minimis fringe benefits. They include "occasional typing of personal letters by a company secretary; occasional personal use of an employer's copying machine; group meals, or picnics for employees and their guests; traditional birthday or holiday gifts of property (not cash) with a low fair market value; occasional theater or sporting event tickets; coffee, donuts, and soft drinks; local telephone calls; and flowers, fruit, books, or similar property provided to employees under special circumstances (e.g., on account of illness, outstanding performance, or family crisis)." Similarly, a congressional committee report listed "traditional gifts on holidays of tangible personal property having a low fair market value (e.g., a turkey given for the year-end holidays)" as examples of de minimis fringe benefits.

The IRS has noted, "It is not administratively impracticable to account for even a small amount of cash provided to an employee because the value of the amount provided is readily apparent and certain. Accordingly ... accounting for cash or cash equivalent fringe benefits such as gift certificates is never considered administratively impracticable." However, the income tax regulations ordinarily treat the value of staff lunches, appreciation brunches, or holiday dinners as a nontaxable de minimis fringe benefit. The regulations give several examples of de minimis fringe benefits, including "group meals, or picnics for employees and their guests."

Therefore, the meals, turkeys, and fruit baskets the church provides volunteers are nontaxable de minimis fringe benefits that need not be reported as taxable income by volunteers. The cash and gift certificates the church provides to volunteers do not qualify as de minimis benefits, and must be reported as taxable income. However, since the volunteers are not employees, the church does not and is not required to report the amount of these gifts to the IRS, but the IRS may rule the volunteers are employees and require reporting. Similarly, no Form 1099 is required either, assuming that the volunteers remain so and do not receive compensation of \$600 or more during the year.

In the event a gift received by a volunteer has to be reported as income, the gift may place the receiver in an awkward or complicated position. The awkward position involves the decision to adequately report the gift. Moreover, if the giver receives any type of compensation for his service or donation, the receiver's tax benefits are, at best, complicated, and at worst, eliminated.

Another unrelated avenue of consideration involves the lack of accountability generally associated with cash or cash equivalent gifts. A receipt received for reimbursement for the purchase of gift cards does not establish nor provide an audit trail from which to trace intent or use. The opportunity for abuse is great and, therefore, the opportunity for an accusation of abuse is great as well.

In conclusion, a policy similar to the following should be adopted:

Since giving volunteers any amount of monetary compensation other than reasonable reimbursement for actual expenses incurred while in the act of volunteering, may jeopardize the spiritual impact of volunteering and, according to the IRS, may establish an employer/employee relationship, the practice of giving cash or gift cards to volunteers as a demonstration of appreciation is highly discouraged. If gift cards are utilized, they should be used sparingly for special circumstances, in amounts not to exceed \$20, not more than \$20 given to an individual in one calendar year, and with as much documentation as possible.