



## Procedures for Using Electronic Gift Cards to Compensate Research Participants

### A. Introduction

The College of Charleston (the 'College') has adopted the following procedures to ensure that (1) the compensation of research participants with electronic gift cards is reported in accordance with federal, state, and college income-reporting requirements, and (2) an appropriate level of confidentiality is maintained.

Failure to adhere to College policy and these procedures will jeopardize the Principal Investigator's (PI's) ability to use electronic gift cards in the future and may include other disciplinary actions. **All penalties incurred due to non-compliance with the procedures described herein are the responsibility of the PI and relevant department.**

### B. Procedure

#### 1. Accounts and Purchasing

The Controller's Office shall maintain the primary institutional account with the electronic gift-card provider. Departments, programs, offices, or other entities who wish to use electronic gift cards to compensate research participants should contact the Controller's Office to create a subaccount. Subaccounts are associated with the primary institutional account.

The Responsible Employee submits an email request to the Agency Chief Procurement Officer and Assistant Director of Procurement and Supply Services, copying the Deputy Controller, the Office of Research and Grants Administration, the PI, and the Department Chair. The request must include:

- Responsible employee's name
- Responsible employee's department
- Title of research study
- Vendor Name (entity from which gift cards are to be purchased)
- Number of cards and the associated denomination(s), which cannot exceed \$100 per research participant. If the exact number of cards/denomination(s) is not known than an estimate should be provided.
- Total dollar amount of gift cards to be purchased
- Banner index to be charged
- IRB (Institutional Review Board) approval

Procurement will deposit the requested funds on the department's subaccount and responds to all on the request email noting the transaction is complete. The Controller's Office uses the information to ensure all subaccounts are reconciled.

Ordinarily, the Responsible Employee shall request the return of any unused funds in the electronic gift card account by June 1<sup>st</sup> so that proper fiscal year end procedures can occur.

## **2. Restrictions**

- Under no circumstances are electronic gift cards to be used for a purpose other than paying research participants who are participating in an IRB-approved study. Departments may not use electronic gift cards to make purchases of any kind.
- The department conducting the research may not provide electronic gift cards to its employees (whether student employees or otherwise) unless involved in the research study as a study participant.
- Compensation to nonresident aliens (NRAs) may not be greater than \$45.
- See "Tax Reporting" below for reporting requirements for different types of participants.

## **C. Tax Reporting**

The value of electronic gift cards is taxable income to the recipient. The issuing department will track and maintain information about the recipients of the research incentive gift cards and it is the responsibility of the PI to inform research participants that the value of any electronic gift cards they receive for participation in research studies is taxable income. They will provide each participant with a Payment for Research Participants or by inclusion of similar verbiage in the informed consent document.

These procedures recognize that a PI has a special duty under federal law to protect research participants and that PIs are in the best position to know whether total payments per calendar year on a given research study will approach or exceed the \$600 per year reporting threshold. Because the possibility exists that a research participant could participate in multiple research studies in one calendar year, the PIs will serve as "gatekeepers" who must determine when an IRS Form W-9 or W-8BEN will be collected from research participants based on the total compensation to be paid to each participant and by asking and documenting if that participant has participated in any other research activities for which they have received compensation or if they have received any other payments from the College which might bring the total to the reporting threshold,

An IRS Form 1099-NEC will be issued to any non-employee participant who receives \$600 or more from the College during the calendar year. It is the responsibility of the PI to collect a completed W-9 from each U.S. Citizen or Resident Alien, or W-8BEN from Nonresident Aliens, if at any time either at the beginning of each research study or during the research study, it is recognized that the participant might receive more than \$450 in a calendar year. This amount is used as a threshold to identify the possibility of a participant's payments approaching \$600 in a calendar year. The PI will keep a record of all remuneration payments provided to each research participant. The schedule of payments should be used to determine if W-9s or W-8s should be collected for any research participant. If the amount plus any reported amount reaches or exceeds \$600 within a calendar year for any research participant, the W-9 or W-8 form must be submitted to Accounts Payable as soon as possible, and no later than December 1 with a statement of the total amount received by that participant. In no case will the W-9 or W-8 form completed by the research participant, income forms provided to state or federal tax agencies, or income forms provided to the research participant include any information indicating that payment was received for participating in research studies. These records will be retained by the PI and kept in a secure location separate from the research data file.

1. **Employees.** When a gift card is issued to an employee who is participating in a research study, the PI is responsible to report certain information to Budgeting and Payroll Services within five business days of issuing the gift card. No information about the research study will be shared; only the employee's name, CWID and the value of the gift card. The value of the gift card will be reflected on the employee's next scheduled paycheck with applicable employment taxes withheld and will be reported on Form W-2 after calendar year-end. The PI is responsible for notifying the employee of this requirement in advance of participation.
2. **Nonresident aliens (NRA).** If participation of nonresident aliens is not essential to a study in which gift cards are being used, then they will be excluded up-front. If participation of NRAs is essential to the study, then compensation may not be greater than \$45.

#### **D. Reconciliation**

The Responsible Employee is responsible for preparing a monthly reconciliation which includes the original authorized amount that was deposited into the subaccount, the individual cards that were distributed to research participants using their unique number identifier with the dollar value, the total of all the card values for the month, and the remaining balance, accompanied by a screen shot/report from the vendor system that includes the ending balance. The reconciliation should be reviewed and approved by the PI/Department Chair and forwarded to the Controller's Office. The Controller's Office will review the reconciliation to ensure all funds have been accounted for. If it is

determined there is an overage of gift card funds the overage must be reported to the Controller's Office immediately and a request made to the gift card vendor to refund the overage.

#### **E. Audit**

All research programs that use electronic gift cards as remuneration to research participants are subject to random audit by the College's internal auditor.