

Policy 510.2

## **1 Introduction**

1.1 This policy defines the requirements of the University's Accountable Plan that governs travel and other business expense reimbursements and/or advances. It also explains the associated tax treatment of advances and reimbursements as required by the Internal Revenue Code (IRC) and its associated regulations.

## **2 Scope**

2.1 This policy applies to all University employees (faculty, staff, students, full-time, part-time and temporary), students, independent contractors, and visitors who are acting on behalf of or providing services for official University business.

## **3 Definitions**

### **3.1 Accountable Plan**

An accountable plan is an employee reimbursement allowance arrangement or a method for reimbursing employees for business related travel expenses that complies with the IRS regulations, University policies on travel and reimbursements, and the State of North Carolina policies. In general, an accountable plan requires individuals to document the business purpose of an expense, adequately account for an expense, and submit documentation for a reimbursement or to clear an advance within a reasonable time period. If an appropriate accountable plan is in place, reimbursements do not have to be treated as taxable income for University employees.

### **3.2 Adequate Accounting**

Adequate accounting means providing documentation, submitted within the timeframes provided in section 4.1.1 of this policy, that clearly shows expenses paid at the time they were incurred along with an explanation of the business purpose for the expenses. Documentation includes but is not limited to receipts, invoices or statements that detail expenses for travel, mileage, lodging or other business expenses.

### **3.3 Non-Accountable Plan**

A reimbursement or advance that does not meet one or more of the requirements for an accountable plan payment. Non-accountable plans include excess reimbursements that are not returned to the University and the reimbursement of nondeductible expenses. Reimbursements or advances paid under a non-accountable plan will be considered taxable wages for University employees.

## **4 Policy and Procedure Statements**

## **4.1 Requirements for an Accountable Plan**

4.1.1 The University's accountable plan includes the following requirements:

1. Expenses incurred must have a business connection. Deductible expenses must have been paid or incurred while performing duties for or on behalf of the University.
2. Any individual seeking reimbursement under the accountable plan must adequately account for, and provide documentation of all expenses paid within the timeframes listed below in 4.1.1.4, 4.1.1.5, and 4.1.1.6 below.
3. Any excess reimbursement or advance received must be returned to the University within 30 days.
4. Travel reimbursements must be in accordance with University travel policies and shall be submitted no later than 30 days after the last day of the travel for which reimbursement being requested.
5. Reimbursements for business expenses shall be submitted no later than 60 days after the expenses are incurred.
6. Reimbursements for moving expenses shall be submitted within 60 days.
7. If any reimbursement request is submitted outside of the timeframes listed above, it will not be paid without a written approval of the appropriate Vice Chancellor which must be submitted with the reimbursement request.
8. Any reimbursements that fall outside of the time frames above, if approved, shall be considered taxable income.

4.1.2 General Requirements for Advances

1. Advances cannot be issued more than five (5) business days prior to the date of departure for travel or the first date expenses will be incurred.
2. Advances must be reconciled with reimbursement requests that are submitted for the travel. Advances must be settled or cleared during the reimbursement process no later than 30 days after the travel period ends or last date expenses are incurred (or by June 30, whichever is earlier, for General Funds).

## **4.2 Accountable Plan Rules Met**

4.2.1 Advances or reimbursements that meet all of the requirements for an accountable plan as stated in section 4.1 above, the payments shall not be treated as taxable income for the individual receiving the advance or reimbursement.

## **4.3 Non-accountable Plan Disbursements**

4.3.1 Amounts disbursed that do not meet the above requirements for an accountable plan shall be paid as if under a non-accountable plan. These amounts shall be considered taxable income and will be reported on an employee's IRS Form W-2 at the end of the year. All applicable withholdings will apply to these amounts. The failure of an employee to return excess funds from an advance will also be considered an outstanding obligation due to the State and subject to the State Employee Debt Collection Act (SEDCA) whereby repayment of debt is a condition of employment.

## **4.4 Reimbursement of Nondeductible Expenses**

4.4.1 Individuals may be reimbursed under the University's accountable plan for expenses related to University business. Some of these amounts will be deductible business expenses while others may be non-deductible

expenses. This determination is based on current Internal Revenue Code and Regulations.

## **4.5 Payments to Nonresident Aliens**

4.5.1 The accountable plan rules apply to nonresident aliens. Payments made to or on behalf of nonresident aliens for travel and lodging expenses are excludable from gross income and are not reportable to the IRS. Accountable plan rules only apply when the travel or other expense is for a business purpose and is deductible. If a reimbursement is for services rather than business expenses, the amounts can be excluded from income to the extent that it is paid under the accountable plan. If accountable plan rules are not met, payments will be treated as made under a non-accountable plan and will be subject to tax withholding and reporting required for payments to nonresident aliens.

## **4.6 Nonresident Aliens**

4.6.1 University employees should always consult with the Office of International Education and Development (OIED) and the Controller's Office before any nonresident alien is invited to campus.

## **5 Additional References**

[IRS Publication 473](#)

[IRS Publication 535](#)

[IRS Tax Topic 514](#)

[North Carolina State Budget Manual](#)

## **6 Authority**

[IRC § 61 Gross Income Defined](#)

[IRC § 62 Adjusted Gross Income Defined](#)

[IRC § 162 Trade and Business Expenses](#)

[Treasury Regulation 1.62-2](#)

[IRC § 132 Certain Fringe Benefits](#)

[Treasury Regulation 1.132-1](#)

[Treasury Regulation 1.132-5](#)

[IRC § 871 Tax on nonresident alien individuals](#)

[IRC § 1441 Withholding tax of nonresident aliens](#)

[North Carolina State Budget Manual](#)

## **7 Contact Information**

Controller's Office 828-262-2110

## **8 Original Effective Date**

May 12, 2016

## **9 Revision Dates**

March 15, 2017