

Reimbursement Under the Accountable Plan

FIN-ACC-I-620



About This Policy

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05-12-2016

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Responsible University Office:

Financial Management Services

Responsible University Administrator:

Vice President and Chief Financial Officer

Policy Contact:

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Related Information

- * [Accountable Plan Reimbursements – SOP](#)
- * [Travel Reimbursement Deadline Policy FIN-TRV-3.0](#)
- * [Reimbursement of Travel Expenditures FIN-TRV-2.0](#)
- * [Purchases for Employees FIN-PUR-3.5](#)
- * [Moving Expenses FIN-ACC-I-310](#)
- * [Allowable Hospitality Expenses FIN-ACC-I-50](#)
- * [Disbursement Voucher Supporting Documentation FIN-ACC-I-420](#)
- * [Gifts to Employees or Non-Employees FIN-ACC-I-590](#)
- * [Fiscal Misconduct FIN-ACC-I-30](#)
- * [Inappropriate Use of University Funds FIN-ACC-I-330](#)
- * [Reimbursement of Meals for Emergency Situations FIN-ACC-I-430](#)
- * [Publication 463 Travel, Entertainment, Gift and Car Expenses](#)
- * [Publication 535 Business Expenses](#)

Related Forms

- * [See FMS – University Tax Services webpage](#)

- [Scope](#)
- [Policy Statement](#)
- [Reason For Policy](#)
- [Procedure](#)
- [Definitions](#)
- [Additional Contacts](#)
- [History](#)

[Back to top ↗](#)

Scope

All staff, faculty, students and non-employees seeking reimbursement of approved business expenses in the conduct of official Indiana University activities.

[Back to top ↗](#)

Policy Statement

Indiana University reimburses individuals under an accountable plan, as defined by the Internal Revenue Service (IRS), for ordinary and necessary business expenses incurred. An accountable plan is an organization's document plan for reimbursing individuals for business expenses. These include approved payments for travel for employees and non-employees, moving, faculty research accounts and allowable out-of-pocket expenses related to official university business. In order to qualify under the accountable plan, payments for expenses must meet the three requirements of IRS Regulation §1.62-2. These requirements include:

1. **Business connection requirement** - Advances, allowances or reimbursements are only for allowable business expenses that are paid or incurred by the individual in the course of conducting university business.
2. **Substantiation requirement** - The individual must substantiate each out-of-pocket business expense with a detailed record within a reasonable period of time (60 days).
 - a. The equivalent of the original receipt(s) with amount of each business expenditure
 - b. Dates of expenditure and location
 - c. Business purpose
3. **Return of funds requirement** - If an advance was received, the individual must substantiate any amount within 60 days and return any amount in excess of the expenses substantiated to IU.

If an arrangement meets the requirements of paragraphs 1, 2, and 3 of this section, all reimbursements are treated under the accountable plan rules. These amounts are reimbursed and excluded from the individual's gross income. When the arrangement does not satisfy one or more of the requirements listed, the expense may still be reimbursed by the university; however, it will be treated under the nonaccountable plan rules, as defined by the IRS.

Nonaccountable plan reimbursements to employees will be included in the employee's gross income, must be reported as wages or other compensation on the employee's Form W-2, and are subject to withholding and payment of employment taxes. Any payments made to non-employees falling under the nonaccountable plan will be considered a taxable compensation and reportable on a Form 1099-MISC.

The university reserves the right to deny reimbursement for requests that exceed the IRS reasonable period of time (IRS safe harbor guidelines).

[Back to top ↗](#)

Reason For Policy

The overall purpose of this policy is to provide guidelines to staff, faculty, students and non-employees seeking reimbursement in the conduct of official Indiana University activities. It is used to ensure that the university is in compliance with Federal and State tax laws and regulations that define the types of expenses to be reimbursed without being included in taxable income to the individual.

[Back to top ↗](#)

Procedure

See FMS – University Tax Services, Tax Standard Operating Procedures webpage: <https://fms.iu.edu/tax>

[Back to top ↗](#)

Definitions

Accountable Plan: A plan for reimbursing employees and non-employees for business expenses. Under this plan, a reimbursement for expenses is not included in the individual's income. Individuals are required to substantiate expenses and return any excess reimbursement within a reasonable period of time. If any requirements are not met, the nonaccountable plan rules apply

Allowable Expense: A business expense that is permissible under all other IU policies such as hospitality, gifts and others as listed below in the related information section (not inclusive).

Business Expense: An expense incurred in achieving the university's mission or directly related to the conduct of official university business and must be:

- necessary
- appropriate to the activity
- reasonable in amount
- serve a bona fide university purpose

An expense that serves primarily to furnish the individual with a social or personal benefit is not a business expense. Expenses that primarily benefit a student's personal education are considered scholarships or fellowships and are not a business expense. These expenses do not meet the accountable plan criteria.

Nonaccountable Plan: An arrangement that does not meet one or more of the three requirements listed earlier under the accountable plan (business connection, substantiation, return of funds). Amounts paid under this arrangement are included in the employee's gross income, must be reported as wages or other compensation on the employee's Form W-2, and are subject to withholding and payment of employment taxes. Amounts for non-employees are reportable on a Form 1099-MISC.

Non-employees: Individuals covered under this definition include independent contractors and volunteers.

Reasonable Period of Time: The IRS has established "safe harbors" which can be used to ensure reasonableness. These safe harbors state, based upon a fixed date, an advance made within 30 days of when an expense is paid or incurred, an expense substantiated to IU within 60 days after it is paid or incurred, or an amount returned to IU within 60 days after an expense is paid or incurred will be treated as having occurred within a reasonable period of time. Amounts not meeting these safe harbor guidelines are considered taxable income to the individual unless extraordinary circumstances are documented as an appropriate exception to policy.

Equivalent Original Receipt: It is IU's standard practice that receipt documentation is submitted electronically as a PDF file for supporting documentation. The submission attests the submitted document is the equivalent of original receipt documentation. The paperwork will not be submitted for any other reimbursement or disbursement.

[Back to top ↗](#)

Additional Contacts

Subject	Contact	Title	Phone	Email
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Tax	Cassandra Franks	University Tax Director	812-855-0142	cassfran@iu.edu
Hospitality	Anna Jensen	Chief Accountant	812-855-3657	anjensen@indiana.edu
Travel	Melonee Bristoe	Director of Travel	812-855-2873	mbristoe@iu.edu

[Back to top ^](#)

History

This is a new policy as of May 12, 2016.