

**Ball State University**  
**Expense Reimbursements**  
*Accountable Plan*

**EFFECTIVE DATE:** July 1, 2015

**LAST REVISION:** May 19, 2016

**PROCEDURE ISSUED FROM:** Office of University Controller

**I. PURPOSE:** Ball State University (“University”) employees and contractors incur various types of expenses as they perform tasks and duties that support the operations of the institution and further its missions. This procedure is to ensure that employees and contractors who incur valid business expenses are reimbursed in a fair and equitable manner; that business expenses are reported, recorded, and reimbursed in a consistent manner throughout the University; and that the University complies with all applicable federal, state, and local rules and regulations.

**II. BACKGROUND:** This procedure is hereby adopted for the purpose of detailing how reimbursements paid by Ball State University or the Ball State University Foundation must be processed. This procedure does not address which expenses are eligible for reimbursement. Those decisions are made in accordance with the University's Budget Policy.

**III. APPLICABILITY:** This Procedure applies to all expenses reimbursed directly by, or on the behalf of, the University without regard to source. Any employee who initiates, processes, or approves expense reimbursements is expected to know and abide by this procedure.

**IV. PROCEDURE DETAILS:** The University maintains an accountable plan through which expense reimbursements are made on a tax-free basis. Treasury regulations<sup>1</sup> require expenses to have a business connection, be substantiated and for any excess advances to be returned in order for a plan to be considered an accountable plan.

*Business Connection*

An expense that would be allowable as a deduction by the University (if it were liable for income tax filings that allowed such deductions) and is paid or incurred by an employee or contractor in connection with the performance of services for the University.

*Substantiation*

An employee or contractor must provide information sufficient to substantiate the amount, time, place, and business purpose of the expense to the University. The information must be sufficient to enable the University to identify the specific nature of each expense and to conclude that the expense is attributable to the University's business activities. Therefore, each of the elements of an expenditure or use must be substantiated to the University. It is not sufficient if an employee or contractor merely aggregates expenses into broad categories (such as "travel") or reports individual expenses through the use of vague, non-descriptive terms (such as "miscellaneous business expenses").

*Returning amounts in excess of expenses<sup>2</sup>*

The University requires employees and contractors to return to the University, within a *reasonable period of time*, any amount paid under the arrangement in excess of the expenses substantiated.

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<sup>1</sup> §§1.62-1, 1.62-1T, and 1.62-2

<sup>2</sup> Applicable only to advances; the University only issues advances to employees in travel status

### *Reasonable Period*

The determination of a reasonable period of time will depend on the facts and circumstances of a particular situation. However, Ball State University will use the fixed date method offered by Treasury regulations as a safe harbor (described below). It will be the University's stance that any request made outside of the prescribed time limits will **NOT** be reimbursed unless extraordinary circumstances exist.

### *Fixed date method*

An advance made within 30<sup>3</sup> days of when an expense is paid or incurred, **an expense substantiated to the University within 60 days after it is paid or incurred**, or an excess advance amount returned to the University within 120<sup>4</sup> days after an expense is paid or incurred will be treated as having occurred within a reasonable period of time.

Examples of when expenses are incurred would include (but are not limited to):

- a) **credit cards (except travel expenses)**-incurred when the expense is charged to the card;
- b) **travel expenses (including airfare)**-expenses are incurred upon the completion of the trip; and
- c) other charges (*not paid by credit card*)-incurred as of the date of the invoice or receipt.

**Airfare and other expenses incurred *before* travel occurs: you may request reimbursement upon payment OR you may wait until travel has been completed and submit all expenses at one time, provided a valid expense report is created within sixty days of the completion of travel.**

### *Formal exception review*

An amount not repaid within the safe harbor is subject to a formal review. Such a review will be performed by the Accounting Office. If the Accounting Office feels that the request requires additional review the Office of University Controller will assist.

### *Treatment of payments under accountable plans*

Amounts treated as paid under an accountable plan are excluded from the employee's gross income, are not reported as wages or other compensation on the employee's Form W-2, and are exempt from the withholding and payment of employment taxes. Similarly, amounts paid to a contractor would not be reported on Form 1099-MISC and are not subject to taxation.

## **V. EXAMPLES:**

### **Return of Travel Advances**

#### *Facts*

1. In anticipation of travel expenses that the University expects to be around \$800, an employee is advanced \$1,000.
2. As expected, the employee incurs \$800 of travel expenses. The employee substantiates those expenses to the University within a week of incurring them. The excess \$200 is also returned to the University at that time.

#### *Result*

The employee cleared the advance well within the safe harbor period. This type of advance was allowed by the University's accountable plan.

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<sup>3</sup> Travel advances will not be disbursed more than 30 days in advance of the trip beginning date.

<sup>4</sup> The 120 day rule applies only to excess travel advances.

### **Timely substantiation**

#### *Facts*

1. An employee travels to a conference in Denver, Colorado. The employee purchases airline tickets in January for the conference to be held in May. The employee travels to the conference and pays for, with their own credit card, hotel and parking charges.
2. The employee gives the receipt for the hotel and parking charges and also proof of payment for the flight to their Administrative Coordinator within one week of returning from the conference.
3. The Administrative Coordinator enters the information into the Travel module for the traveler's approval within one week of receiving receipts.

#### *Result*

The employee met all of the requirements and will be reimbursed.

#### *Facts*

1. An employee travels to a conference in Phoenix, Arizona. The employee pays for, with their personal credit card, their airfare, hotel, parking and meals while traveling.
2. This employee does not give their receipts to their Administrative Coordinator until 8 months after the travel occurred.

#### *Result*

The employee will not be reimbursed by the University as their situation was straightforward and lent itself to the 60-day safe harbor.

#### *Facts*

1. An employee travels to a conference in Phoenix, Arizona. The employee pays for, with their personal credit card, their airfare, hotel, parking and meals while traveling.
2. This employee gives their receipts to their Administrative Coordinator *immediately* upon returning to campus.
3. The Administrative Coordinator forgets to enter the reimbursement request until 8 months later.

#### *Result*

The employee will not be reimbursed by the University as their situation was straightforward and lent itself to the 60-day safe harbor. It is the responsibility of the employee who incurs the expense to ensure their reimbursement request is entered in a timely manner.

#### *Facts*

1. An employee takes a group of students to Argentina for a two month excursion.
2. This employee incurs acceptable expenses almost every day during their travels and maintains all of the appropriate receipts.

#### *Result*

The employee has 60 days from the return date of travel to submit their receipts. As long as the receipts are loaded into the Travel system within this 60-day time frame, this employee will be reimbursed.

#### *Facts*

1. A contractor working on behalf of the University needs to purchase an item which will become the property of the University.
2. The contractor does not have access to University funds so they buy this item with the intent of seeking reimbursement from the University at a later date.
3. The contractor loses track of the receipt for the item for 7 months, but finds it and includes it on their next invoice.

*Result*

The University will not reimburse the contractor for this item since the 7 month period is clearly outside of the accountable plan's safe harbor. Absent extreme circumstances, the item intended to be the University's becomes property of the contractor.

**Contact in Case of Questions:** University Tax Compliance, Office of University Controller, 765.285.8444 or [bsutax@bsu.edu](mailto:bsutax@bsu.edu)

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