



## ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 12 – Travel 1.01	EFFECTIVE DATE: 03/30/1998
TITLE: Submission of Employee Travel Vouchers (TL Documents)	REVISION DATE: 10/29/2014
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

### BACKGROUND

Effective July 1, 2012, the Department of Administration (DOA) issued a new policy in the WiSMART Accounting Manual, Section V – Expenditures, Sub-Section 20 – Employee Taxable Fringe Benefits. The purpose of the new policy is to ensure agencies are in compliance with IRS travel rules and regulations with regard to our Travel Reimbursement Plan (TL).

*“This section covers situations that under IRS rules could be considered taxable fringe benefits to employees. It applies where employees are reimbursed for these expenses (travel)... It does not cover reimbursements to non-employees.*

*The general rule under IRS regulations is that fringe benefits for employees are taxable wages to the employee unless specifically excluded by a section of the IRS Code...and subject to withholdings for federal income tax, state income tax, and employment taxes (social security and Medicare).*

*Even if a fringe benefit can be excluded from income by a section of the IRS Code, it must also meet the ‘accountable plan’ requirements or it is considered a taxable benefit to the employee.”*

### Accountable Plan

“To qualify as a reimbursement or payment under an ‘accountable plan,’ the IRS indicates that the following requirements must be met:

**There must be a business connection for the expense.** This means that the expense would qualify as a deductible business expense in relation to the employee’s job duties. It would be a deductible expense by the employee if the employer had not reimbursed or paid for the expense.

**There must be adequate accounting by the employee, and the accounting must occur within a reasonable period of time after the expense was incurred.** Adequate accounting means that the expense is supported by a description of the date, time, place, amount and business purpose of the expense. Receipts are required to support the expense unless the IRS rules provide for an exception. For example, meals that are less than the IRS per diems do not require receipts, but they still require a business purpose, date, time, place and amount. The IRS has indicated that a ‘Safe Harbor’ rule for timely accounting for the expense means the required information and receipts are provided within 60 days after the expense is paid (by the employee) or incurred...DOA recommends that 60 days be used as the time period for timely reporting.

**Any excess reimbursement or advance must be returned** within a reasonable period of time. The excess should be repaid to the employer within 120 days after the expense is incurred or paid.”

## **POLICY**

Effective January 1, 2013, the Department changed its travel reimbursement policy to allow employees 60 days from the date the expense was incurred to submit completed Travel Vouchers with full documentation, signatures, and return of excess travel reimbursement. Any claims that are received in BFS after the 60-day limit will have to be reviewed and approved by the employee’s Division Administrator/Office Director. They will be considered as **taxable fringe benefits** and be included as such on the employee’s W-2. The voucher total will be considered wages, with social security, Medicare, federal withholding and state withholding being added.

The purposes for this policy:

- Ensure that travel reimbursement claims can be made against federal grants when appropriate, and
- Ensure compliance with the IRS “Safe Harbor” rule for timeliness.

Chapter 205 of the Department of Health Services (DHS) Human Resources Policies and Procedures Manual will be updated to reflect this new policy.

## **REFERENCES**

IRS Publication 403, Taxable Fringe Benefit Guide, dated January 2012  
WiSMART Accounting Manual, Section V Expenditures, [Sub-Section 20 – Employee Taxable Fringe Benefits](#)

## **CONTACTS**

[Deputy Director, Bureau of Fiscal Services](#)  
[Travel Vouchers Processing, Expenditure Accounting Section](#)