



## ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 6 – Purchasing 3.01	EFFECTIVE DATE: 12/06/2013
TITLE: Submission of Purchasing Card (P-Card) Statements	REVISION DATE: 01/28/2015
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 Internal Revenue Service (IRS) travel and purchasing rules and regulations with regard to our VISA Purchasing Card (P-Card) Program.

*“This section covers situations that under IRS rules could be considered taxable fringe benefits to employees. It applies where employees (use state-owned VISA cards for purchasing and travel) expenses.... 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, an amount and business purpose of the expense. Receipts are required to support the expense unless the IRS rules provide for an exception, 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. 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 August 1, 2013, the Department changed its VISA Purchasing Card policy to allow employees 60 days from the date of the statement to submit completed US Bank VISA statements with full documentation, signatures, and if applicable, payment of accidental personal charges. Any statements not meeting all IRS/DOA requirements by the cutoff date will have to be reviewed and approved by the employee’s division administrator/office director. Depending on the facts and circumstances of the situation, the recipient of the purchased/expensed items may have incurred **taxable fringe benefits**. If it is determined that an employee has incurred taxable fringe benefits, then they will be included on the employee’s W-2 and will be subject to Social Security, Medicare, federal withholding and state withholding taxes.

The purposes for this policy:

- Ensure that purchasing card claims can be made against federal grants when appropriate.
- 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](#)  
[DHS Human Resources Policies and Procedures Manual, Chapter 205, Reimbursement – Travel and Other](#)  
[DHS APP Section 12 – Travel 1.01](#) (Submission of Employee Travel Vouchers)

## **CONTACTS**

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