

Section: Administration

SUBJECT: Accountable Plan

Point of Contact: Controller's Office

Other LCSC offices directly involved with implementation of this policy, or significantly affected by the policy: Human Resources

Date of approval by LCSC authority:

Date of State Board Approval: n/a

Date of Most Recent Review: n/a

Summary of Major Changes incorporated in this revision to the policy: New Policy

PURPOSE:

To establish requirements for compliance with Internal Revenue Code § 274.

POLICY:

In accordance with IRS regulations, the College has an accountable plan that allows it to reimburse employees (and in certain cases non-employees) for authorized business expenses with no impact on taxable compensation. The accountable plan rules apply to all payments, reimbursements, or advances for authorized business expenses both travel and non-travel related.

1. Accountable Plan Requirements
 - A. To comply with the College's accountable plan, an employee must:
 1. Have paid or incurred business-related expenses while performing services for the College. To satisfy this requirement, there must be a business connection or purpose for the expense and the expense must be both ordinary and necessary.
 2. Properly account for and substantiate the expenses within 30 days after the completion of the official travel.
 - a. To satisfy this requirement, an employee must document and request reimbursement for business expenses within 30 days after the completion of the official travel.
 - b. Travel-related expenses must be accounted for within 30 days after the completion of the official travel.

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- c. Expenses are substantiated with original, itemized receipts, or when not available a printed receipt from the internet showing proof of purchase and payment.
 - d. Per diem reimbursements for meals may be paid without supporting documentation up to the maximum allowed by the state travel policy for all official travel requiring an overnight stay. Partial day reimbursements for single day travel are considered a taxable fringe benefit, per the IRS, and will be taxed through the payroll system.
 3. Return any payment, reimbursement, or advance in excess of amounts substantiated after the completion of the official travel. To satisfy this requirement an employee must repay the College any reimbursement or advance in excess of the amounts properly substantiated within 30 days after the Controller's Office notifies the traveler of the amount to be returned to the College.
- B. If one or more of the above three requirements are not met, the payment, reimbursement, or advance to the employee will be included in the employee's wages, subject to tax withholding, and reported to the IRS and the employee on the applicable form. Reimbursements will not be processed if received more than 120 days after the transaction date, or if the employee is on travel status when the expense is incurred, more than 120 days after the last date of travel.
- C. The substantiation requirements of this policy also apply to nonemployees (e.g., independent contractors) conducting College business. If a non-employee does not properly account to the College for his or her expenses, the individual will not be reimbursed.