

# Reimbursement Under the Accountable Plan

FIN-ACC-620

## About This Policy

**Effective Dates:**

05-12-2016

**Last Updated:**

11-12-2019

**Responsible University Administrator:**

Vice President and Chief Financial Officer

**Policy Contact:**

Anna Jensen

Associate Vice President and University Controller

Office of Financial Management Services

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## Scope

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

## 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 (defined in [TSOP 9.02 Accountable Plan Reimbursements](#)).
  - 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 the prescribed period of time (defined in [TSOP 9.02 Accountable Plan Reimbursements](#)) 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).

## 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.

## Procedure

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

## 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:** IU follows IRS regulations to establish what constitutes a "reasonable time" for purposes of this policy. [TSOP 9.02 Accountable Plan Reimbursements](#), details the time period and procedures. Amounts not meeting these 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.

## Additional Contacts

FMS	Cassandra Amadio	Associate Controller & University Chief Accountant	812-855-3657	<a href="mailto:cassfran@iu.edu">cassfran@iu.edu</a>
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Travel	Patty Anderson	Director of Travel	812-855-2873	<a href="mailto:anderpaa@iu.edu">anderpaa@iu.edu</a>
Tax Implications	Margot Burke	Director University Tax & Payroll	812-855-0142	

## History

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

## Related Information

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

## Related Forms

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