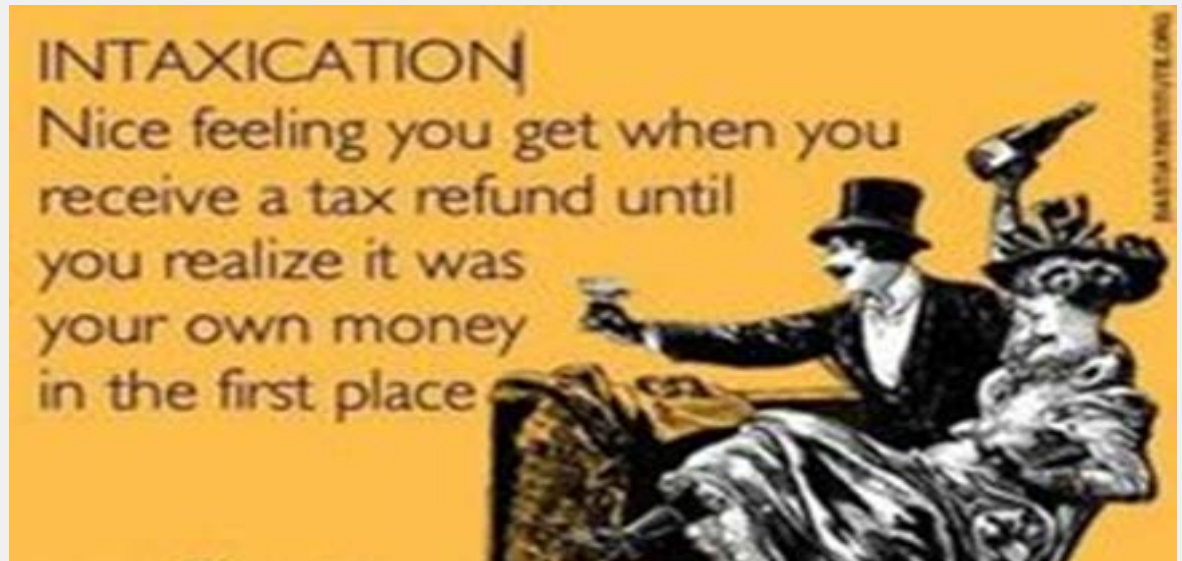




Susan Norrell, Manager, University Tax Services  
Financial Management Services

# Reimbursing Employees & Exception to Policy



# EMPLOYEE EXPENSE REIMBURSEMENTS

## IT IS ALL ABOUT TIMING

Before, During and After Employment at IU



# BEFORE AN OUT-OF-POCKET PAYMENT IS MADE

- ❖ Expectation
- ❖ Explanation
- ❖ Exception



# EXPECTATION

## ❖ Set Expectations

- Out-of-Pocket Payments
  - Last resort
  - Emergency
  - **Never** for Services (W9 or W8BEN)

## ❖ Provide Alternatives

- PO & DV
- P-Card
- Revolving Funds

## ❖ Potential Impact

- May be taxable to the IU employee [obj code!]
- Who will own item?
- Part may not be reimbursed [sales tax]



# EXPLANATION

## General Guidelines: IRS Accountable Plan

- Allows IU to reimburse employees, volunteers and independent contractors tax-free, as long as certain rules are followed:

1. Reimbursement is for business expense only
2. Substantiated with appropriate receipts
3. Substantiation is received within 60 days of the end of the travel or within 60 days of incurring the expense



# MORE

## Reimburse Out of Pocket Expense

Reimburse individuals for out-of-pocket expenses on behalf of departmental business operations due to an emergency, or a situation where the regular procurement procedures cannot be followed.

Single reimbursements are limited to \$500



# VENDOR TYPE

## Vendor Types - Employee (non-vendor)

- Automatically generated by KFS for every active employee.
- Should be used when an employee is paid on a DV, except when that individual is being compensated for services not related to their IU employment (e.g., freelance work).
- Most often used on DVs with the payment reason: Reimbursement for Out of Pocket Expense & Research Participant
- DV payments to a Vendor with a Tax ID matching the Tax ID of a current active IU employee will now route to University Tax Services for approval
- NOTES, NOTES AND MORE NOTES 😊
  - Before or After employment at IU; business purpose, Exception form sent*



# EXCEPTION

<b>Submitter Email</b>	[REDACTED]
<b>Submitted By</b>	[REDACTED]
<b>Document Number</b>	6018 [REDACTED]
<b>Original Transaction Date</b>	2017-01-30
<b>Transaction Amount</b>	438.38
<b>Policy Exception</b>	FIN-ACC-I-620
<b>Reason for Exception</b>	<p>the faculty member whom is being reimbursed by this DV is currently running the directed [REDACTED] in the [REDACTED] Department. [REDACTED] was waiting for the program to end before submitting receipts and forgot that there is a 60-day limit for reimbursements. Also, in addition to running the [REDACTED], [REDACTED] is the [REDACTED] and is busy enough that [REDACTED] honestly just forgot to submit them for reimbursement.</p>
<b>Record ID</b>	7075





# Where to find HELP

<https://fms.iu.edu/tax/other-tax/accountable-plan/>

## Informational Resources

- [Tax Standard Operating Procedures 9.02 - Accountable Plan Reimbursements](#)
- [IU Policy FIN-ACC-I-620 Reimbursement Under the Accountable Plan](#)
- [Accountable Plan - Exception to Policy](#)
- [Travel Management Services](#)

