IRS Accountable Plan & Out of Pocket Reimbursement

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IRS Accountable Plan

A safe harbor period during which reimbursements are not taxable.
Background

- Accountable Plan applies if the reimbursement is:
  - For a business expense.
  - Substantiated with appropriate receipts within a specific timeframe.
  - Initiated within a specific timeframe.

- Departments are responsible for determining if Accountable Plan applies.

- Contact University Tax Services for guidance by emailing taxpayer@iu.edu.
Safe Harbor Update

<table>
<thead>
<tr>
<th>Original Safe Harbor</th>
<th>New Safe Harbor</th>
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<tbody>
<tr>
<td>60 days</td>
<td>120 days</td>
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- Reimbursements initiated within 120 days of purchase/trip/request are not taxable.
- Reimbursements initiated within 120-365 days are taxable.
  - Employees reimbursed via payroll.
  - Students reimbursed via BUY.IU.
  - Suppliers reimbursed via BUY.IU.
- Reimbursements after 365 days are not issued.
Questions?

- Contact University Tax Services: taxpayer@iu.edu
- Reference TSOP 9.02 Accountable Plan Reimbursements.
Out of Pocket Reimbursement

Reimbursing employees, students, or suppliers for business-related purchases.
Starting July 1

- Employee out of pocket reimbursement.
  - Chrome River via Out of Pocket Reimbursement expense report.
- Supplier out of pocket reimbursement.
  - BUY.IU via Check Request.
- Student out of pocket reimbursement.
  - Chrome River or SIS.
  - Refer to Student Payment Guidelines.
Reimbursement in Chrome River

- Who can initiate reimbursements?
  - All faculty and staff have the ability to submit an expense report.
  - Can be initiated on behalf of employees by staff in a Delegate or Super Delegate role.

- Who reviews reimbursements?
  - Fiscal Officer or other individual in CR Transaction Approver role.
Report Routing

Expense Report Submitted → Fiscal Review → Payment Generated
Reimbursement After 120 Days

- Reimbursements that do not meet the IRS Accountable Plan require additional documentation and approval.
  - Substantiation of why the 120 window was missed.
- Chrome River determines number of days.
  - Re-routes Expense Report to CR Transaction Approver for additional review/approval.
Questions?

- Contact: pocket@iu.edu
- Review the Purchasing Standard Operating Procedure.
- Additional materials available July 1 on Purchasing’s page.
Direct Deposit Consolidation

Starting June 27, direct deposit for reimbursement will be managed via the Employee Center.
Starting tomorrow, login to the Employee Center and designate a reimbursement account.
- Can use current payroll account or add a new account.
- Faculty/Staff who have received reimbursement in past 2 years will receive login interrupt prompting them to update.
  - Interrupt will remain through month of August.
- Update information prior to July 1.
- What if I forget?
  - Your current reimbursement information will be deactivated and future reimbursements will be paid via paper check, mailed to your campus address.
Reimbursements in Process

- I’m being reimbursed via DV and it isn’t approved yet. What happens?
  - If the DV is approved after Friday, June 28, a live check will be mailed to your campus address.
  - This will happen whether you update your direct deposit or not.

- I’m being reimbursed for travel expenses. What happens?
  - Your reimbursement will be issued to the direct deposit account on file.
  - If you do not update your direct deposit prior to July 1, a live check will be mailed to your campus address.
New Employees

- New employee reimbursement accounts will be auto-generated based on their Balance of Net Pay account.
- Can update during onboarding or at any time in the future via the Employee Center.
Questions?

- Related to direct deposit:
  - Contact Charlie Sinex: csinex@iu.edu

- Related to travel reimbursement:
  - Contact Tammy Bean: tlbean@iu.edu