



Business Expense Policy

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Responsible Office: Financial and Accounting Services – Accounts Payable

Policy Purpose and Scope

Purpose

The purpose of this Business Expense Policy (“Policy”) is to provide guidelines to University employees (including faculty, staff and students) seeking reimbursement, requesting direct payment through an invoice, or through transactions charged on the University Procurement Card. Additionally, this Policy is designed to assist with the University’s compliance with Federal and State laws and regulations applicable to it. This Policy is also intended to ensure consistent and fair treatment between departments throughout the University and the uniform reporting of financial data.

This Policy provides information to employees regarding reimbursable expenses or expenses that may be paid directly by the University either through invoices or procurement card transactions. In addition, this Policy describes circumstances under which certain University paid or reimbursable expenses may be treated as taxable income to the recipient.

Scope

All faculty, staff, and students who expend funds for University business expenses are subject to this Policy.

Individual departments may implement more restrictive policies and procedures, which the department should monitor and enforce.

Sponsored projects, such as National Science Foundation or National Institutes of Health Grants, may have additional requirements. The applicable award document and OMB Circular A-21 should be referred to prior to contacting the Grant Accounting Manager, campus phone 5187, in Financial and Accounting Services (FAS) for specific project guidelines.

Responsibilities and Guidance

Primary Guidance

The primary guidance for this policy is the Internal Revenue Code along with industry standards for best practices.

Other guidance for this policy comes from North Carolina Sales and Use Tax Regulations.

For sponsored projects, guidance within award documents as well as federal policies, such as OMB Circular A-21 Cost Principles for Educational Institutions, 2 CFR, Part 220, NSF Award & Administration Guide, and NIH Grants Policy Statement must be adhered to.

Responsible University Office or Officer

The Associate Vice President Finance and Controller is responsible for reviewing and approving this policy. The Associate Director, Accounts Payable is responsible for the maintenance of this policy, and the Accounts Payable Representative, Travel Reimbursements or Associate Director, Accounts Payable are responsible for questions concerning this policy.

Who Is Governed By This Policy

All staff, faculty, students and outside parties who incur business expenses for or on behalf of the University.

Who Should Know This Policy

All staff, faculty, and students. University employees are responsible for educating outside parties that are engaged in business with the University, on this Policy.

Exclusions & Special Situations

There are no known exclusions or special situations surrounding this policy.

Highlights of Revisions, by Date

Policy Text

Table of Contents

Overview	3
Responsibilities	4
Authorized Approvals	5
University Procurement Card Program	6
Tips and Gratuities	6
Rent, Lease and Other Service Payments	6
Home Office and Personal Expenses	7
Relocation/Moving Expenses	7
Non-Reimbursable Items	8
Club Dues	8

Gifts and Donations	9
Contact(s).....	9
Cross References to Related Policies.....	9
Web Address	10
Non-Reimbursable Items	11
Business Purpose Guidelines	13
Frequently Asked Questions	14

Overview

The University will pay for reasonable, appropriately documented, and properly authorized business expenses within the guidelines of this Policy. This Policy is intended to comply with Internal Revenue Code (IRC) regulations and any State regulations that may apply. Business expenses outlined in this Policy should be ordinary and necessary, have a “bona-fide” business purpose and otherwise qualify as a deductible expense.

This Policy is intended to meet the IRC definition of an “Accountable Plan”. Reimbursements from the University for ordinary and necessary business expenses (that would otherwise qualify as deductible expenses if paid by an employee) under such an “accountable plan” will not be reported by the University to the IRS as taxable income to the recipient.

Under an “accountable plan”, employee advances and reimbursements must meet the following rules:

- Employees, students, or outside parties must pay or incur business expenses while performing services as a University employee; the expenses must not be ones that would have otherwise been paid by the employee.
- All expenses must be substantiated to the University within a reasonable period of time (as defined below).
- All amounts in excess of substantiated expenses (unused money from advances) must be returned to the University within a reasonable period of time (as defined below).

A reasonable period of time for submitting documentation is defined as sixty (60) days from the date that the expense was incurred or within thirty (30) days from date of return (when traveling). If appropriate documentation for allowable expenses is not submitted to clear an advance, submitted for reimbursement, or submitted through the procurement card process, and/or any excess advance monies not returned within these guidelines these amounts may be included in taxable income or deducted from the paycheck of the employee who received the advance or incurred the expense on the University Procurement Card System for such expenses. Similarly, if WFU pays for an expense which is later determined not to meet the accountable plan requirements, the amount will be added to the employee’s taxable income on Form W-2.

The determination of whether an expense can be a tax-free reimbursement is based on whether the expense constitutes a deductible business expense.

Items defined by the Policy may be deductible under the Internal Revenue Code and regulations. An ordinary expense is one that is common and accepted in one's trade or business. A necessary expense is one that is helpful and appropriate; it does not have to be required to be considered "necessary". This Policy covers various types of business expenses, and details the requirements for establishing a valid business expense eligible for reimbursement by WFU. Generally, individuals requesting business expense reimbursements under this Policy must provide documentation to the University, including original detailed records that establish the time, place, amount, and business purpose of the expense.

Responsibilities

The following outlines the responsibilities of various parties under this Policy:

Employee

The individual submitting a Travel and Entertainment Form or Expenditure Voucher will:

- Verify that all expenses requested to be paid or reimbursed by the University are valid and conform to this Policy. Requests lacking required documentation and/or business purpose will be questioned and may not be reimbursed.
- Attest that expenses submitted for reimbursement have not been previously paid through a prior submitted expense report, cash advance, University procurement card, by any outside agency, or other third party.
- Submit all forms related to travel to Accounts Payable within 60 days of date incurred or 30 days from completion of trip, whichever is later.
- Remain accountable for ensuring that all expenses are incurred, and all requests for payment or reimbursement of such expenses are submitted, in accordance with this Policy even though the employee may delegate responsibility for a form's preparation to another person.

Authorizer/Approver

Individuals authorized to approve the business expenditures of others will be responsible for administering this Policy. Approvers must:

- Attest that the purpose of the expense is valid and directly related to University business.
- Request further documentation or explanation of expenses that appear to be excessive or unusual. Explanation of such expenditures will be included on the Travel and Entertainment Form or Expenditure Voucher.
- Submit the approved Travel and Entertainment Form or Expenditure Voucher to Accounts Payable on a timely basis.
- Understand that while Accounts Payable may review the Travel and Entertainment Form or Expenditure Voucher, the primary responsibility for the determination of the appropriateness of expenditures rests with the individual

seeking reimbursement and the individual responsible for approval and authorization.

Financial and Accounting Services/Accounts Payable

The Accounts Payable unit within Financial and Accounting Services (FAS) is responsible for reviewing: submitted invoices, the Travel and Entertainment Form or Expenditure Voucher prior to processing to verify that expenses are reasonable and meet the following criteria:

- Information supplied on the invoice, Travel and Entertainment Form, or Expenditure Voucher is supported by accompanying documentation, which is both complete and in accordance with this Policy.
- Expenses conform to requirements imposed by the Internal Revenue Service or, as applicable, sponsoring agencies.
- Expenses have been reviewed and approved by the appropriate Authorizer/Approver.
- Expenses have been reviewed for compliance with other applicable University Policies.

Internal Audit

University Internal Audit personnel routinely examine invoices, Travel and Entertainment Forms and Expenditure Voucher Forms to monitor compliance with University Policies and regulatory agencies.

Authorized Approvals

The Authorizer/Approver's full signature is required on each invoice, Travel and Entertainment Form, or Expenditure Voucher Form submitted for payment of an expense under this Policy. Initials or the approver's signature by another individual is not sufficient. Only those individuals with budget responsibility or those to whom such responsibility has been delegated and documented on a Departmental Authorization Form may approve expenditures and reimbursements under this Policy. No individual may approve his or her own expenditures; the individual's immediate supervisor or other designated person must approve the expenditure or reimbursement (provided they have approval authority). University authorization approval levels can be found at http://www.wfu.edu/fas/ap/authorization_and_approval_levels.pdf for the authorization approval levels as set forth by the President.

General approvals- Authority and responsibility for approval and control of official business expenses rests with the person ultimately responsible for the department to which the expense will be charged. All expenses whether reimbursed, invoiced, or charged to the University Procurement Card must be authorized in accordance with University policies and the University Procurement Card Manual.

Grant approvals- If an individual knows that expenses are to be paid from a grant issued to the individual or his or her department, the individual must also check with the person responsible for administering the grant funds to verify that these expenditures are allowable under the respective grant guidelines. Grant reimbursements must also be approved by the Grant Accounting Manager in Financial and Accounting Services. The grant may place restrictions on travel and entertainment expenses that differ from those of the University. If the individual is not in compliance with grant restrictions, he or she will not be reimbursed from those funds.

International business expense approvals- An International Travel Information Form must be completed, approved, and sent to International Studies prior to making any financial commitments for University funded travel or business expenses incurred while traveling internationally. All Policy provisions to domestic travel apply with the additional requirement of a completed and approved International Travel Information Form. The sponsoring department, grant or Office of International Studies may have additional restrictions and guidance. More information concerning international travel can be found at <http://www.wfu.edu/cis/>.

University Procurement Card Program

A procurement card (Corporate MasterCard) program is available to eligible persons in connection with University business expenses, including travel and business expenses. The program involves issuance of a University owned credit card in the name of the eligible person, to be used in the incurring of business expenses on behalf of the University.

Those who wish to apply for participation in the Procurement Card system, review the manual, or see dates of training opportunities, should visit www.wfu.edu/purchasing/mbna.html. Participation in the procurement card program is optional; expenses eligible for reimbursement may be incurred using other means subject to provisions of this Policy.

Tips and Gratuities

See the Travel, Meals, and Entertainment Policy at http://www.wfu.edu/fas/policies/F_AP_01_travel_meals_entertainment_policy.pdf for more information.

Rent, Lease and Other Service Payments

Payments for real property rent, personal property leases, or other services should be paid directly by the University. An employee should not pay for these types of expenses and seek reimbursement. There are potential reporting requirements for these types of payments; therefore, a completed W-9 (for US citizens or US companies) or a completed W-8BEN (for foreign nationals or foreign owned companies) should be obtained from the person or entity benefiting from the expenses prior to payment.

Home Office and Personal Expenses

In general, the University does not reimburse any personal, family, or living expenses. Such payments, when approved by agreement or contract, will constitute additional taxable income to the recipient. This includes payments or allowances for housing, gross-up taxes, business use of personal residence, and personal services.

Examples of items that may be considered home office expenses include but are not limited to: toner cartridges, home internet service, paper stock, file cabinets, additional computers for home, fax machines, or remodeling of the home for office space.

Relocation/Moving Expenses

Relocation/moving expenses may be paid by WFU in accordance with IRS guidelines and with proper prior approvals. Faculty relocation expenses must have prior approval from the appropriate Dean and Department Chair. Staff relocation expenses must have prior approval from the Department Head and the Associate Vice President, Human Resources. Approved expenses may be reimbursed to the employee or paid directly to a moving company. The approved amount may be predetermined and not based on actual expenses incurred.

Relocation expenses made directly to third parties are not taxable and not reported on Form W-2, Wage and Tax Statement. Expenditures which are deductible by employees for income tax purposes can be reimbursed tax-free to employees. Expenditures which are not deductible are taxable when reimbursed by the University. Refer to the IRS Publication 521 "Moving Expenses" for more comprehensive discussion and explanation of deductible and nondeductible moving expenses.

Deductible moving expenses are nontaxable and include, but are not limited to:

- Standard moving mileage rate for the actual miles between the old residence and the new residence. (Note: WFU reimburses in excess of this amount. The excess amount is taxable to the recipient.)
- Moving expenses of household and personal goods, including the cost of packing, crating, and transporting these goods for employees and members of their households.
- Cost of storing and insuring household and personal goods within a period of thirty (30) consecutive days between the move from the old home to the new home.
- Costs of connecting or disconnecting utilities.
- Cost of shipping your car.
- Cost of shipping household pets.
- Cost of moving household and personal goods from a location other than your former home (limited to the amount the cost would have been to move these goods from your former home).
- Cost of transportation and lodging for employee and family members, including the day of arrival (meals are taxable).
- Expenses for only one trip to your new home for employee and family members.

Nondeductible moving expenses paid by the University are taxable and reported on Form W-2, Wage and Tax Statement in the year the reimbursement occurs. A partial list includes the following:

- Any part of the purchase price of your new home.
- Car tags.
- Driver's license.
- Expense of buying or selling a home (i.e. commissions, closing costs, etc.).
- Expenses of getting or breaking a lease.
- Home improvements to help sell your home.
- Loss on the sale of your home.
- Losses from disposing of memberships in clubs.
- Meal expenses.
- Mortgage penalties.
- Pre-move house-hunting expenses.
- Real estate taxes.
- Refitting of carpets and draperies.
- Security deposits.
- Storage charges, except those incurred in transit.
- Temporary living expenses.
- In transit storage charges in excess of thirty (30) consecutive day limit between the move from the former residence to the new residence.
- Mileage reimbursed in excess of the IRS nontaxable mileage rate.
- Expenses associated with moves that do not meet the IRS Distance Test or Time Test.

Non-Reimbursable Items

Items that may not be reimbursed with federal grants funds according to OMB A-21 Circular Section J, and other miscellaneous non-reimbursable items are listed on [Schedule A](#).

Club Dues

Dues paid for an individuals' membership in any club organized for business, pleasure, recreation, or any other social purpose are generally not reimbursable by the University on a tax free basis. If an exception is approved (by a Dean or other authorized representative), the reimbursement will be excluded from taxable income only to the extent that the employee meets the substantiation requirements outlined in the Policy concerning business use of the club, such as meals and entertainment.

The law requires substantiation of each use of the club for either business or personal purposes. Club use by the individual's spouse or other family member will in most cases be considered personal use by (and the cost of which is taxable to) the individual, unless documentation submitted to Accounts Payable substantiates a "bona-fide" business purpose.

Gifts and Donations

Gifts- Gifts and awards given by the University to employees, depending on type and value, are typically considered taxable income. Thus they must be treated as compensation, subject to required payroll tax withholding, and reported on the employee's Form W-2. Please refer to the Gifts, Prizes, Donations, and Awards Policy for more information.

Donations- Normally gifts or charitable donations to other tax-exempt organizations, other than WFU, are not advised or recommended. Please contact Accounts Payable campus telephone 5183 for guidance.

Contact(s)

Direct any questions about this Policy to your Authorized Approver or one of the following:

Subject	Contact	Telephone	E-mail
Policy Clarification	Accounts Payable	(336) 758-5183	beltonam@wfu.edu
Payment of Invoices Vendors A-H	Accounts Payable	(336) 758-4641	fryegm@wfu.edu
I-Z		(336) 758-5235	leonarta@wfu.edu
Athletic Invoices		(336) 758-5690	peterssa@wfu.edu
Bookstore		(336) 758-5690	peterssa@wfu.edu
Reimbursements	Accounts Payable	(336) 758-5833	merediba@wfu.edu
Procurement Card- Administration	Purchasing	(336) 758-5561	hendriep@wfu.edu
Procurement Card- Auditing by Cardholder First Name: A-C	Accounts Payable	(336) 758-4641	fryegm@wfu.edu
D-L		(336) 758-3834	maseysa@wfu.edu
M-N		(336) 758-5833	merediba@wfu.edu
O-Z		(336) 758-1981	downina@wfu.edu
Grant Compliance	Financial Accounting & Reporting	(336) 758-5187	hellmann@wfu.edu
Sponsored Projects Agreements & Subcontracts	Office of Research & Sponsored Programs	(336) 758-4910	messerlj@wfu.edu
Account Coding	Financial Accounting & Reporting	(336) 758-3078	fillippm@wfu.edu

Cross References to Related Policies

University Procurement Card Manual

Web Address

www.wfu.edu/fas/policies

Appendix

Schedule A—Non-Reimbursable Items

Schedule B—Business Purpose Guidelines (From IRS Publication 463)

Schedule C—Frequently Asked Questions

Non-Reimbursable Items

Non-Reimbursable Items for Federal Grants

Certain items may not be reimbursed with federal grant funds according to OMB A-21 Circular, Section J. These items include:

- Alcoholic beverages
- Entertainment costs
- Goods or services for personal use
- First class accommodations on commercial airlines
- Passport and Visa expediting fees
- General departmental office supplies

Miscellaneous Non-Reimbursable Items

Incidentals, such as personal recreation, movies, snacks, or other expenditures that are not directly related to, or necessary for, the performance of the travel assignment or business duty will not be reimbursed or directly paid for by the University.

- Air phone usage (unless documented with an appropriate business purpose)
- Annual fees for personal credit cards
- ATM fees, unless associated with foreign currency exchange
- Babysitting fees
- Barber and hairdresser fees
- Clothing or toiletry items
- Contributions to public officials or candidates for public office
- Credit card (personal) delinquency fees or finance charges
- Doctor's bills, prescriptions, and other medical services or items
- Exercise facility fees
- Expenses related to vacation or personal days taken before, or after a business trip
- Golf fees (unless associated with business entertainment)
- Frequent flyer award ticket fees
- Insurance- domestic car rental, optional travel or baggage insurance
- Kennel costs
- Laundry services, when travel is 7 days or less
- Valet services
- Loss or theft of personal funds or property
- Luggage and briefcases
- Magazines, books, newspapers, and other personal reading materials
- Medicine
- Membership dues, including airline club dues, country club dues, and warehouse club dues unless authorized by the appropriate authority and required for business use
- Movies
- Mini-bar charges for alcoholic beverages, food and non-alcoholic drinks (unless in lieu of a meal)

- Personal automobile service or repairs
- Personal entertainment, including sports events
- Pet or house sitting fees
- Recreation
- Satellite radio and other automobile subscriptions (XM radio, ON-Star, etc.)
- Saunas, massages, manicures, and pedicures
- Shoe shines
- Shower gifts, engagement gifts, birthday gifts, and congratulations on personal related achievements whether in the form of a gift or meal
- Souvenirs or personal gifts
- Traffic fines, court costs, or parking violations
- Transportation from home to office or office to home
- Upgrades for air, hotel, or rental car or unused room reservations not properly cancelled
- U.S. Travelers' check fees

SCHEDULE B

Business Purpose Guidelines

(From IRS Publication 463)

If you have expenses for...	Then you must keep records that show details of the following elements...			
	Amount	Time	Place or Description	Business Purpose and Business Relationship
Travel	Cost of each separate expense for travel, lodging, and meals. Incidental expenses may be totaled in reasonable categories such as taxis, fees and tips, etc.	Dates you left and returned for each trip and number of days spent on business.	Destination or area of your travel (name of city, town, or other designation).	Purpose: Business purpose for the expense or the business benefit gained or expected to be gained. Relationship: N/A
Entertainment	Cost of each separate expense. Incidental expenses such as taxis, telephones, etc., may be totaled on a daily basis.	Date of entertainment (Also see Business Purpose.)	Name and address or location of place of entertainment. Type of entertainment if not otherwise apparent. (Also see Business Purpose).	Purpose: Business purpose for the expense or the business benefit gained or expected to be gained. For entertainment, the nature of the business discussion or activity. If the entertainment was directly before or after a business discussion: the date, place, nature, and duration of the business discussion, and the identities of the persons who took part in both the business discussion and the entertainment activity. Relationship: Occupations or other information (such as names, titles or other designations) about the recipients that shows their business relationship to you. For entertainment, you must also prove that you or your employee was present if the entertainment was a business meal.
Gifts	Cost of the gift.	Date of the gift.	Description of the gift.	Relationship: Occupations or other information (such as names, titles or other designations) about the recipients that shows their business relationship to you. For entertainment, you must also prove that you or your employee was present if the entertainment was a business meal.
Transportation	Cost of each separate expense.	Date of the expense.	Your business destination	Purpose: Business purpose for the expense. Relationship: N/A

For other business expenses not related to travel, if the business purpose is not evident by the goods purchased, an explanation of what the item is and is used for should be documented on the receipt or invoice submitted to Accounts Payable.

The combination of information on the receipt and business purpose should document *who* was involved and the relationship of the person to the University, *what* was purchased, *where* the event took place, *when* the expenditure was incurred, and *how* it benefited the University.

Frequently Asked Questions

1. Are massages, manicures, and pedicures an allowable expense if given as staff appreciation?
 - No, they are personal and taxable.
2. Are baby shower or wedding gifts for employees reimbursable?
 - Not on a tax free basis.
3. Can I have a membership to a warehouse discount store, such as Sam's Club or Costco that the University pays for?
 - The University can only reimburse or pay for the amount of the membership that is applicable to business. Departmental cards should be maintained by the department and only used for University business. If a personal membership is reimbursed by the University, a log of personal and business use by the membership holder must be completed and returned to Accounts Payable by December 15th of each year. For your convenience, a University card to Sam's Club is available in Purchasing. To use or learn more about the use of the Wake Forest University Sam's Club card, contact Purchasing at campus telephone 5138.
4. Can I seek reimbursement for rent or lease of property while performing a business activity for the University?
 - No, because of potential tax reporting responsibilities the University should pay any rent, lease, or payment for outside services directly to the individual or company.