

## **CAL POLY CORPORATION ACCOUNTABLE PLAN Reimbursement of Expenses**

Expense reimbursements and allowances to employees who properly comply with the terms of an accountable plan are deductible by the employer and are nontaxable to the employees. The payments are excluded from the employee's gross income and are exempt from income tax withholding and employment taxes. The alternative is that reimbursement of expenses under a nonaccountable plan results in taxable compensation to the employee. The employee may then be able to deduct the reimbursed expenses as employee business expenses on his/her individual income tax return as "miscellaneous itemized deductions," but this is subject to the IRS deduction limits. CPC reimburses employees under an accountable plan as it is more favorable for employers and employees.

### **ACCOUNTABLE PLAN FACTORS:**

- 1) Business purpose
- 2) Proper substantiation of expenses
- 3) Submitted within a reasonable period of 30 days, or
- 4) If an advance has been issued, submitted within 10 days

**If accountable plan rules are not met** - CPC may still reimburse the expense. However, the amount may be noted as taxable income to an employee on the employee's W-2 ,or to an independent contractor, on IRS form 1099.

### **EXPENSE REIMBURSEMENTS:**

- 1) Expenses must have a business connection, that is, the employee must have paid or incurred deductible expenses during the course of business;
- 2) The employee must provide CPC with proper substantiation for these expenses no later than 10 days after the expense is paid or incurred by the employee.

### **CASH ADVANCES:**

Advances will only be provided within 30 days of the time the employee expects to incur the expense. The advance request should be calculated via the Estimate of Travel Expenses Worksheet. This will ensure the advance will not exceed anticipated expenses.

- 1) Any advance made by CPC to an individual must be reasonably calculated to not exceed the amount of reasonably anticipated expenditures to which such advance relates;
- 2) The employee must submit proper substantiation of expenditures along with any excess reimbursement no later than 10 days after the expense was paid or incurred, i.e. end of the trip or event.

### **INDEPENDENT CONTRACTORS (NON CPC EMPLOYEES):**

Independent contractors may be reimbursed by CPC under the Accountable Plan if the person or entity meets the above rules for reimbursement.

**NOTE: CPC may not reimburse expenditures more than six months old.**