

EMPLOYEE REIMBURSEMENTS & ACCOUNTABLE PLANS

In general, DePaul encourages all expenses to be paid via a University ProCard or through Accounts Payable. However, when necessary, an employee may purchase items and receive reimbursement. When employee reimbursements or allowances are paid to employees, the taxability and reporting requirements are dependent upon whether or not a reimbursement is made under an “Accountable Plan” as defined by the IRS. In order to qualify as an Accountable Plan, the following three requirements must be present:

- 1) **Business Connection**
- 2) **Adequate Accounting within a Reasonable Timeframe**
- 3) **Return Excess Reimbursement or Allowance within a Reasonable Timeframe**

Business Connection: The amount reimbursed to an employee must be for an expense incurred while performing a service as an employee of the employer. In other words, the expense being reimbursed must have been for a DePaul University business expense which was paid or incurred by the employee.

Adequate Accounting within a Reasonable Timeframe: Generally, in order to satisfy this requirement, a DePaul employee must adequately account for the expenses using the [Employee and Guest Reimbursement Form](#), accompanied by all relevant documentary evidence (i.e. receipts). To be considered adequately accounted for, the reimbursement request should be substantiated by providing the following information:

- Clearly stated business purpose or nature of the business benefit derived or expected to be derived.
- Amount of each separate expenditure.
- Date of each expenditure.
- Place:
 - For travel, destination or location of travel by name of city, town, or other similar designation
 - For entertainment, name, if any, address or location, and designation of type of entertainment, such as dinner or theater, if such information is not apparent from the designation of the place.
- Documentary evidence – Original receipts are required for all transactions, except meals of \$25 and under. Exceptions may be approved in limited instances by the Manager of [Accounts Payable](#) if adequate alternative documentation is received.

For DePaul purposes, in conformity with IRS rules and regulations, the phrase “within a reasonable timeframe” generally means the Employee and Guest Reimbursement Form and accompanying substantiation should be provided to Accounts Payable **within 60 days** from the date in which the expense(s) were paid or incurred.

Return Excess Reimbursement or Allowance within a Reasonable Timeframe: The last requirement of an Accountable Plan is that all amounts allowed or reimbursed to the employee which exceed the actual business-expense must be returned to the University within a reasonable timeframe. For example, if you received a travel advance and you did not spend all the money on business-related expenses or you do not have proof of all your expenses, you have an excess reimbursement. For DePaul purposes and in conformity with IRS rules and regulations, this excess amount must be returned to the University within 120 days of the date the expenses were paid for or incurred.

Accountable Plan Reimbursements: When all three requirements have been met, expense reimbursements will be considered paid under an Accountable Plan. Thus, the University will not include any of the reimbursement as income on the employee’s W-2.

Non-Accountable Plan Reimbursements: Reimbursements or allowances not meeting all of the requirements of the accountable plan will be deemed paid under a non-accountable plan. Non-accountable plan reimbursements are reported as wages to the employee, and thus are subject to all applicable employment taxes and withholdings.

For specific information regarding reimbursable expenses, please visit the DePaul University [Employee and University Guest Reimbursement \(Travel and Other Reimbursements\)](#) policy, or for information regarding the preparing, approving, and submitting of reimbursement requests, please visit the [Employee & University Guest Reimbursement](#) section of the Accounts Payable website.

If you have any additional questions related to employee reimbursements and accountable plans, please contact [University Tax Services](#).