

**University of Wisconsin
System SFS Accounting
Manual**

Category: Tax	Effective Date: November 29, 2017 (updated as needed)	
Task or Process: Requirements for an Accountable Plan Related to Expenses Submitted Beyond 90 Days	Revision Date: February 2, 2018 Issued Date: November 29, 2017	
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Background

The University implemented UW System Administrative Policy 405 (formerly 1200 (ANS)) that includes Requirements for an Accountable Plan that states the following:

For reimbursements to be considered non-taxable income, the University’s travel and expense reimbursement policies, including procedures for expense reporting must comply with the IRS Accountable Plan Rules. To be considered an Accountable Plan an employer’s business expense reimbursement arrangement must meet the following conditions and IRS Safe Harbor requirements:

- **Business Connection:** Reimbursements and advances provided to the traveler or employee under the plan must be for business related expenses only. Any advance payments must be related to the business expenses that a traveler or employee is expected to incur.
- All travel related expenses must be substantiated (submitted) in writing and include any required itemized receipts within 90 days after the trip completion date or will not be reimbursed by the University.
- Non-travel related business expenses (defined as expenses that are not travel related or incurred while in travel status) must be substantiated in writing and include any required itemized receipts within 90 days of expense date or will not be reimbursed by the University.
- For cash advances, travelers must substantiate expenses and return any excess advanced amount within 30 days after the trip completion date.

Guidelines

In order to reduce the risk of jeopardizing UW System’s Accountable Plan, the following steps are being taken effective for expense reimbursements submitted on or after January 1st, 2017. In order to be reimbursed, expenses must be substantiated (submitted) in writing and include any required itemized receipts within 90 days as noted above:

Employees

1) For reimbursements to be considered non-taxable, they must meet the Requirements for an Accountable Plan as defined in UW System Administrative Policy 405; **or**

- Have a documented extenuating circumstance exception (i.e. a serious illness or other unforeseen emergency out of the control of the employee), approved by the exception approver or delegate, and attached to the expense reimbursement as supporting documentation in the Shared Financial System (SFS) Expense Module.
- The report must be submitted within 30 days of the approval of the Accountable Plan Exception Request Form.

See this example template of an [Accountable Plan Exception Request Form](#) used for extenuating circumstance exceptions. The completed Accountable Plan Exception Request Form must be electronically attached to the expense report at the time the report is submitted.

2) Expenses that do not meet the requirements defined in item 1) listed above will not be reimbursed by the University; **unless**

- There is a documented exception, approved by the exception approver or delegate, and be attached to the expense reimbursement as supporting documentation in the SFS Expense Module.
- The report must be submitted within 30 days of the approval of the Accountable Plan Exception Request Form.
- Any expenses paid under item 2) will be included as taxable income to the employee.

Foundation Funds should not be used to circumvent the required taxability as outlined in item 2) and as such, any expenses paid under item 2) that use Foundation Funds must be included in the W-2 Bolt-On.

Non-Employees / Vendors

Non-employee / vendor reimbursement requests received by the sponsoring department in excess of the 90 day requirement must not be processed through the expense module (e-Reimbursement). They must be submitted to Accounts Payable for payment on a [Payments to Individual Report Form \(PIR\)](#) and charged to Account Code 2620 (Services-Professional). Expense reimbursements not in compliance with the above accountable plan requirements must be reported as taxable income on a 1099-Misc or 1042-S for the individual reimbursed.

Students

Student employee expenses that have a bona fide UW business purpose related to their employment (ie. business connection) are subject to the 90 day requirement. Payments that are not related to their employment (ex. student organization or club sport travel) and payments to non-employee students are “technically” exempt from the 90 day requirement. See the [Payments to Foreign Nationals](#) web page for further assistance on payments to nonresident alien students.

NOTE: Sponsoring departments are responsible for communicating and complying with the 90 day requirements of the Accountable Plan, including notification to those requesting reimbursement regardless of whether they are an employee, non-employee / vendor, or student.

The following table summarizes various types of payments and W-2 tax reporting.

W-2 Tax Reporting						
Type of Payment	Wages, tips, other compensation Box 1	Social Security wages Box 3	Medicare wages and tips Box 5	Codes Box 12	Other Box 14	State wages, tips, etc. Box 16
Day Trip (Non-Overnight) Meals	X	X	X			X
Educational Reimbursements exceeding \$5,250	X	X	X			X
Taxable Moving Expenses	X	X	X		MOVE	X
Foundation Reimbursements	X	X	X			X
Non-Accountable Plan Payments	X	X	X			X

Procedures

The following two queries can be used to help monitor this activity:

- SFS_EX_CAMPUS_NONTVL_90DAY
- SFS_EX_CAMPUS_TRVL_90DAY

As with taxable non-overnight meals, moving expenses, and taxable educational reimbursements (payments in excess of \$5,250), non-accountable plan payments are processed monthly through the W-2 bolt-on and taxes withheld from the employee's paycheck.

The [W-2 Reportable Fringes Processing Manual](#) includes instructions on how to add Non-accountable Plan tax reportable payments to the employee's W-2. Institutional business office contacts are available on the [UW Systemwide business office directory for tax reportable fringes](#).

Adding Non-accountable Plan Reportable Payments

1. Follow similar instructions to adding a transaction, using the NONA account code.

The screenshot shows the 'UW W2 Transaction' form in the SFS Business Process. The form is partially filled out with the following values:

- *Tax Year: 2016
- *Month: Jan
- *Business Unit: UWEAL
- Voucher ID: 00099998
- Item Number: 1
- *Payment Date: 01/31/2016
- *Account: NONA
- Earnings Code: XNA
- *W2 Amt: \$150.00
- *Description: Non-accountable plan reimburse
- *W2 Status: Active
- Explanation: Non-accountable plan reimbursement. Submitted beyond 90 days.

A red box highlights the *Account field with the following text: "If this is a Non-accountable plan reimbursement, mark the Account as 'NONA'. The UW reimburses under an accountable plan, however, on an exception basis expenses submitted beyond 90 days are treated as having been reimbursed under a Non-accountable plan and included in taxable income."

Accounting notes

The NONA account is to be used in the tax reporting W-2 bolt-on only. There should never be any Actuals Ledger transactions coded to it.

Expenses that are already subject to tax (ex. taxable meals or taxable moving expenses) must not be entered into the W-2 bolt-on using the NONA code so as to avoid duplicate taxation.

Expenses submitted beyond 90 days and paid on an exception basis that do not meet the requirements defined in item 1) listed above, that have interfaced into the W-2 bolt-on but have not yet been subject to tax must be entered into the W-2 bolt-on using the NONA code. For example, educational expense reimbursements that have not yet met the tax-free threshold of \$5,250:

- Educational expense reimbursement \$1,000.
 - Additional analysis is needed to determine the correct amount of the NONA entry based on whether reimbursements during the calendar year exceed the employer-provided educational assistance tax-free threshold of \$5,250 (IRS Publication 970).
 - If the employee has already exceeded the \$5,250 threshold, it will already be subject to tax and no additional entry is required.
 - Any portion up to the \$5,250 tax-free threshold needs two W-2 bolt-on transactions:
 - Reverse the educational expense reimbursement (\$1,000); and,
 - Enter NONA transaction \$1,000.