

Harvey Mudd College Internal Revenue Service

Accountable Expense Reimbursement Plan Guidelines (AERP)

Internal Revenue regulations (1.162-17 and 1.274-5(e)) provide that an employee need not report on their tax return expenses paid or incurred by them solely for the benefit of their employer for which they are required to account, and does account, to their employer which are charged directly or indirectly to the employer.

Summary of Major Provisions

- **Timing**

The Internal Revenue Service requires the following:

- an advance must be made within 30 days of when an expense is paid or incurred;
- an expense must be substantiated to the employer within 60 days after the expense is paid or incurred; and
- any excess amount must be returned to the employer within 120 days after the expense is paid or incurred.

- **Meals**

Documentation must include: amount, date, time, place, business purpose and the names of the people present

- **Other Reimbursements**

The business purpose of the reimbursement needs to be clearly documented.

- **Organizational use of employee's vehicle**

The organization can reimburse an employee up to the IRS approved rate for business related use. Reimbursement in excess of IRS approved rate is considered taxable income. A record of the miles driven for business purpose should be maintained.

Non Accountable Expense Reimbursement Plan - If the above requirements are not met, the reimbursement is considered a non-accountable reimbursement, which should be included on the employees W-2