

Accountable Plan Business Expense Reimbursements

Accountable Plan Rules. In accordance with IRS regulations, White Pine Academy and Axios Charter HR each have an accountable plan that allows reimbursement of staff members for authorized business expenses with no effect on taxable compensation. IRS accountable plan rules apply to all reimbursements or advances to staff members for authorized business expenses, both travel and non-travel related. It is requested that requests for reimbursement be submitted to the Business Office with an Expense Report right away after a reimbursable expense is paid or incurred. It is local policy that requests for mileage reimbursement must be submitted with 30 days after incurred and other expenses within 60 days.

The requirements for an accountable plan are that a staff member must:

1. Have paid or incurred business-related expenses while performing services for WPA or ACHR,
2. Properly account for or substantiate the expenses within 60 days after the expenses are paid or incurred,
3. Return any reimbursement or advance in excess of amounts substantiated within 120 days after the expense is paid or incurred.

To satisfy the first requirement, there must be a school business connection or purpose for the expense and the expense must qualify as a deductible expense according to IRS regulations. The second requirement is met when the staff member documents the expense within 60 days after the expenses are paid or incurred. The third requirement is met when the employee returns any reimbursement or advance that is in advance of the amounts substantiated or properly accounted for within 120 days after the amount was paid. It is WPA practice that cash advances are not made, because alternate means of payment may be used that avoid cash handling and do not create the "receivable from staff member" that would result from a cash advance. A reimbursement that is determined to have not been properly made, however, would be re-characterized as a cash advance to be paid back, and therefore the IRS rules governing advances would then apply in such a situation.

If one or more of the above three requirements are not met, than reimbursement of the expense is not authorized and any reimbursement must be paid back. In the event that the non-authorized amount is not repaid, the reimbursement or advance will be reported to the IRS by including in the employee's wages subject to tax withholding or by including in nonemployee compensation on Form 1099-MISC.

Non-staff persons. The substantiation requirements of this policy also apply to non-staff persons (e.g., independent contractors) on school business. If the non-staff person does not properly account for reimbursed expenses, and does not repay the non-authorized reimbursement, then any advance or reimbursement will be reported as income to the IRS and to the non-staff person on the applicable form. For reimbursements to students or parents, the Business Office should be consulted, preferably before the expenditure is made.