

What is an employee reimbursement?

Employee reimbursement is a system by which the employer reimburses employees' business-related expenses so the employer can claim the expenses for its own business.

What are some examples of items for which employees can be reimbursed?

Employee reimbursements may be made for employees who spend their own money for their business-related expenses, such as traveling for work, job-related meals, supplies, or materials needed for work projects.

Why have a policy on employee reimbursement?

The Internal Revenue Service (IRS) requires some employee reimbursements to be reported. The reporting required are different depending on whether the employee reimbursement policy meets the criteria for: 1) Accountable or 2) Non-Accountable. The two types of policy criteria are outlined in the table below.

Accountable	Non-Accountable
<ul style="list-style-type: none"> ◆ The employee must have incurred allowable expenses while performing services for the employer. ◆ The expenses must be submitted by the employee and verified by the employer within a reasonable period of time. ◆ Employees must return any excess reimbursement within a reasonable amount of time. 	<ul style="list-style-type: none"> ◆ All payments to employees for travel and business-related expenses are treated as supplemental wages are subject to income, social security, Medicare, and FUTA taxes. ◆ Employees are not required to turn in expense documentation and requests for reimbursement within a reasonable time. ◆ Employees are given expense advances for which they are not required to spend or return. ◆ Employees are given reimbursements for amounts that would have otherwise been paid as wages.

Which type of employee reimbursement policy is best to use?

A Certified Public Accountant, or other accounting/legal professional, can provide tribal entity specific advice as to which type of employee reimbursement policy meets its unique needs.

What is outlined in a policy on employee reimbursement?

- ◆ Type of expenses for which employees can be reimbursed
- ◆ Criteria for what is a business expense (such as "must be reasonable, ordinary, and necessary")
- ◆ Sets dollar limits on reimbursable amounts

- ◆ Clarifies if a pre-authorization is required

What are procedural issues to be considered in an employee reimbursement policy?

- ◆ What forms are used to request reimbursement and when are they submitted?
- ◆ What is the timeframe for requesting reimbursement?
- ◆ How are late submissions handled?
- ◆ Who authorizes reimbursement requests?
- ◆ How are reimbursement requests processed and distributed?
- ◆ What documentation needs to be provided/maintained?

Resources

- ◆ **DOJ Grants Financial Guide**
https://www.ojp.gov/sites/g/files/xyckuh241/files/media/document/DOJ_FinancialGuide_1.pdf
- ◆ **Department of Treasury, Internal Revenue Service, Publication 15, (Circular E), Employer's Tax Guide**
<https://www.irs.gov/pub/irs-pdf/p15.pdf>



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Feedback Requested

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