UNM Employee Reimbursements and Complying with the IRS

The University has established business policies for travel reimbursement and other business-related expenses, in part to satisfy IRS requirements of an accountable plan. The benefits of an accountable plan means reimbursements for expenses will not be considered income on an employee’s W-2. The UNM business policies that specifically address these reimbursements are 4030 (Travel) and 4320 (Purchasing Goods off Campus). Also, click here to view IRS Publication 463 “Travel, Entertainment, Gift, and Car Expenses”, which addresses the accountable plan rules (refer to page 30).

All three items listed below summarize Publication 463 regarding the requirements for an accountable plan.

1. The expenses must have a business connection (UNM “business purpose”). This means the expenses must have been incurred while performing services as an employee (or student) of UNM, and must benefit the University.
2. The expenses must be reimbursed within a “reasonable period of time”. The IRS has determined that the following will meet the “reasonable period of time” requirement:
   - The expenses are reimbursed within 60 days after they were paid or incurred;
3. Any excess travel advance or allowance must be returned to the University within a reasonable period of time via money-list.

Unfortunately, when reimbursements do not meet ALL THREE rules noted above the reimbursements will be considered “non-accountable” and, as a result, a) the University must include them in box 1 of an employee’s W-2 as additional wages/compensation, b) the employee will have taxes withheld on this compensation, and c) the University will pay employer payroll taxes on this compensation. Also, if over time, the University fails to be in compliance, its accountable plan will be disallowed and reimbursements going forward will be considered additional compensation for all employees. Due to this added burden on both the employee and the University, it is important that reimbursement requests be submitted in accordance with both UNM policy and the IRS accountable plan rules.

In summary, specifics to keep in mind for accountable plan purposes:

1. Reimbursement for UNM business expenses within the 60 day requirement will generally be considered to have been met if:
   - DPEZ paperwork with ALL backup is received in the appropriate Financial Services accounting office within 60 calendar days after the end of travel, or 60 days after the date a purchase of goods was made, AND;
   - The DPI has been approved by all departmental approvers within the same 60 day time frame. An “in-process” DPEZ will not satisfy the requirements.
2. Mileage logs, multiple small, miscellaneous expenses, etc.:
   - All employees who regularly incur these types of expenses are expected to turn in receipts or mileage logs on a MONTHLY basis. DO NOT submit quarterly, annually, etc.

Keep in mind that, despite the 60 day IRS requirement for accountable plan, the submission requirements per the UNM policies noted above remain the same, and should be followed. Financial Services may require additional explanatory information for any requests submitted outside the requirements of policy.