



University of Central Florida Finance & Accounting Procedures Document

Purpose of Procedure:	Formalization of the University's Accountable Plan
Who Processes:	Finance & Accounting - Disbursement Services
How Often:	As Needed
What is Processed:	Any reimbursement or advance paid to a university employee or vendor.
Where are the Results Distributed:	Disbursement Services, Payroll
Date:	TBD
Author:	Finance & Accounting - Tax Department

Preface:

This document discusses the guidelines for taxability of reimbursements and advances. This document does not supersede or amend the requirement to comply with UCF Travel Policy 3-205.2.

Procedure Description:

In recognition of the **Internal Revenue Code (IRC)** requirements of an accountable plan, all payments of allowances, advances, or reimbursements will be reviewed for the following criteria:

- 1) Business connection to UCF;
- 2) Adequate substantiation of expenses within a reasonable amount of time; and
- 3) Requirement to return amounts paid in excess of expenses.

Definitions:

- 1) **Business connection to UCF:**
 - a. Any payments described above will meet the business connection requirement if they are ordinary, necessary, and reasonable expenses that one would expect to be incurred in the business activities of UCF.
- 2) **Adequate substantiation of expenses within a reasonable amount of time:**
 - a. A reasonable amount of time is defined in the table below.

Type of Disbursement	# of Days	When to start # of days
For advances	30 days prior to	The start of travel or when an expense is paid or incurred; whichever is earlier.
For reimbursements	60 days after	The end of travel or when an expense is paid or incurred; whichever is later.
Any return of excess advances or reimbursements	120 days after, although see 3), below.	The end of travel or when an expense is paid or incurred; whichever is later.

- b. For any travel or entertainment related expenditure, any payments described above will meet the adequate substantiation requirement if sufficient information is provided that enables the university to identify the specific nature of each expense and to conclude that the expense is attributable to the business activities of UCF. Sufficient information includes the amount, time, place, and business purpose.
 - i. Example: A completed [UCF Form 41-901](#), with receipts attached, when necessary.
- c. Any other payments will meet the adequate substantiation requirement if sufficient information is provided that enables the university to identify the specific nature of each expense and to conclude that the expense is attributable to the business activities of UCF.
 - i. Example: A completed Reimbursement Other Than Travel request, submitted per [UCF Finance and Accounting Business Process BPCW-TP-221](#).

3) Requirement to return amounts paid in excess of expenses:

- a. Disbursement recipients must return to UCF any amount paid in excess of the expenses substantiated within ten working days after the end of travel or when an expense is paid or incurred; whichever is later. Amounts not returned are subject to withholding from employee’s paychecks. If for any reason, the amounts are not fully returned within 120 days, they will be considered paid under a nonaccountable plan.

Nonaccountable Plan Payments

If for any reason any excess funds have been paid to a disbursement recipient and the recipient does not return the funds to the university within 10 days, UCF will deduct, as authorized under UCF Policy 3-003.2, the entire amount due to UCF from the appropriate employee’s wages or the contractor’s payments until the amount due to UCF has been recovered. Any reduction in an employee’s pay will be made in according to appropriate garnishment standards.

If any advance, allowance, or reimbursement does not meet all three criteria listed above, the payment will be considered to be made under a **nonaccountable plan**. Nonaccountable plan payments are considered income, subject to tax withholding as supplemental wages. Nonaccountable plan payments to contractors will be subject to IRS Form 1099 reporting and potential backup withholding. If a nonaccountable plan payment is made, the vendor / travel payables processor making the payment will forward the payment information to UCF Payroll Services or Vendor's Payable for proper income tax reporting.