

# Expense Reports Fact Sheet

---

## *New rules affecting expense reports submitted after 45 days*

### **About this practice**

Expense reports should be submitted and approved by fiscal officers and departmental approvers no later than 45 days after the completion of a trip or event. If an expense report for travel and other expenses is submitted and approved after 45 days from the trip or event end date, the expense report will be reimbursed but payment may be reported to the IRS as taxable income to the individual being reimbursed.

### **Why has this practice been implemented?**

This 45-day practice has been established in order to conform to IRS rules. Outside tax counsel has recommended this action in order to better protect travelers / individuals from having their reimbursements reported as taxable income to the IRS and the University from paying penalties for not reporting these late reimbursements.

### **What is the risk if we don't report "expense reports" over 45 days as taxable income?**

We run the risk of our expense reporting plan being disqualified if we do not report "expense reports" submitted 45 days after the completion of the trip or event as the individual's taxable income to the IRS. Should our expense reporting plan be disqualified, the IRS will require all expense reimbursements to be reported as taxable income of the travelers / individuals being reimbursed regardless of the submission timeframe.

### **What happens now?**

Travel Accounting will begin tracking any expense reports submitted and approved after 45 days from the trip or event end date, beginning January 1, 2016. On a quarterly basis, we will report to the departmental approvers those expense reports that exceed 45 days from the last day of the trip or event and ask for their assistance in informing individuals and their managers of the 45-day submission timeline and the reasons for compliance.

### **What does this mean to the traveler or individual being reimbursed?**

- Individuals will continue to be reimbursed. At this time, we are monitoring for compliance and in the future, if we continue to see expense reports being submitted after 45 days, we will start reporting the traveler's taxable income to the IRS.
- Approvers need to approve expense reports in a timely manner to comply with the 45-day practice.
- For monthly recurring expenses totaling \$500 or less per quarter, submit an expense report no later than 45 days after the last day of the quarter. Monthly recurring expenses over \$500 must be reported within 45 days of the end of the month.

**Have questions?** Contact Tax Reporting and Compliance at (530) 754-1829 or email [afs-trcmail@ucdavis.edu](mailto:afs-trcmail@ucdavis.edu)

