Accountable Plans and Wages

What Makes a Plan Accountable?

Accountable plan: arrangement requiring employees to substantiate reimbursement of business related expenses

1. Expenses must have business connection.
   - The expenses must have been incurred or paid while employee was performing services for the business
2. Employers must adequately account for the expenses within a reasonable amount of time, usually 60 days. IRS Publication 15
   - Must have documentation such as receipts, invoices, contracts on file to back up expenses
3. Un-used funds must be returned by the employee to the employer within a reasonable amount of time, usually 120 days. IRS Publication 15

What Happens if a Business Doesn't Follow an Accountable Plan?

- If expenses don't have a business connection, aren't adequately accounted for in a reasonable amount of time (60 days) and/or unaccounted funds are not returned by the employee to the employer within a reasonable amount of time (120 days) then the expenses become reportable wages.
- For SUTA (State Unemployment Tax Authority) purposes, records are to be kept for five years. IDAPA 09.01.35.081

Travel: Accountable Plan or Per Diem?

Travel expenses include lodging, meals and incidentals.

An **accountable plan treatment of travel** expenses must follow general rules for accountable plans. Records, including date, mileage and purpose of travel, must be kept. Receipts must also be kept if employer is directly reimbursing the employee for hotel and gas costs.

A **per diem treatment of travel** expenses does not require receipts. Any allowance paid that is in excess of the federal per diem rate is reportable as wages. *See gsa.gov for current per diem and more information.*

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