

A collage of travel-related items. In the center is an open passport with a circular stamp from 'PORT OF SPAIN' dated '2014-01-09' and a rectangular 'PASSPORT CONTROL DEPARTURE' stamp from 'VEIAS' dated '2014-10-24' with '445' and 'CAPE TOWN' below it. To the left is a map with a white label showing 'A10', 'SE025', 'DEP DU', 'ARR CPT', and 'TIME 1240'. Below the passport are three Euro coins (two 1 Euro, one 2 Euro) and two Euro banknotes (one 5 Euro, one 20 Euro). In the top right corner are sunglasses. In the bottom right corner is a black wallet. The background is a light blue map.

# The Taxation of Travel Reimbursements

# 16<sup>th</sup> Amendment to the US Constitution

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*"The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."*

Passed by Congress in July 1909. Ratified in February 1913. This amendment gave Congress a new source of revenue and created the "modern-day" income tax system in the US

- Establishes a permanent Federal income tax not tied to state population
- Creates the modern progressive income tax system where those who make more pay more in taxes
- Revenue Act of 1913 – passed by Congress in October 1913
  - Permanent Income Tax
    - 1% income above \$3,000
    - 6% surtax on income above \$500,000



**I WANT YOUR  
MONEY**

[https://en.wikipedia.org/wiki/History\\_of\\_taxation\\_in\\_the\\_United\\_States](https://en.wikipedia.org/wiki/History_of_taxation_in_the_United_States)





# Why Does This Matter

The 16<sup>th</sup> Amendment gave Congress broad powers to directly tax an individual's earnings and to determine what is considered income.

“Generally, you must include in gross income everything you receive in payment for personal services. In addition to wages, salaries, commissions, fees, and tips, this includes other forms of compensation such as fringe benefits\* and stock options.”

[irs.gov](https://www.irs.gov)

\*This includes travel and entertainment expenses since these can be used as fringe benefits by companies to pay their employees.

<https://www.irs.gov/taxtopics/tc511>

# IRS Requirements



Department of the Treasury  
**Internal Revenue Service**

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Established the taxability of Travel and Entertainment Expenses

Creates two types of plans

- **Non-Accountable Plan** – No rules, no receipt requirements, no timeline for reimbursements – **All taxable**
- **Accountable Plan** – rules on what is reimbursable and at what amounts, general guidelines on documentation requirements, and the requirement for a timeline to seek reimbursement. Expenses aren't taxable if requirements are met.
  - Establishes areas where/when travel and entertainment reimbursements are treated as business expenses that are deductible/not taxable.
  - Requires that reimbursements for these expenses must be done in a reasonable timeframe.
    - This includes the unaccounted amounts of a cash advance in a reasonable period of time.

It does not establish a requirement to reimburse for anything.



You can spend whatever  
you want while on travel  
status for business  
however....

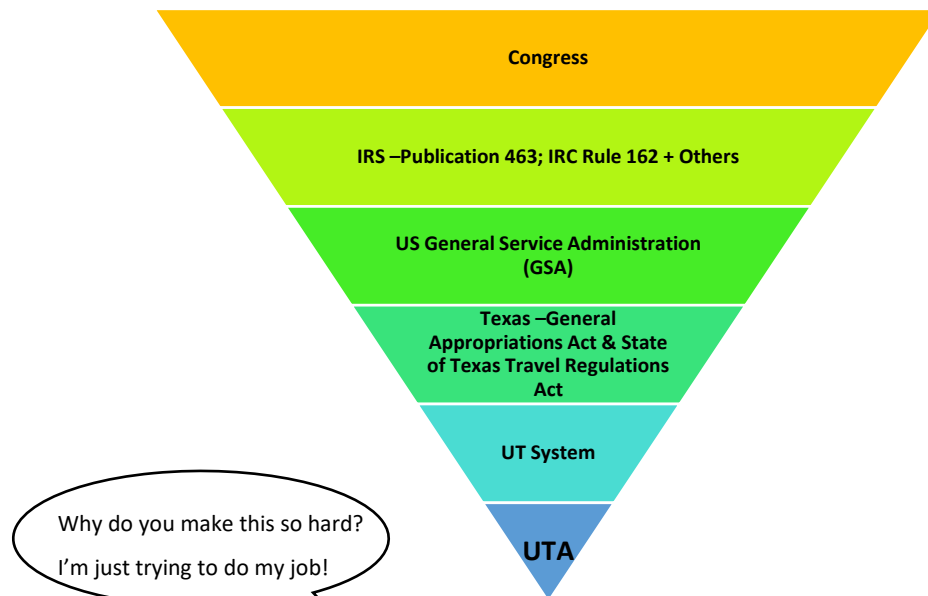
There are **no** Federal or other state requirements  
to reimburse for any travel or entertainment  
expenses related to business or reimburse dollar  
for dollar what you spend.

There is a requirement for entities to set standards  
on travel reimbursements and hold employees to  
those standards.

**Spend at your own risk!**



# How is UTA's Accountable Plan Established



Each layer adds:

- A different type of accountability to establish business purposes
- Requirements to be reimbursed for business travel expenses

This makes the process more complex.

Why do requirements change often?

- Audits
- Law/IRS guidance changes
- Traveler behaviors that are not consistent with the above

# Why This is Important to You, the UTA Traveler?

UTA must hold employees to our Accountable Plan. If we don't, all travel and entertainment expenses are taxed since the plan becomes Non-accountable.

UTA will only reimburse expenses based on the published Accountable Plan.

**Remember there is no requirement to reimburse dollar for dollar what you spend while traveling on business.**

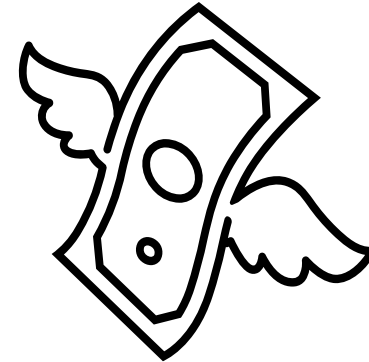
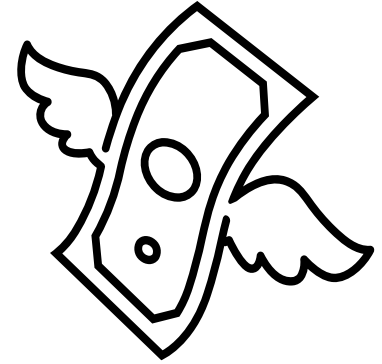
UTA's Accountable Plan requires that expenses be submitted in Concur and "in good order" within the first 60 calendar days after the last day of travel, or they are considered taxable. Simply submitting the expense report does not meet the requirement.

Taxable expenses are reported to Payroll the week after the expense report is approved. Once taxation has occurred, it will not be reversed.

Late travel reimbursements could cost you between 10-37% of the expense report amount in income tax for tax year 2023, depending on your tax bracket. Your department is charged the employer portion of those taxes.

Departmental administrative staff issues will not be considered or approved as an exception.

UTA will only consider exceptions in rare cases of illness or other reasonable explanations as to why the expenses were not reconciled within the required timeline.



# Submission Timeline

## Important Notes

Travelers will receive notifications throughout the process notifying them of the requirements. Travel Expense Reports processed on the **61st calendar day\*** after the trip ends or later, or that are not “In Good Order” by the 60th calendar day, are **taxable to the traveler** (income) and the employing department (employment taxes).

**Note:** *Calendar days include all holidays and weekends.*

**Note:** *Expense Reports that are returned due to errors will not be considered submitted until all errors are addressed and the document is submitted "in good order"*

**\*Calendar days include all holidays**

**Between  
Travel end  
date and 30  
calendar days**

Expense Report must be submitted "in good order" into workflow in Concur.

**Between 30  
and 60  
calendar days**

Expense Report must be submitted "in good order" into workflow in Concur.

**60 calendar  
days after end  
date**

Error Free Expense Report fully processed are taxable.