

## Get Ready: Business Expense Substantiation & Tax Implications <sup>[1]</sup>

December 12, 2022 by [Staff](#) <sup>[2]</sup>

The Procurement Service Center (PSC) and Office of University Controller (OUC) have recently researched and clarified aspects of the current Business Expense Reimbursement policy. The result is the revised Finance Procedural Statement Business Expense Substantiation & Tax Implications, which is planned to take effect on January 1, 2023. You can link to the new procedures and several related resources from the OUC's [Finance Procedural Statements website](#) <sup>[3]</sup>.

If you submit travel or other reimbursement expense reports in Concur, you may already be familiar with current requirements for substantiating/submitting business-related expenses that you've covered personally. With the revised procedures, requirements for timely substantiation/submission of business expenses apply to commercial credit card transactions (**Procurement Card, Travel Card, Airfare Card**) and to **cash advances**, in addition to **employee reimbursements**. Failure to comply with these requirements within 90 days of end of trip or (for non-travel expenses) within 90 days of date the expense was incurred, will result in the full amount being reported as taxable income to the employee.

One of our top questions has been, *Why are Procurement Card cardholders subject to taxation on expenses that their department asked them to make, just because they didn't substantiate them within the required timeframe?*

- Per Internal Revenue Code, use of a corporate-liability credit card is similar to receipt of a cash advance in that the funds are being made available to the employee in advance of the employee documenting their appropriate use. Failure to substantiate timely means the expense has not been proven to be a business expense as required by the University's accountable plan.
- The IRS has indicated that substantiation within 60 days from the date the expense was incurred would be considered timely substantiation, unless the organization creates, implements and manages an alternate accountable plan. While many of our peer institutions follow the 60-day window (and some allow only 30 days in their individualized accountable plan), at CU we've established a 90 day window, given the complexities of our organization.

### Getting Ready

As we approach the effective date of this upcoming policy, you can prepare by ensuring that all aging expenses in Concur are assigned to a report and submitted as appropriate.

- If your transaction date or trip end date is approaching 90 days aging, complete the

expense report or reconciliation and submit it into the workflow as soon as possible.

- If your transaction date or trip end date is *past* 90 days, submit it in Concur immediately.
- If your transaction is for a trip that has not yet occurred, create a Travel Expense Report for the trip, including the trip dates in the report header, and assign the individual aging transaction(s) to that report for future submission, after the trip concludes.

The PSC will continue to send individual employee notifications on unsubmitted commercial card transactions that are aging, even after the new policy takes effect. We are committed to helping employees manage their aging commercial card expenses, and heeding these email notifications will help ensure business expenses are not reported as taxable wages for failure to submit on time. Submissions that are fully approved and paid on or after January 1, 2023 that fail to satisfy the accountable plan requirements will be reported as taxable wages, even if the associated transactions occurred in 2022.

## Resources and Questions:

We encourage you to visit the new [website](#) <sup>[4]</sup> to review the revised procedural statement and to check back often for additional updates and resources. If you have questions, please use the feedback form at the bottom of the [Finance Procedural Statement Business Expense Substantiation & Tax Implications](#) <sup>[4]</sup> page to submit them.

[taxes](#) <sup>[5]</sup>

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