Published on *University of Colorado* (https://www.cu.edu)

Finance Procedural Statement: Business Expense Substantiation & Tax Implications [1]

Effective Date: August 1, 2026 *(see Revision Log for what changed on this date)*

In Brief

- According to the University of Colorado's accountable plan – under IRS regulations – the University must report as taxable income any business expenses incurred by an employee and not substantiated within 90 days of the transaction date or within 90 days of the trip end date.
- "Substantiation" means that the employee submits an expense report in Concur, documenting the business purpose of the cash advance, commercial credit card transaction, or reimbursement request … and provides required receipts or other documentation … and reimburses the University (if appropriate) … within the required timeframe.

Quick Look

Procedural Statement

Introduction

Under the University's accountable plan for commercial credit card use, cash advance, and employee reimbursement, employees are required to substantiate the business purpose of the expense, provide any required receipts/other documentation, and reimburse the University (if appropriate) within specified timeframes.

These procedures set forth University requirements for payment – including reimbursement – of employee-incurred business expense without the payment/reimbursement being included as part of the employee's taxable income.

Substantiation Procedures and Requirements

Employees must fulfill all of the following requirements in order to substantiate business expenses related to commercial credit card use, cash advance, and employee reimbursement:

- The employee must submit an expense report in the Concur Travel & Expense System to document purchases made by commercial cards (Procurement Card, Travel Card, or Airfare Card), use of cash advance funds, and requests for reimbursement of out-of-pocket expenditures where the employee used their personal funds to cover University travel or non-travel expenses.
- The employee must provide, in the expense report, any required receipts/other documentation along with sufficient information to identify the expense and to support that it is official University business. See Substantiation Details, below.
- The employee must submit the expense report within 90 days of the date the related trip ends, or within 90 days of the date the expense was incurred (if non-travel). ***Creating the report, or providing documentation to a delegate for the report, does not constitute submission.***
- The employee must return to the University any funds not spent/otherwise owed within 90 days of the date the expense is incurred or the date the related trip ends. This is typically accomplished by:
    - Identifying the transaction as expense type Commercial Card Personal Charge or Personal Travel Charge in the expense report, and/or,
    - Following Cash Receipt procedures (writing a personal check to the University and depositing with the campus bursar's office, then attaching the validated Cash Receipt form to the expense report).

In summary, the responsibility of the employee cardholder/advance recipient/traveler is to explain how the expenses they incurred were business related ... and attach required documentation ... and reimburse the University if necessary ... **and submit the expense report** -- within the 90 days identified. As long as the report is first submitted in Concur within the 90 days following the trip (or within 90 days following the purchase date, for non-travel expenses) -- and as long as any money owed to the University has been repaid to the University by that time -- then the report expenses will not be taxable to the employee. The report does not need to be fully or partially approved within the 90 days. If an approver has questions and sends the report back to the employee and the employee resubmits the report after the 90-day window, it is the first Submit date that is used to assess compliance with these procedures.

Substantiation Details

Substantiation of commercial credit card use, cash advance, and employee reimbursement must include the following information:

- The nature of the expense (expense type)
- The dollar amount of the expense
- The date and place the expense occurred
- The business purpose of the expense
- If applicable, the business relationship to the University of the recipient of entertainment items

Furthermore, itemized receipts are required as follows:

- For Procurement Card expense reports, an itemized receipt is required for an expense over $25 and for official function food/beverage in any dollar amount.
- For Travel Card/reimbursement expense reports, an itemized receipt and proof of payment are required for an expense over $75 (unless the purchase was per diem meals, in which case no receipt/proof of payment are required) and for official function food/beverage in any dollar amount.

When required itemized receipts and/or required proofs of payment are not available:

For all expense reports:

- If a required itemized receipt is not available, the employee must document the situation (e.g., add comments explaining that receipt was lost and that employee's efforts to obtain a duplicate were not successful, and identifying items purchased).
- If a required receipt over $100 is not attached to the expense report, then the appropriate campus approver (typically, this is the campus controller or their delegate) must review the expense. When the expense is appropriately identified in Concur as missing a required receipt over $100, Concur will automatically add the designated campus approver to the approval routing flow.

For reimbursement expense reports:

- In the case of cash purchases, this explanation replaces both the required itemized receipt and the vendor's proof of payment.
- In the case of non-cash purchases, this explanation replaces only the itemized receipt. The employee must still provide proof of payment (e.g., credit card receipt or statement, copy of check).

Repeated failure to provide required receipts may result in denial of future reimbursement requests–either for the individual employee or for the approving authority's functional area of responsibility.

Consequences of Non-Substantiation

Employees who do not meet the conditions of the University's accountable plan by complying with the above procedures will have the amount of the related expense (commercial credit card transaction, cash advance, reimbursement) reported as taxable income on the employee's subsequent pay advice and on IRS Form W-2. This may result in decreased take-home pay in the employee's subsequent paycheck, due to additional taxes withheld to cover the reported additional income. Once reported, these cannot be reversed.

Exceptions

Requests for exceptions must be submitted to the appropriate campus controller's office. As noted on our Campus Controller's (Finance) Offices webpage [2], these designated campus contacts are:

- Boulder: fiscalcompliance@colorado.edu [3]
- Denver|Anschutz: FS-Compliance@ucdenver.edu [4]
- Colorado Springs: acctfinc@uccs.edu [5]
- CU System: kristine.mcnamara [6]@cu.edu [7]_ [6]

Important: When requesting an exception, the employee must forward the formal email that they received from the Concur system -- the Taxable Expenses Notification - along with its attached list of reported transactions.

Revision Log

- Updates 8/1/2026: Exception authority changed to campus controller's office instead of CU System Director of Tax.
- Updates 1/31/2025: Under "Consequences of Non-Substantiation," provided additional detail regarding potential impact on a subsequent month's net pay.
- Updates 6/12/2024: Under "Substantiation Procedures and Requirements," clarified that commercial cards are Procurement Cards, Travel Cards, or Airfare Cards (added reference to Airfare Cards).
- Updates 1/1/2023: Updated guidance, under the University's accountable plan, on requirements to substantiate business expenses in order to avoid taxable consequences to the employee/cardholder. Supersedes Finance Procedural Statement Business Expense Reimbursement dated 9/1/2014 and PSC Procedural Statement Undocumented Reimbursement dated 11/1/2018.
- Updates 10/26/2021: Supersedes (without change in procedures) PSC Procedural Statement Business Expense Reimbursement dated 9/1/2014.

Questions & Feedback

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