



POLICY TITLE:

Accountable Plan for Employee Expenses

APPLIES TO:

All divisions and departments and all employees submitting expenses for reimbursement

ADMINISTRATIVE AUTHORITY:

**Division of Finance and Administration
Chief Financial Officer**

APPROVED BY:

Kentucky State University Board of Regents

EFFECTIVE DATE:

August 8, 2025

NEXT REVIEW DATE:

August 8, 2028

POLICY STATEMENT:

Kentucky State University (KSU) maintains an accountable plan in accordance with Internal Revenue Service (IRS) regulations. The purpose of this policy is to ensure that reimbursements and advances for legitimate employee business expenses are not included in an employee's taxable income. All expenses paid or reimbursed by KSU must meet the criteria outlined in this policy.

DEFINITIONS:

Accountable Plan

A plan for reimbursing employee business expenses that meets specific IRS criteria, allowing the reimbursements to be treated as non-taxable income to the employee.

Substantiation

Documentation that proves the amount, time, place, and business purpose of an expense, typically through itemized receipts and a clear explanation.

PROCESS:

Requirements for an Accountable Plan

For an expense reimbursement or advance to be considered non-taxable under this accountable plan, all of the following criteria must be met:

- **Business Connection:** The expense must be reasonable, necessary, and directly related to the business purposes of KSU.
- **Timely Substantiation:** The employee must adequately account for and substantiate the expense to KSU within 60 days of the expense being incurred.
- **Return of Excess:** The employee must return any reimbursement or advance that exceeds the substantiated expenses within 120 days of payment.

Consequence of Non-Compliance

Any amount paid to an employee that does not meet all three of the requirements above will be treated as paid under a "non-accountable plan." Such amounts will be reported as taxable income to the employee in the next available payroll cycle and will be subject to all applicable tax withholdings.

Compliance with Other Policies

All expenses submitted for reimbursement must also comply with other relevant KSU policies, including but not limited to, the Travel and Entertainment Expenses Policy and the Purchasing Policy.

REFERENCES AND RELATED MATERIALS:

- KSU Purchasing Policy
- KSU Entertainment Expense Policy
- IRS Publication 5137 (Fringe Benefit Guide)
- IRS Publication 463 (Travel, Gift, and Car Expenses)

CONTACTS:

| Subject | Office | Telephone | E-mail |
|------------------|-------------------------------------|----------------|--|
| Policy Questions | CFO/Vice President of Fin. & Admin. | (502) 597-6429 | Melissa.Hicks@kysu.edu |

HISTORY:

| Revision Type | Date of Issuance/Revision | Drafter(s)/Editor(s) |
|-----------------------|---------------------------|----------------------|
| Issued (New Policy) | August 2024 | YPTC |
| Substantive Revisions | June 2025 | Zach Atwell |
