



STATE CONTROLLER'S BULLETIN

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State Controller

Richard Rosen, Commissioner
Administrative & Financial Services

Bulletin #FY15-07

SUBJECT: Travel Expense Reimbursements – W-2 Reportable

DATE: May 4, 2015

TO: All Department and Agency Financial Officers and Service Center Directors

FROM: Douglas E. Cotnoir, State Controller

According to the federal Internal Revenue Service (IRS), amounts treated as paid under an accountable plan are excluded from an employee's gross income, are exempt from withholding and payment of employment taxes, and are not reported as wages on the employee's Form W-2.

Accountable Plans

Consistent with the accountable plan rules, Maine's expense reimbursement arrangement requires employees to meet all three of the following rules.

- Employee expenses must have a business connection. This means they must be deductible under the rules for qualifying work-related expenses.
- Employees must adequately account for their expenses within a reasonable period of time.
For purposes of state travel regulations, if a traveler substantiates a travel expense in accordance with state travel regulations on a state Travel Expense Voucher within thirty (30) days after it is incurred for amounts greater than \$25, the traveler will have met the reasonable time period requirement. For amounts less than \$25 cumulatively, the minimum filing period is 60 days.
- Employees must return any reimbursement or allowance in excess of the expenses accounted for within a reasonable period of time.
For purposes of state travel regulations, if a traveler returns any unspent portion of a travel advance within 120 days after incurring a travel expense related to the travel advance, the traveler will have met the reasonable time period requirement.

When these requirements are met, we do not include any reimbursement income on employees' Form W-2.

If any one of these requirements fails to be met, amounts paid are treated as paid under a nonaccountable plan, included in the employee's gross income for the taxable year, and reported as wages or other compensation on the employee's Form W-2.

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In order to facilitate proper reporting, the Office of the State Controller (OSC) has established two new object codes:

4250 W-2 Reportable In-State Travel

This object code should be used when reimbursing an employee for in-state travel if the employee does not substantiate the travel expenses or does not return any unspent portion of a travel advance within a reasonable time period. The number of reimbursement that will ultimately fall into this category of payments should be relatively small as most employee travel expenses are submitted timely.

4350 W-2 Reportable Out-of-State Travel

This object code should be used when reimbursing an employee for out-of-state travel if the employee does not substantiate the travel expenses or does not return any unspent portion of a travel advance within a reasonable time period. The number of reimbursement that will ultimately fall into this category of payments should be relatively small as most employee travel expenses are submitted timely.