

HARVARD
FINANCIAL ADMINISTRATION



Processing Taxable Reimbursements

Financial Policy Office
Office of the Controller
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Financial Policy Website: policies.fad.harvard.edu

Financial Policy Office

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POLICY QUICKVIEW

Responsible Office:
Financial Policy Office

Date Effective: 9/2/1999
Date Revised: 3/1/2016 (Formerly
"Stewardship Responsibility"), early
adoption of revision by School is
allowed

 [FULL
POLICY Download/print.pdf](#)

APPENDIX

[Appendix: Responsibilities by Role
Template](#)

RELATED RESOURCES

- [ROPPA Training Prerequisite](#)
- [Online ROPPA Training \(PIN Protected\)](#)
- [Informational Brochure: Reference Guide for Purchasers](#)
- [Business Expense Reimbursements Policy](#)
- [Conflicts of Interest or Commitment](#)
- [Faculty Financial Conflict of Interest Policy](#)
- [Fraud Reporting and Awareness Policy](#)
- [Purchasing Card Policy](#)
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Responsibilities of Purchasers, Preparers and Approvers

NOTE NEW REVISION EFFECTIVE DATE OF 3/1/2016; EARLY ADOPTION OF REVISION BY SCHOOL IS ALLOWED

Policy Statement

One of Harvard's fundamental internal controls is the proper review and approval of transactions. Preparing or approving any part of a transaction is a significant responsibility. This policy defines and codifies the responsibilities of individuals who spend Harvard funds and who prepare and approve transactions. Individuals who spend funds or who prepare or authorize expenditures on behalf of the University have a stewardship responsibility to ensure those transactions are reasonable, appropriate, and have a proper University business purpose. All requisitions must be prepared properly with adequate support and be reviewed and approved by designated individuals. *If a transaction has multiple approvers, every approver is accountable for the elements of the transaction that he or she approves.*

Reason for Policy

Harvard has an obligation to safeguard its resources, adhere to donor and sponsor terms, and comply with all internal policies and external regulations.

Who Must Comply

This policy applies to all individuals who make purchases with University funds, or who prepare or approve transactions via Corporate Card, PCard, Web Reimbursement, or HCOM, as well as any transactions that feed into the Oracle e-business suite from other systems (e.g., Aleph, Presto, etc.)

Procedures

1. **Spend Harvard resources prudently.** Everyone who spends Harvard funds, either directly via a purchasing system (such as HCOM) or PCard, or indirectly, via Corporate Card or personal funds to be reimbursed, has an obligation to spend those funds with sound business judgment. Purchasers must ensure that each purchase is Harvard business-related and advances the work of the University, must spend according to budget or other approved funds, and must comply with Harvard policies and any sponsored or donor restrictions.
2. **Prepare transactions properly.** Employees who prepare a transaction are, at a minimum, responsible for ensuring the business purpose is complete and accurate, proper support is provided, and that the transaction is submitted for approval in a timely manner. Units, particularly those with centralized approval models, may place additional responsibilities on their preparers.



Agenda

- IRS Regulations
- Who qualifies as employee or nonemployee?
- What is taxable or reportable?
- Payment Types and Methods
 - Taxable Payments to Citibank
 - Taxable Payments to Employees
 - Taxable Payments to Nonemployees
- Additional Materials



Payments to Individuals: Taxable until proven not!

- Any time Harvard gives money or other value to an individual, it can have tax implications.
- The “Accountable Plan” is the set of IRS rules Harvard must follow to ensure reimbursements are not taxable to the recipient/reimbursee.
- The rules aren’t necessarily intuitive. Some expenses -- **even though they relate to work** – are still considered personal expenses (commuting, professional attire, etc.)

SUMMARY OF ACCOUNTABLE PLAN RULES

- Must be substantially business-related – not a personal expense
- Must be substantiated – documented with receipts and business purpose
- Reimbursement request must be submitted timely (90 days)
- Amount reimbursed can’t exceed actual expense



Employee vs Nonemployee

Who is a Harvard Employee when processing taxable payments?

Employee Type	Pay Group	Common Object Codes
Pay groups treated as EMPLOYEES for PAYMENT PROCESSING purposes:		
Weekly Trades	SPC, WPT, WRT	6080, 6090
Bi-Weekly Non-Exempt (OT Eligible)	POU, PON	6070
Bi-Weekly Exempt	PFX	6050
Monthly Faculty	MFC	6010, 6020, 6030, 6120
Internal Post Docs	MIP	6150, 6152
Pay groups treated as NONEMPLOYEES for PAYMENT PROCESSING purposes:		
*Weekly Temps (includes work-study)	WTM	6110, 6120
Monthly Teaching Fellow	MTF	6140
External Post Doc	MEP	6450, 6452
Student Stipend	MST	6440

- Students on a payroll should follow the employee gift policy thresholds.
- Payments to individuals or independent contracts are not allowed on the Corporate Card, PCard or out-of-pocket.

What could be considered taxable or reportable?

Unallowable: Personal expenses of any kind (e.g., services, goods, credit card annual fees, rewards, and finance charges – *even if the purchaser intends to reimburse Harvard for the cost of the purchase*).

Common examples of payments that must be processed as taxable include:

- **Late Reimbursement (LRB):** Late reimbursements apply to Harvard employees whose electronically-approved reimbursement requests are received by Travel, Reimbursements and Card Services 91-182 days after the expense has been incurred or trip end date. All expenses with a transaction date greater than 183 days will not be reimbursed.
- **Gift Certificates/Gift Cards:** Gift certificates/cards of any amount are ALWAYS taxable income to an employee (this includes students who will receive a W2 in a current tax year). Gift certificates/cards over \$100 may be taxable to nonemployees. See the Policy on [Gifts and Celebratory Events for Employees and Nonemployees](#) and the [Gift Policy Updates and FAQs](#) for additional information.
- **Gifts over Certain Thresholds:** Tangible gifts over \$100 are taxable. Employee gifts given for longer-service or retirement valued over \$400 are taxable.
- **House Hunting or Moving Expenses:** Effective January 1, 2018, payments to an individual or a vendor (e.g., moving company) are taxable to an employee.
- **Other Taxable Payments:** Examples of other taxable payments may include VISA or passport fees for family members, legal fees regarding house closings, etc.
- **3rd Party Payments:** Third party payments may include payments to a moving company for an employee move or reimbursing an individual for housing expenses (where the landlord must be flagged as receiving the income).



Late Reimbursements

When are they taxable or reportable?

Harvard employees: Concur reports must be submitted to Travel and Reimbursements using the below time table.

Non Harvard employees: While reimbursements to non-employees are not technically bound by the same 90-day deadline, Harvard encourages units to pay non-employee expenses in the same fiscal quarter as they are incurred.

Days after trip or transaction date	Result
<p style="text-align: center;">0-90</p> <ul style="list-style-type: none"> Days after trip end date (preferably w/in 60 days) Days after non trip-related expense incurred 	<ul style="list-style-type: none"> No tax implications Expenses on Corporate Card should be paid by statement due date
<p style="text-align: center;">91-182</p> <ul style="list-style-type: none"> Days after trip end date Days after non trip-related expense incurred 	<ul style="list-style-type: none"> Expenses treated as income to employee – must be processed as additional pay with taxes withheld May NOT be grossed up Corporate cards should be processed before 90 days to avoid non-reimbursable late fees
<p style="text-align: center;">183+</p> <ul style="list-style-type: none"> Days after trip end date Days after non trip-related expense incurred 	<ul style="list-style-type: none"> Expenses may NOT be paid with University funds



Taxability of Gifts to U.S. Citizens, Residents and Nonresident Aliens

Scenario	Is the gift taxable to the recipient?			
	Employee		Nonemployee	
	An employee is defined as an individual who has held a Harvard job (whether benefits-eligible or not) in the current calendar year or will receive a W-2 or 1042S. This includes individuals on the temporary, weekly payroll (student or non-student).		A nonemployee is defined as an individual who has not held a Harvard job (whether benefits-eligible or not) in the current calendar year. This include students, nonemployee fellows, or others. Stipendees are not considered employees.	
	Faculty or Staff	Harvard Students Holds/held a job at Harvard in the current tax year.	Harvard Students Have not held a Harvard job in the current tax year.	Nonemployee
Cash and gift certificates for any amount	YES	YES	NO ^(e)	NO ^(e)
Tangible personal property– occasional ^(a) \$100 or less	NO	NO	NO	NO
Tangible personal property valued greater than \$100 ^(b)	YES	YES	YES	YES
Tangible personal property valued at \$400 or less for longer-service employees’ service milestone or retirement gifts ^(c)	NO	N/A	N/A	N/A
Tangible personal property valued over \$400 ^(d) for longer-service employees’ service milestone or retirement gifts.	YES	N/A	N/A	N/A

Employee Moving Expenses

Before an offer of employment is accepted:

Payment of expenses such as airfare, hotel, and meals during the recruitment process are not taxable and any out-of-pocket expenses may be processed as a nonemployee reimbursement (NR). Please be sure the individual's VISA status allows reimbursement of expenses.

After an employment offer is accepted:

Effective 1/1/2018, all permanent staff and faculty moving expenses are considered taxable after an employment offer is accepted. Payments and reimbursements issued for expenses incurred between the time an individual accepts an offer and the employee start date are considered taxable. Harvard should not pay directly for these expenses (e.g., airfare or lodging expenses paid through BCD or Citibank). These expenses should be a reimbursement to the new employee or paid as additional compensation 3rd party payment to a vendor. These types of expenses may include pre-move house hunting costs, sign on bonus or other contractual agreement, moving costs, housing or other negotiated payments.



Processing Taxable Employee Moving Expenses

Payment or Reimbursement	Form to Use	Earnings and Object Code	NOTES
Pay Employee (as taxable reimbursement) No gross up	Additional Pay Upload Template OR Pay Form – Addl Pay Preparer OR Payline Transaction Form for off-cycle checks (hardship only)	MVN – Nonqualified moving exp to emp Object code 6200	Receipts remain on file with tub/unit. Follow tub/unit established payroll approval process and send completed and signed Add Pay Form to the Central Payroll Office.
Pay Employee (as taxable reimbursement) Gross up (At the discretion of the school or unit if budget and funding allow it.)	Additional Pay Form – Gifts/3 rd Party OR Payline Transaction Form for off-cycle checks (hardship only)	MVN – Nonqualified moving exp to emp Object code 6200	Receipts remain on file with tub/unit. Follow tub/unit established payroll approval process and send completed and signed Add Pay Form to the Central Payroll Office.
Pay Vendor (e.g., moving company – taxable income to employee)	Additional Pay Form – Gifts/3 rd Party Include invoice with request	MV3 – Nonqualified moving exp to 3 rd party Object code 6200	Must be grossed-up to cover taxes. Follow tub/unit established payroll approval process and send completed and signed Add Pay Form to the Central Payroll Office.
Pay Citibank or TAF Harvard <u>should not</u> charge moving expenses via Citibank or BCD Travel Authorization Forms (TAF) – it is taxable income to employee.	Complete and attach and Additional Pay Form – Gifts/3 rd Party to the Concur report if a Citibank charge or send a completed Additional Pay Form – Gifts/3 rd Party to Central Payroll if BCD payment.	MV3 – Nonqualified moving exp to 3 rd party Object code 6200	Must be grossed-up to cover taxes In comments please note: NO CHECK REQUIRED



Payments to Citibank

Payment Type: Processed through Concur with a payment to Citibank

Required Signature: Concur approver may sign the additional compensation form. The additional compensation form acts as a flag for Central Payroll to adjust an individual's W2.

Payment: No check is issued to the individual. Payment is to Citibank.

	Description	Form	Earnings Code/Object Code
Late Employee Reimbursements	Expenses or trip end date between 91-182 days	Pay Form – Additional Pay or Additional Pay – One/Recurring Form Cannot gross-up	LRB/6204
Gift Card/Certificates for Employees	Gift cards/certificates are always taxable to Harvard employees	Additional Pay – Gift/3 rd Party Form Must gross-up	GTX/6200
Gifts to Employees over \$100	Gifts to employees	Additional Pay – Gift/3 rd Party Form Must gross-up	GTX/6200
Longer-service or retirement gifts to Employees over \$400	The value over \$400 for longer-service or retirement gifts for employees is taxable	Additional Pay – Gift/3 rd Party Form List only the amount over the \$400 Must gross-up	GTX/6200
Moving Expenses	All pre-moving and moving expenses are taxable after an offer of employment has been accepted	Additional Pay – Gift/3 rd Party Form Gross-up at the discretion of the school or unit if budget and funding allow	MVN/MV3/6200
Gifts/Gift Certificates/Prizes over \$100 to nonemployees	Gifts, gift certificates, prizes or awards over \$100 to nonemployees	Additional Pay – Gift/3 rd Party Form Must gross-up	GTX/6200

Payments to Employee

Payment Type: Processed through PeopleSoft with payment to the employee via paycheck or an off-cycle check.

Required Signature: Follow tub/unit-established payroll approval process.

Payment: Payment will be to the individual who incurred the expense.

	Description	Form	Earnings Code Object Code
Late Employee Reimbursements	Expenses or trip end date between 91-182 days	Pay Form – Additional Pay or Additional Pay – One/Recurring Form Cannot gross-up	LRB 6204
Gift Card/Certificates for Employees	Gift cards/certificates are always taxable to Harvard employees	Additional Pay – Gift/3 rd Party Form Gross-up at the discretion of the school or unit if budget and funding allow	GTX 6200
Gifts to Employees over \$100	Gifts to employees	Additional Pay – Gift/3 rd Party Form	GTX 6200
Longer-service or retirement gifts to Employees over \$400	The value over \$400 for longer-service or retirement gifts for employees is taxable	Additional Pay – Gift/3 rd Party Form List only the amount over the \$400 Gross-up at the discretion of the school or unit if budget and funding allow	GTX 6200
Moving Expenses	All pre-moving and moving expenses are taxable after an offer of employment has been accepted	Additional Pay – Gift/3 rd Party Form Gross-up at the discretion of the school or unit if budget and funding allow	MVN/MV3 6200
Gifts/Gift Certificates/Prizes over \$100 to nonemployees	Gifts, gift certificates, prizes or awards over \$100 to nonemployees	Additional Pay – Gift/3 rd Party Form Gross-up at the discretion of the school or unit if budget and funding allow	GTX 6200

Payments to a Nonemployee or Third Party

Payment Type: Processed through HCOM.

Required Signature: Follow tub/unit-established HCOM submission and approval process.

Payment: Payment will be to the individual who incurred the expense but individual responsible for taxes will be flagged to receive a 1099 if necessary.

	Example	Process
Gifts over \$100	Faculty member asks a teaching fellow to purchase a gift card over \$100 to be given for a course prize	Process as a 3 rd party/alternate payee Payment Request
Moving Expenses – New Employee with no HUID or PeopleSoft Appointment	All pre-moving and moving expenses are taxable after an offer of employment has been accepted.	Process as a 3 rd party/alternate payee Payment Request



HCOM 3rd Party/Alternate Payee Process

1. Set the individual who received the gift or gift card or other taxable payment as a vendor in the HCOM system. Information required includes:
 - a. U.S. Citizen or Permanent Resident - [W-9](#)
 - b. Foreign National - [Foreign Individual Vendor Request](#) Form. The individual must complete GLACIER before they will be activated in the HCOM System.
2. Once the individual who received the gift or gift card is active as a vendor, create a new site. In the first line of the *remit to site*, enter the word OR and the name of the individual to be reimbursed. Then complete the form using the mailing address of the person to be reimbursed. The check will be made payable to the vendor or the reimbursee with the check sent to the reimbursee (e.g., the check will show John Gift OR John Reimbursee and sent to John Reimbursee's address).
3. This site is for a one-time payment and will be inactivated after 30 days.
Complete and submit the HCOM request and all supporting documentation following tub/unit established approval processes.



Additional Materials

[Business Expense Reimbursements Policy](#)

[Employee and Nonemployee Gifts and Celebratory Events Policy](#)

[Travel Policy](#)

[Harvard Training Portal](#) for PeopleSoft reference materials.

