Frequently Asked Questions regarding Minnesota Management & Budget (MMB) 60-day Employee Expense Reimbursement Policy

Q1. Why has the Minnesota State System Office adopted (and recommended that campuses adopt) a monthly employee expense reimbursement policy when the MMB guidance is 60-days?

A1. Monthly reporting is deemed to be a reasonable amount of time to submit expense reports and because it helps alleviate numerous issues such as potential FICA tax liability.

Q2. What date should be used in ISRS for the "end date" if an employee submits multiple expenses or trips on one expense report?

A2. The "end date" is the date the expense was incurred or the trip completed. However, the business office will need to review each separate trip and/or expenditure to determine if the employee submitted the expense reimbursement form in a timely manner. For example, if the employee submits several months' worth of expenses, the business office can not simply use the last expenditure or the date the employee submits the report as the trip end date. The system was designed to handle each expenditure separately. Therefore, short of requiring the employee to turn in a separate expense report for each expenditure or having the business office enter each expense separately, the business office will need to review the expense report for expenditures and/or trips beyond the 60-day window. Those expenditures beyond the 60-day window should be bifurcated from the timely reported expenses. The post 60-day expenses are taxable.

> *Example: Separate expenses (typical nontaxable expenses) dated as follows were submitted by the employee on 9/7/05: $40 incurred on 7/05/05; $5 incurred on 8/07/05; $10 incurred on 8/15/05. Despite the fact that all expenses were submitted on one expense report signed and dated by the employee and the supervisor on 9/7/05, the institution must separate out the $40 because it was not submitted within 60-days. When entered separately the $40 will create a new row with earn code BTX and it will be a taxable item. The $5 and $15 expenses are within the 60-day window and therefore should not be taxed when entered.*

Q3. What if an employee submitted/dated the expense report within the 60-day window, but it required extra time for the supervisor to review and the business office to enter it?

A3. MMB instructions answer this question as follows: "If SEMA4 creates a BTX row but the employee actually submitted the expense report on time, agency payroll or accounting staff should change the BTX amount to zero and enter the correct date in the "Submitted on" field, then save and validate." Retain documentation supporting these changes. See question/answer #3 above on how to handle the situation were some expenses are submitted timely and others are not.

Q4. What is the procedure for overriding the system calculated tax consequences?

A4. Each institution must maintain documentation that supports overriding the tax consequences calculated by the system. Please retain the signed and dated employee expense report and *documentation such as the form entitled "Employee Expense Reimbursements Past 60-Days - Reasonable Cause for Late Submission (Taxable Compensation Issue)," if applicable.*

Q5. What is considered "reasonable cause" for late submission?

A5. It will depend upon the facts and circumstances. Extended personal serious illness or a death in the family are examples that might be considered. Individuals that believe they have reasonable cause for late submission should complete the form discussed in A4 above and submit it to their campus business office at the same time as the expense report.

Q6. What if it is determined after the fact that the employee should not have been taxed on an employee expense reimbursement?

A6. While this should rarely occur because BTX earn codes should be reviewed at the time they pop up in SEMA4, MMB does have a process for correcting errors—please contact Statewide Payroll Services). The following information is needed: employee's identification number, expense group identification number, dollar amount of the expense that was incorrectly taxed, and the reason a correction should be made.

Q7. We have been informed that some Minnesota State employees are not aware of the new employee expense reporting requirements.

A7. Please consider sending periodic email messages and/or consider alternative means of communicating the importance of timely submission of employee expense reports.

Note:

An employee who timely requests otherwise nontaxable expense reimbursements should not be taxed. For example: if an employee submits $1,000 in nontaxable travel expenses within 60 days and the institution only reimburses $250 currently and a few months later the college/university reimburses the remaining $750 of travel expenses, *then the employee who submitted documentation for the entire $1,000 within 60 days of the trip end date should not be taxed on either the $250 or the $750 reimbursement*.