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MEMORANDUM

Date: July 28, 2005

To: Office of the Chancellor Employees

From: Laura M. King
Vice-Chancellor – Chief Financial Officer

Subject: Timely Employee Business Expense Reimbursements

On March 10, 2005, I issued a memorandum which called for monthly submission of business expense reports of \$50 or more.

For expenses incurred on or after July 1, 2005, the Minnesota Department of Finance (DOF) will enforce a 60 day business expense reimbursement period. The 60-day period is the Internal Revenue Service safe harbor period. This requires employee business expenses to be submitted for reimbursement “within 60 days after the expense is incurred or the trip ends.” “If not submitted within 60 days, the reimbursement becomes taxable [to the employee] for federal, state, FICA and Medicare; and withholding tax must be taken.”

The DOF notes that if employees do not submit expense reimbursements before the 60-day period is over, an “additional cost to both the employee and the agency” will be incurred because the Office of the Chancellor “must match the FICA and Medicare tax paid by employees.”

In light of the new DOF policy, monthly submission of expense reports is expected for all expense reimbursements, even if under \$50. Business expense reimbursements not submitted within 60 days will be subject to taxation in accordance with DOF procedures outlined above.