



## **Accountable Plan**

We encourage businesses to implement (preferably in writing) an accountable plan which allows employees and shareholders to be reimbursed for out-of-pocket business expenses such as home office usage, auto mileage, cell phone, internet, and travel expenses. With an accountable plan in place, the reimbursement is not taxable to the recipient but is still tax deductible for the business. Without an accountable plan, the expense reimbursement would be taxable income to the recipient.

### **Below is a sample template of an accountable plan:**

XYZ Company resolves to establish an expense reimbursement policy for business expenses incurred on behalf of and authorized by XYZ Company (hereinafter the Company) in accordance with the following criteria:

Any person employed by the Company shall be reimbursed for any ordinary and necessary business expenses incurred on behalf of the Company only if the expenses are adequately substantiated. Adequate substantiation shall be accomplished by the timely submission of an expense reimbursement request together with any relevant documentary evidence. The documentary evidence shall indicate the amount, description indicating the nature of the expense, time & place, and business purpose of the expense.

Under no circumstances will the Company reimburse employees for business expenses incurred that are not properly substantiated. Employees should understand that this requirement is necessary to prevent our expense reimbursement plan from being classified as a “non-accountable” plan.

All expenses must be substantiated within a reasonable period, generally within 60 days or less after the expense is paid or incurred. All charges to company credit cards must be substantiated in the same manner as the above-mentioned reimbursements. Advances that are not substantiated within a reasonable period must be returned within a reasonable period, generally 120 days or less after the expense is paid or incurred.