ACCOUNTABLE PLAN COMPLIANCE

Expense Reimbursements and Allowances
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- Involves payments to:
  ✓ Employees
  ✓ Volunteers
  ✓ Independent contractors*
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--Expense Reimbursements and Allowances--

• Rule of thumb - payments to employees and other service providers are taxable unless:

  ✓ Excluded under the Fringe Benefit Exclusion rules (IRS Publication 15-B),

  -or-

  ✓ Paid under an Accountable Plan
To qualify as an *Accountable Plan*, the IRS requires three things:

1. Expenses must have a business connection
2. Must adequately account for these expenses within a reasonable period of time
3. Must return any excess reimbursement or allowance/advance within a reasonable period of time
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To qualify as an *Accountable Plan*, the IRS requires three things:

1. Business connection - deductible by the employee/volunteer
To qualify as an Accountable Plan, the IRS requires three things:

2. Adequately account for expenses
To qualify as an Accountable Plan, the IRS requires three things:

2. Within a reasonable period of time
   ✓ Depends on facts and circumstances but the IRS will accept a “30/60/120 day” plan
Reasonable period of time means:

- 30 - Advance is received within 30 days of the time the employee has an expense
- 60 - Expense is adequately accounted for within 60 days of being paid or incurred (by employee/volunteer)
- 120 - Excess reimbursement is returned to you within 120 days after when the expense was paid or incurred (by the employee/volunteer)
- 120 - You provide the employee/volunteer with (at least) a quarterly statement asking him or her to either return or adequately account for outstanding advances and he or she complies within 120 days of the statement date
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- To qualify as an Accountable Plan, the IRS requires three things:
  
  Finally - The Big Rock

  3. Excess reimbursement or allowance/advance returned within a reasonable period of time
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• It looks like our council meets the requirements - what does that mean?

✓ It means that reimbursements/allowances/advances paid to employees and volunteers are not includable in income in their Forms W-2/1099
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- It looks like our council does not meet the requirements - what then?

  ✓ It means that you have a Nonaccountable Plan and reimbursements/ allowances/advances paid to employees and volunteers are includable in income in their Forms W-2 or 1099
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- We meet all the requirements except the getting paid back part......

 ✓ Then the “excess reimbursement” becomes compensation to the employee/volunteer and is includable in income on Form W-2 or 1099
We just leave the “excess” paid to employees and volunteers “between them and the IRS”.

“Houston, we have a problem.......”
The “excess reimbursement” becomes an automatic excess benefit transaction
- Intermediate sanctions
- Excise taxes
- Form 4720
- Unpaid payroll taxes and penalties
- Could jeopardize exempt status
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- What else could go wrong?
- IRS audits are focusing on taxable fringe benefits and similar payments:

  ✓ The IRS is in the middle of a three-year employment tax compliance initiative and has stated very clearly that it is paying “significant attention” to executive fringe benefit programs.
Does an Accountable Plan have to be in writing?

The IRS doesn’t currently require a written “plan” but the BSA recommends it. We are currently working on drafting a sample plan document for local councils and will post it on the FID website soon.
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- Valuable reference materials:
  - Publication 463, *Travel, Entertainment, Gift, and Car Expenses*
  - Pub. 4221 pc, *Compliance Guide for 501(c)(3) Public Charities*
  - Publication 15-B, *Employer’s Tax Guide to Fringe Benefits*
  - Publication 15-A, *Employer’s Supplemental Tax Guide*
  - FID website [http://scouting.org/financeimpact](http://scouting.org/financeimpact)
Thank You!