



## Business Expense Reimbursements

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### Policy Statement

This policy establishes when Harvard will pay for non-travel business expenses of any individuals conducting business on the University's behalf. Harvard will reimburse for allowable, reasonable, properly substantiated expenses that are necessary and appropriate in the conduct of University business. All business expense reimbursements must meet the IRS accountable plan rules in order to be excluded from the recipient's gross income. Business expenses paid by any method must comply with this policy. While no policy can address every situation, this document is intended to cover the most common business expense scenarios; where unusual circumstances arise, the spirit of this policy – along with good judgment – must prevail.

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### Reason for Policy

As a public interest entity, Harvard University has an obligation to use its funds prudently and in furtherance of its mission of education and research. Harvard also must comply with federal and state rules on business expenses and compensation. As a public charity that benefits from gifts by donors and sponsored awards, Harvard University has a stewardship obligation to use its funds prudently; all Harvard University employees must use University resources wisely and in the fullest support of Harvard's mission of education and research.

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### Who Must Comply

All Harvard University schools, tubs, local units, Affiliate Institutions, Allied Institutions and University-wide Initiatives must comply. Due to differences in business activities across the University, some units may have stricter local policies to address their particular needs; check with your local unit before making a purchase.

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### Procedures

- 1) **Ensure expense is allowable.** For Harvard to reimburse an expense *without tax implications to the recipient*, the expense must be:
  - A) **Ordinary**, meaning common and accepted in the normal course of University activities;
  - B) **Necessary**, meaning appropriate in nature and amount; and
  - C) **Business-related**, meaning not a personal expense.
    - a. Some expenses, while ordinary and necessary for an employee's work, are considered personal, living or family expenses and thus cannot be paid or reimbursed as business expenses. Common examples are regular commuting expenses, repetitive meals and costs for professional attire. Payment of such personal expenses constitutes taxable income to the recipient. The IRS distinction between business and personal expenses can be complex; see examples on the Appendix.
    - b. Business meals are meals with faculty, staff, students, donors, or other external parties during which specific documented business discussions take place (see the [Travel Policy](#) for guidelines on meals consumed while away from home on University business). Employees must exercise fiscal responsibility when choosing restaurants. High-end establishments must be avoided unless circumstances dictate that such a choice is appropriate, as when conducting University business with a major donor or foreign dignitary. Meal costs inappropriate to the situation will not be reimbursed.
    - c. Books, office furniture and equipment purchased with University funds are property of the University. Purchases of home office furniture are personal expenses and will not be reimbursed.



# HARVARD UNIVERSITY FINANCIAL POLICY

Responsible Office: University Financial Services  
Date First Effective: 5/17/1999  
Revision Date: 11/15/2013

- d. E-book and software purchases (for use on University or personal devices) may be reimbursed if evidenced by a business purpose that directly supports University teaching, research or other operations. Data security policies may apply; see guidelines on “Confidential Information on Harvard Computing Devices” as well as related policies and other information on the [University’s Information Security and Privacy website](#).

**2) Satisfy Harvard’s rules for reimbursements.** Harvard’s rules are based on the IRS accountable plan and differ slightly for employees and non-employees.

- A) Harvard will reimburse allowable expenses to **employees** who:
  - a. Have paid or incurred allowable expenses while performing services on Harvard’s behalf,
  - b. Provide adequate substantiation to Central University Financial Services for these expenses within 90 days if the transaction date. Often, schools/tubs require reimbursements be submitted sooner to allow for processing time; check your local unit’s policies.

If UFS receives receipt report in:	Result:
0-90 days after transaction date (preferably within 60; expenses on the Corporate Card should be paid by statement due date)	Reimbursement without tax implications to reimbursee
91-182 days after transaction date	Reimbursement will be treated as income to the employee and must be processed via Payroll. Reimbursement will be processed as additional pay and taxes will be withheld; departments must include an Additional Pay for with reimbursement request. Payments may NOT be grossed up.
183+ days after transaction date	Expenses will NOT be reimbursed with University funds.

- B) Harvard will reimburse allowable expenses to **non-employees** who have paid or incurred allowable, substantiated expenses while performing services on Harvard’s behalf. 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 for the most accurate reporting of expenses.
- C) Note that individuals who use a personal payment mechanism (for example, their own cash or a personal credit card) to make a purchase on behalf of the University CANNOT use the University’s sales or meals tax exemption. For Harvard’s sales tax exemption to be valid, Harvard must make the entire purchase directly. Pursuant to local policies, Harvard may reimburse individuals for sales or meals tax incurred on valid University purchases.

**3) Treat expenses payable by outside organizations appropriately.** Travelers should not seek payment from Harvard for business-related expenditures that will be reimbursed from another source. Where travel and other expenses will ultimately be paid by a third party, travelers should seek reimbursement from the third party directly. However, under extenuating circumstances, such as uncertainty regarding the outside organization’s willingness to pay, or a multi-leg trip with expenses payable by Harvard and an outside entity commingled, Harvard may reimburse an individual for some or all such expenses with Financial Dean approval. Delay in the outside party’s payment to the traveler does not constitute an extenuating circumstance. If Harvard does reimburse an individual for business expenses that are later reimbursed by a third party, the individual must repay Harvard in full for any duplicate reimbursements. Under no circumstances will Harvard provide up-front payment for expenses that are not related to University business, even if the recipient intends to later reimburse Harvard.



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## Responsibilities and Contacts

**Financial deans or equivalent tub financial officers** are responsible for ensuring that local units abide by this policy.

**School/Tub Finance Offices** should establish reasonable and prudent spending practices for various business expenses and a monitoring and approval process (e.g., an annual review of charges to object code 8450). Tubs should also strive to ensure that employees are treated in an equitable manner.

**University Financial Services (UFS)**, in partnership with the Financial Policy Office, Tax Reporting, the Office of the General Counsel and Labor and Employee Relations, provides guidance to units on determinations of taxable income. Central Payroll, within UFS, is responsible for processing Additional Pay Forms for expenses that do not satisfy the accountable plan rules. **Contact:** <http://vpf-web.harvard.edu/ofs/> or 617-495-8500.

**Risk Management and Audit Services (RMAS)**, within the Office of the Vice President for Finance, is responsible for performing periodic, random departmental audits, which include reviews of business expense reimbursements. **Contact:** <http://rmas.fad.harvard.edu/>

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## Definitions

**Accountable plan:** the IRS rules that govern how employers can repay individuals without tax consequences for business expenses the individual incurs on the Harvard's behalf.

**Reimbursement:** a nontaxable payment that Harvard makes to repay an individual for bona fide University business expenses that the individual has already incurred. If an individual incurs expenses that do not meet Harvard's reimbursement guidelines, any payment of those expenses must be treated as taxable additional pay to the recipient.

**Substantiation:** evidence that an expense was incurred and that it was University business-related, such as receipts or bills with a description of the business connection or purpose. Reimbursement requests for individual expenses equal to or greater than \$75 must be accompanied by receipts. Original receipts are strongly encouraged, but copies, scans or faxes are acceptable if originals are not available. Reimbursees and approvers are jointly responsible for ensuring duplicate receipts are not submitted for payment.

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## Related Resources

[Employee Gifts and Celebratory Events Policy](#)

[Purchasing Card Policy](#)

[Travel Policy](#)

[University's Information Security and Privacy website](#)

For information on employee recruitment expenses, see the Office of the Controller website at [http://vpf-web.harvard.edu/ofs/tax\\_services/emp\\_mov.shtml](http://vpf-web.harvard.edu/ofs/tax_services/emp_mov.shtml)

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## Revision History

11/15/2013: Updated format; moved travel-related information to travel policy; codified existing University practice with respect to clothing reimbursements, home office furniture, e-books, and software; clarified that travelers should not seek payment from Harvard for business-related expenditures that will be reimbursed from another source; allowed copies/scans/faxes of receipts when originals are not available.

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## Appendix

Examples of Personal and Unallowable Expenses

## Business Expense Reimbursements Policy – Appendix

*Note that while this Appendix lists common personal and unallowable expenses, it is not an exhaustive list; items not listed may also be personal and unallowable. School/tub policies may be more restrictive.*

Non-travel Personal and Unallowable Expenses – PROHIBITED UNDER ANY CIRCUMSTANCES	
<ul style="list-style-type: none"> <li>• <b>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) Some examples:</b> <ul style="list-style-type: none"> <li>○ Routine commuting/parking expenses to and from an employee’s regular place of work</li> <li>○ Clothing and footwear that can be substituted for everyday wear <sup>1</sup></li> <li>○ Political contributions</li> <li>○ Fines and penalties, including parking tickets and traffic violations</li> <li>○ Non-business related entertainment</li> <li>○ Loss/theft of personal funds or property</li> <li>○ Pet care</li> </ul> </li> <li>• <b>See the <u>Travel Policy</u> for examples of travel-related personal and unallowable expenses</b></li> </ul>	
Expenses Allowable with Financial Dean’s <sup>2</sup> Written Approval (cannot be charged to sponsored awards)	
Description	Allowable Circumstances with Financial Dean Written Approval
Donations of \$75 or more to charities	Local community programs, tables for fundraising events, used equipment
Country and social club dues and initiation fees	When direct and demonstrable University connection and benefit (e.g., development office entertaining donors)
University Corporate Card delinquency or finance charges	When Harvard department processing delay (no fault of cardholder) causes charges
Business-related entertainment	When direct and demonstrable University connection and benefit (e.g., development office entertaining donors)
Child care	For visiting dignitaries only
Gifts <sup>3</sup> /souvenirs of \$75 or more	When presented to a visiting dignitary or foreign host in connection with University business, consult the University Marshall’s Office. See the Employee Gifts and Celebratory Events Policy for related information.

<sup>1</sup> **IRS Rules for Nontaxable Clothing Reimbursements:** the IRS allows for nontaxable clothing reimbursements only in very limited situations:

1. **the employee must wear the clothes as a condition of employment.** It is not enough that the employee wears distinctive clothing. Harvard must specifically require the employee to wear the clothing; **AND**
2. **the clothes are not suitable for everyday wear in any situation.** It is NOT enough that the employee does not, in fact, wear the work clothes away from work (e.g., an employee who never wears a business suit on the weekend). The clothing must not be suitable for taking the place of regular clothing in any context.

Note that the IRS definition of “regular clothing” is very broad and includes some relatively specialized protective garments and footwear typically used in outdoor activities. Common examples of items that are considered non-reimbursable “regular clothing” are rain boots, hiking boots, rash guards, water moccasins, sport sandals, heavy jackets for outdoor activities, winter gloves, thermal socks and thermal base layers. Departments wishing to fund such expenses may do so as taxable additional pay to the employee.

Where allowed by local policy, purchases or rentals of academic regalia, where required for an employee’s job duties (such as required participation in commencement activities), may be reimbursed without tax implications to the employee.

<sup>2</sup> Written approval is required from the Financial Dean or the Financial Dean’s designee

<sup>3</sup> **IRS Rules on Gift Cards:** Gift cards of **any amount** given to Harvard employees are **always** taxable income and must be processed as Additional Pay.