

Sample Accountable Plan

This sample accountable plan is for you to include in your business records or corporate minutes as proof that your business knows and follows the law with regard to expense reimbursements. This document describes the minimum requirements that all businesses and employees must meet to comply with the law.

This document is not intended as a guide for employees. When you instruct your employees to complete expense reports, you may want to set more stringent requirements than the law demands. For example, you may want to require your employees to complete formal expense reports, and you may want to require that employees submit these expense reports within a specific time period, such as 15 days after an expense is incurred, or on a monthly basis. (Remember that if you own a corporation, you are an employee of the corporation and must comply with these requirements as well for all reimbursed expenses.)

ABC Company, Inc. (“company”), with this document states the terms of its accountable plan:

1. This accountable plan adopts the requirements of Treas. Reg. Section 1.62-2 and all other laws governing accountable plans and employee reimbursements. Any reimbursement or company policy that does not conform to current law is treated as though it is made through a separate, nonaccountable plan and is not a part of this company’s accountable plan.
2. The [chief executive officer or other officer title] of this company retains the discretion to refuse reimbursement for any expense incurred by any employee, regardless of whether the expense meets the requirements of Treas. Reg. Section 1.62-2.
3. Employees must document and substantiate all business expenses to the full extent of the law and in a timely fashion, as required by Treas. Reg. Section 1.62-2.

[Chief Executive Officer]

Date

Treas. Reg. Section 1.62-2 minimum requirements regarding timeliness:

- A “reasonable period of time” for any required company or employee act depends on the facts and circumstances of the situation.
- The following safe harbors are always timely:
 - Advances made within 30 days of when an expense is paid or incurred

- Substantiation of an expense made within 60 days after the expense is paid or incurred
- Returns of amounts in excess of substantiated expenses made within 120 days after the expense is paid or incurred
- Substantiation of expenses or returns of excess amounts made within 120 days after the receipt of a periodic statement (if the periodic statement is made at least quarterly)

Legally required elements of proof for some commonly reimbursed expenses:

Type of expense	Elements to prove
All expenses (the general rule)	<ol style="list-style-type: none"> 1. Business purpose 2. Amount of expense
Out-of-town travel	<ol style="list-style-type: none"> 1. Amount of each separate expenditure 2. Dates of departure and return, and number of days spent on business 3. Destination (city name) 4. Business purpose
Business meals	<ol style="list-style-type: none"> 1. Amount of each separate expenditure 2. Date of the meal 3. Place (name and location) 4. Business reason 5. Names and business relationship of all persons at the meal
Entertainment	Not deductible—have the company pay directly
Gifts	<ol style="list-style-type: none"> 1. Cost of the gift (to you) 2. Date of the gift 3. Description of the gift 4. Business purpose 5. Name and business relationship of the recipient
Vehicles	<ol style="list-style-type: none"> 1. Amount of each separate expenditure 2. Percentages or miles for business, investment, and personal use 3. Dates of the expenditures 4. Description of business or investment uses

