

CASH DISBURSEMENTS – STATE EMPLOYEES

❖ *GUIDELINES RE PAYMENTS TO and on behalf of STATE EMPLOYEES*

➤ Faculty and Staff Awards, Bonuses, etc.:

Payments made to university employees as bonuses, awards or for services in excess of their usual duties must be included on the employee's Form W-2. All such payments must therefore be made through the university payroll system, after which the USM Foundation can be asked to reimburse the university from the appropriate account.

➤ Employee Gifts/Achievement Awards:

Gifts to employees are generally discouraged and may violate state ethics laws. USM Foundation policy allows for reimbursement of tangible (non-cash which does not include gift certificates) employee gifts of a de minimis amount (**valued at \$75 or less per employee**).

Note: This policy is based on current IRS regulations, which states that an employee may not need to report the value of a gift that is de minimis in nature. In addition, it is the amount the Maryland State Ethics Commission considers allowable for an employee to receive as a gift without requiring reporting. Flowers, plaques, T-shirts, etc. that are given to employees as an appreciation gift or award fall under this rule.

☆☆ Flowers / Memorial Contributions:

The limit on flowers and memorial contributions is \$75, including delivery and any taxes or other charges. Flowers may be sent, when intended as an expression of sympathy or concern related to the hospitalization of or a memorial for an employee, his/her spouse, lineal descendants, adopted children, stepchildren, ancestors, siblings and members of the immediate household, as long as the cost does not exceed the above-noted limit. In-laws are not included. Congratulatory notices or flowers for the birth of a child or wedding are not included. Memorial contributions to charitable entities or other appropriate expressions of sympathy, in lieu of flowers, are acceptable, subject to the same restrictions.

☆☆ Gift Certificates:

Gift certificates are considered cash equivalents by the IRS and therefore would be considered as taxable income to the employee. The USM Foundation cannot pay for cash equivalents. Requests for payment will be returned.

☆☆ Personal Gifts:

USM Foundation funds should not be used to purchase personal gifts, such as those for Secretary's Day, Boss's Day, a new baby, weddings, etc. These items provide a personal benefit to the recipient. As such, the expenditures are not made for a business purpose, as defined by IRS regulations. If USM Foundation funds are used to provide a "personal benefit," both the USM Foundation and the person authorizing the expenditure may be subject to "intermediate sanctions" from the IRS.

➤ **Staff Meetings, Luncheons, etc.:**

USM Foundation funds may be used to pay expenses for bona fide staff meetings, luncheons, etc. In some cases, USM Foundation will pay for events related to retirement. However, that must be pre-approved by USM Foundation and authorized by the Dean or Vice President. The USM Foundation cannot pay for gifts.

➤ **Fringe Benefits Payments:**

As a general rule, any Fringe Benefit is taxable unless specifically excluded by the tax laws.

- ☆ The USM Foundation can reimburse a university state account or pay an individual directly for only those Fringe Benefits that are exempt under tax laws, such as some moving expenses (*see section on **Moving Expenses** below*) or business related expenses.
- ☆ Fringe Benefits paid by the employer that are not exempt from tax laws must be included in the employee's Form W-2 Form.

Be aware of the following:

- ☞ Payment of business related expenses to or on behalf of an employee of the university is taxable, unless it is made in accordance with the rules of an Accountable Plan (*see section on **Accountable Plan** for more information*). However, even when payment is made under the rules of an Accountable Plan, if the payment confers benefit to the individual, such payment is considered to be a taxable "Fringe Benefit."
- ☞ Payments to university employees in the form of Fringe Benefits may or may not be taxable income.
- ☞ Payments made by the USM Foundation in the form of Fringe Benefits must support the mission of the university.

☆☆ **Moving Expenses:**

The USM Foundation can reimburse the university for moving expenses they have paid on behalf of a university employee.

Whether the USM Foundation can directly reimburse a university employee or pay his/her moving expenses directly is determined by tax laws (is the expense exempt or not exempt?), as detailed below:

EXEMPT: The following moving expenses **are exempt** under tax laws IF the new main job location is at least 50 miles farther from the former home than the old main job location:

- ➔ Moving your household goods and personal effects (including in-transit or foreign move storage expenses)
- ➔ Travel expenses for yourself and members of your household (including lodging but not meals) to get to the new home. This should be done using the shortest route.

➔ Auto expenses, if you use your car to take yourself, members of your household or personal effects to your new home. Reimbursement can be for either **actual expenses or a per mile rate as set by the IRS. (This mileage rate changes yearly.)**

☆ Moving expenses which are **exempt** under tax laws can be paid directly, or reimbursed to the university employee directly, or reimbursed to the university.

NOT EXEMPT EXPENSES: The following moving expenses are **not exempt** under tax laws:

- ✧ Pre-move house hunting trips
- ✧ Temporary living expenses
- ✧ Meal expenses while moving or while occupying temporary quarters
- ✧ Expenses of buying or selling a home
- ✧ Qualified residence sale, purchase, or lease expenses
- ✧ Car tags, driver's license

☆ Moving expenses which are **not exempt** under tax laws may only be reimbursed to the university. The university must include that reimbursement in the employee's W-2 Form.

☆☆ **Business related benefits:**

Fringe benefits paid for valid business purposes are exempt from tax laws (i.e., business trips, business meals, yearly membership dues, etc.)

THE USM FOUNDATION DOES NOT PAY FOR LIFETIME MEMBERSHIP DUES, AS A BUSINESS CONNECTION CEASES UPON TERMINATION OF EMPLOYMENT.

- **Club dues:** The IRS has ruled that payments for certain types of club dues paid on behalf of an individual are usually not business related. Payment requests for dues paid to airline travel clubs or similar social clubs will be thoroughly reviewed.

☆ **If approved, the amount paid will be taxable income to the person whose dues are being paid.**

- **Mobile phone costs:** The USM Foundation will not purchase mobile phones for any university employee, but will reimburse for business calls made on them. Business calls must be identified on the paperwork submitted with the DISBURSEMENT REQUEST FORM. A completed CELLULAR PHONE USAGE FORM (*see Appendix page A-15*) must accompany the request. IRS published authority defines requirements for adequate substantiation. This includes the time, date, place, business purpose and amount of expense.