



DATE: August 6, 2013
TO: Chief Fiscal Officers
CC: HCM User Community
FROM: Alan Skelton, State Accounting Officer *TAS*
RE: IRS Requirements for Reporting Travel Advances and Travel Expense Reimbursements - NEW Earnings Code

NEW EARNINGS CODE:

In order to better accommodate IRS requirements for reporting taxable travel advances and/or taxable travel expense reimbursements, effective July 1, 2013, a new earnings code was made available in TeamWorks HCM. The new earnings code, to be used exclusively for this purpose, is:

TAI -- Travel As Income

Earnings coded to TAI will be included in an employee's taxable income, per IRS Regulations (see below), and will be reported on his/her IRS Form W-2, Box 1, for the applicable tax year. Earnings coded to TAI will be subject to Federal and State income tax and FICA withholdings, as well as unemployment taxes.

BACKGROUND:

In order for travel advances and travel expense reimbursements to be excluded from a traveler's taxable income, the State's travel policies must meet the Internal Revenue Service (IRS) requirements for an "Accountable Plan." The IRS requirements regarding travel advances and reimbursements, as they relate to an employee's taxable income and the State's "Accountable Plan," have been further clarified within the *Statewide Travel Policy* released on July 1, 2013. In general, the Policy has been developed with the IRS Regulations as its primary payment framework. *If travelers and approvers are adhering to State travel policy, there will be no related IRS reporting required.*

AGENCY RESPONSIBILITY:

- 1) **Monitoring:** All agencies must ensure they have processes in place to *monitor* travel advances and travel expense reimbursements to ensure they are in compliance with IRS reporting requirements. Travel and expense reports submitted through TeamWorks Travel & Expense (TTE) will be systematically monitored; a query report will be available to TTE agencies and is available to all back office processors. (Information regarding the “[IRS Report](#)” query is located on the SAO website at: www.sao.ga.gov → Travel tab → TeamWorks Travel & Expense → TTE Reporting Handbook → Section 7: IRS Reporting.) Non-TTE agencies are responsible for implementing internal monitoring processes to ensure compliance with these IRS regulations.
- 2) **Accounting:** When/if reportable instances occur, all agencies must ensure they have accurate and timely processes in place to *account* for the reportable transaction in the proper period, considering all related circumstances.
- 3) **Reporting:** When/if reportable instances occur, all agencies must have processes in place to *report* taxable income in the traveler’s IRS Form W-2. Relevant accounting staff must communicate the taxable information to their payroll office in a timely manner so that the taxable income is included in the traveler’s IRS Form W-2.

Please ensure this important information is communicated to all relevant accounting, payroll, and/or HCM staff.