

Background:

Generally, when an employee is traveling for University business and the University pays for or reimburses additional expenses for a spouse or other non-business guest, the IRS treats this additional expense as taxable income to the employee. In order for this general rule not to apply, the following must apply:

- 1) The spouse or guest is an employee or independent contractor of the University and has a business purpose for their own expenses.
- 2) The spouse or guest has significant business purpose duties or tasks on the trip and if the spouse or guest did not attend, another University employee would have gone in their place to fulfill the duties or tasks.

Examples of applicable expenses may include:

- 1) Meals
- 2) Airfare
- 3) A seat on a private aircraft

Examples where spouse or guest travel, when paid by the University, is taxable to the employee include:

- 1) The University believes it is advantageous for a spouse to travel with the employee, but the spouse has no specific duties, tasks or events to attend.
- 2) The employee's spouse has a University title, but is not on the payroll and has no significant duties or tasks to complete.
- 3) The University has a policy of encouraging spouses to travel on business to certain events with the primary purpose of socializing with other spouses of business associates or donors, and the spouse does not devote a substantial amount of time serving the interest of the University's business.
- 4) The spouse of a University officer is expected to attend a convention to assist in staffing the hospitality suite with other spouses during the convention. Only incidental services are performed and social functions are attended.

If a trip has both business and personal activities, traveling expenses for both employee and spouse or guest (meeting the standard above) to and from the destination are nontaxable only if the trip is related primarily to the University's business. If the personal portion of the trip exceeds the business portion, all traveling expenses to and from the destination will be taxable to the employee.

Documentation requirements:

When requesting reimbursement for or payment of travel expenses for a spouse or non-business guest, the following information must be provided:

- 1) Whether the spouse or guest is an employee or independent contractor of the University. If so, provide their title and how the travel relates to their position.
- 2) If the spouse or guest is not an employee or contractor, describe the business purpose fulfilled by the spouse or guest. Provide details such as a description of the duties or tasks performed, agendas, time records or other supporting documentation.
- 3) If there are travel expense for both the employee and spouse or guest, the amount of the expense that is incremental related to the spouse or guest.
- 4) If there are both business and personal activities, confirm how much of the trip is for each.