



Expenses for Recruitment of Faculty

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Overview

- Policies or regulations do not normally govern what recruitment costs may be incurred – the issue is usually tax implications of these expenses
 - With the exception of interview expenses, most recruiting expenses are another form of compensation subject to tax
 - ✓ Process through payroll to ensure proper withholding, reporting and compliant with Internal Revenue Code
- Broad guidelines for the most common recruiting incentives
 - Won't cover every possible scenario
 - Contact us for guidance addressing specific situations
- Generally, recruiting expenses are not prohibited by University Policy
 - **However**, the internal procedures for processing these expenses should be established by the cognizant Dean and approved by Provost



Agenda

- Hiring Process
- On-going Compensation
- One Time Compensation
- Conclusion



Hiring Process

Bona fide business expenses during the interview and hiring process

- Per *Revenue Ruling 63-77*, not subject to tax
- To comply with IRS, must be documented
- University may pay the interview travel expenses directly
OR
- University may reimburse the candidate
 - Candidate should provide itemized, original receipts for all travel expenses



Hiring Process

Candidates requiring travel – non-taxable expenses:

- Transportation to/from candidate's home
 - Should be most economical and expeditious mode of transportation
- Hotel accommodation
- Per diem
 - Exclude meal(s) with the interview committee
 - Rates in accordance with University Policy 515 *Travel*



Hiring Process

Meals and Entertainment – non-taxable business expense:

- Meal must be documented and approved using the *Meals and Entertainment Form* (University Policy 516)
- With P-Card, alcohol must be purchased separately
- For purchases of alcohol
 - Submit a *Check Request* with itemized receipt
 - Charge to an index which allows purchases of alcohol
 - Purchase of alcohol prohibited on E&G funds, State and Federal appropriated funds (consider the source)



On-going Compensation

The following on-going compensation or allowances are salary by another name – they are subject to tax

- Housing Allowance (IRC Section 119)
 - Taxable fringe benefit unless the lodging is provided for convenience of employer. To qualify:
 - ✓ Lodging is located on campus; AND
 - ✓ Employee is required to accept lodging as condition of employment



On-going Compensation

- Commuting Allowance
 - Under most circumstances, taxable fringe benefit
- Cell phone (University Policy 518)
 - Stipend subject to tax as taxable fringe benefit, but employee may select own plan and make personal calls



One Time Compensation

- House Hunting - not deductible business expense - all subject to tax
- Signing Bonus – form of compensation – all subject to tax
- Immigration Fees
 - I-140 *Immigrant Petition for Alien Worker* and I-485 *Application to Register Permanent Residence or Adjust Status* to change immigrant status and obtain permanent residency (commonly referred to as “Green Card”) – all subject to tax
 - I-129 *Petition for Nonimmigrant Worker* and labor certification for H-1 visa – Department of Labor requires employers to process these forms and pay associated fees directly – non-taxable business expense



One Time Compensation

- Relocation Assistance (University Policy 335 – amendment pending)
 - University pays moving contractor directly and meets “qualified moving expense” distance & time tests - not taxable
 - Per IRC Section 217, “qualified moving expenses” are deductible (or not subject to tax if paid by employer)
 - ✓ Distance test – >50 miles farther from former home than old job was from former home
 - ✓ Time test – Work full time at least 39 weeks during first 12 months after starting new job
 - If paid to employee as a lump sum allowance - reported on employee’s W-2 and taxes withheld
 - ✓ Employee may deduct some moving expenses on tax return (IRS Publication 521 *Moving Expenses*)



Sample Offer Letter Language

Per IRS regulations, any payment made to you for relocation assistance will be reported as additional income on your W-2, including the withholding of payroll taxes. You may then claim deductible moving expenses on your annual income tax return. Consult a tax accountant or refer to IRS Publication 521 *Moving Expenses* for information regarding deductible moving expenses.



Conclusion

BOTTOM LINE:

On-going compensation or allowances = salary subject to tax

Most recruiting expenses are not prohibited – but they *may* require PRE-approval, documentation and may be subject to tax

- Document rationale/justification for offers to prospective faculty
- Employment agreements to protect University - return on investment
- Process established in your department is appropriate and approved
- Process through Payroll to ensure properly reported
- When in doubt, contact us for guidance

QUESTIONS?