

Best Practice Guide

Family/Companion Traveling at University Expense

Family/companion travel is governed by Internal Revenue Code (IRC). In the absence of University policy (University policy is currently silent on this issue), the IRC should be used as a guide for processing all *Travel Authorizations (TAs)*.

- Family/companion travel is receiving increased IRS scrutiny.
- Other universities have had to restate employee *W-2*s.

IRC General Guidance - Assume all benefits are taxable, unless there is a statutory exclusion.

- In most circumstances, University-paid travel expenses for family/companions must be reported on the employee's *W-2* as a taxable fringe benefit.
 - ✓ Exception for a "*bona fide business purpose*," based upon facts and circumstances
 - The IRS threshold for "*bona fide business purpose*" is high to exclude family/companion travel expenses from taxable income.
 - The family/companion's presence must be essential (not just beneficial) to the employee to conduct University business.
 - The primary benefit should be to the University, not the employee.
 - ✓ The business purpose must be thoroughly documented and attached to the *TA*. The primary purpose of family/companion travel must be to aid the employee's business purpose. Suggested documentation includes:
 - Detailed synopsis of the business conducted
 - Calendar of events requiring family member/companion's substantive (not only incidental) participation
 - List of individuals who participated in the business – explaining why family/companion travel was required.
 - ✓ If not adequately substantiated with a documented business purpose, the University must report family/companion travel expenses on the employee's *W-2*.
- Rule of thumb: If the expense would constitute a legitimate business expense deduction on the employee's personal income tax return, it may be excludable from the employee's *W-2* if paid by the University.
- To help eliminate any questions – if family/companions are accompanying employees at no cost to the University, ensure all expenses are paid personally and are not included on the *TA* for reimbursement.