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
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?

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