University Policy 516: Meals and Entertainment

Category: Operating
Sub Category: General
Responsible Executive: Vice President for Business and Finance
Policy Custodian: Controller’s Office, Controller
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516.1 PURPOSE AND SCOPE

There are occasions when extending hospitality through meals and entertainment is in the best interest of the University. This policy identifies the limited situations in which University funds may be used to pay for meals and entertainment.

In all cases, the University expects employees to exercise good judgment when committing University funds for meals and entertainment.

516.2 POLICY

2.1 Allowable Meals and Entertainment Expenses

The University will pay for meals and entertainment expenses when they are ordinary and necessary and (1) directly related to the active conduct of University business; (2) associated with the active conduct of University business; or (3) when they are considered de minimis benefits under Internal Revenue Service (IRS) guidelines.

Meals that are to be reimbursed on a Travel Authorization should follow Policy 515: Travel.

2.1.1 Directly Related to the Active Conduct of University Business

To meet the directly related test for meals and entertainment expenses, you must show that:

- The main purpose of the combined business and entertainment was the active conduct of business,
- You did engage in business with the person during the entertainment period, and
- You have more than a general expectation of obtaining some benefit to the University.

Entertainment expenses generally are not considered directly related if you are not present or in situations where there are substantial distractions that generally prevent you from actively conducting business.

2.1.2 Associated with the Active Conduct of University Business

To meet the associated test for meals and entertainment expenses, you must show that the entertainment is:

- Associated with the active conduct of University business, and
- Directly before or after a substantial business discussion.
A business discussion will not be considered substantial unless you can show that you actively engaged in the discussion, meeting, negotiation, or other transaction to obtain some benefit to the University.

2.1.3 De Minimis Benefits

A de minimis meal or entertainment is any occasional benefit provided to an employee or guest that has so little value (taking into account how frequently a meal or entertainment is provided) that accounting for it would be unreasonable and administratively impractical. Examples of occasions when meals and entertainment may be classified as de minimis include:

2.1.3.1 Beverages/Food Items

Supplies of coffee, water, soda, juice and similar items may be purchased and provided to University guests. Approval must be by the department head.

2.1.3.2 Appreciation Events

Units may hold events during the year to show appreciation for employee efforts. The cost of the event should be reasonable and may include guests or family members at the department head’s discretion. Approval of these events must be by the department head.

2.1.3.3 Retirement/Separation Functions

Departments may hold a reception, luncheon, etc. for employees retiring or separating from the University (one per employee). Reasonable expenditures are permitted and may include guests or family members at the department head’s discretion. Approval of these events must be by the department head.

2.1.3.4 Holiday Functions

Holiday functions are permitted and may include guests or family members at the department head’s discretion. The cost of such functions must be reasonable and may not be charged against any contract or grant fund or reimbursed overhead (F&A). Approval of these events must be by the department head.

2.1.3.5 Retreats and Workshops

Beverages/refreshments (coffee, juice, soda, donuts, rolls, etc.) for retreats and workshops are permissible. Meals and entertainment may be provided to employees, guests and family members when appropriate for the time and duration of the event. Approval of these events must be by the department head.

Note. Per IRS regulations (Publication 15-b, Tax Guide to Fringe Benefits), meals and entertainment expenses are considered taxable income to the employee (1) if the meals and entertainment expenses do not meet one of the tests noted above, (2) are not substantiated with supporting documentation (see Documentation section 4), or (3) do not qualify as de minimis.

516.3 RESTRICTIONS ON MEAL EXPENDITURES

3.1 Allowable Costs

3.1.1 The cost of meals, where only USU employees are present, are generally not permitted. In situations where employees from multiple departments or areas can only meet during a meal period it is permissible to charge the cost of the meal to University funds. Good judgment should be used when expending University funds in this manner. To document the business purpose and identify those who participated, a Meals and Entertainment Form should be completed electronically or
attached to the reimbursement request. The purchase of alcohol may be allowed with approval of a Dean or Vice President.

3.1.2 Charges for alcohol may not be paid from state appropriated funds or federal funds.

3.1.3 Entertainment expenses of the spouse of a guest, employee, or the official host, that are not considered de minimis under section 2.1.3, are allowed as an exceptional expense provided that such meals and entertainment expenses serve a bona fide University business purpose. Participation in official functions that require the attendance of a spouse may be considered a bona fide business purpose. Fundraising events, alumni gatherings, community and recruiting events are examples of activities that may require the attendance of a spouse.

Note: Expenditures for spouse travel (meals, airfare, etc.) are generally not permitted.

3.2 Non-Allowable Costs

3.2.1 When two or more employees choose to go to lunch together to continue their business as an incidental part of the meal.

3.2.2 When the meeting could have been scheduled during the normal course of business.

3.2.3 When business meals with faculty, staff, or other colleagues are frequent (occurring on a regular or routine basis) and reciprocal.

Such expenses are not allowable under this policy. Charges for these types of expenses on a University P-card must be reimbursed to the University. If not properly reimbursed, these costs will be considered taxable income.

516.4 DOCUMENTATION

Business meals and entertainment expenses must be documented (substantiated) to meet requirements of the Internal Revenue Services regulations and prudent business practices.

4.1 This documentation is required if the employee is requesting reimbursement or if the expense is charged to the University on a P-Card or other method.

4.2 If the expense cannot be properly documented, the employee may be required to bear the cost.

A Meals and Entertainment form is not required for food that is purchased as research supplies, cleaning supplies, for culinary instruction, or as normal operating supplies (e.g. Edith Bowen lunch supplies, preschool snacks, or Dining Services food for resale). However, these types of purchases still require that the business purpose is documented and charged to the appropriate account code (i.e. Supplies, Cost of Goods, etc.).

516.5 EXCEPTIONS

There are occasions when it is in the University’s best interest to make an exception to the above policy. In those cases, the Meals and Entertainment Expense form must be approved by a Dean or Vice President.

516.6 REFERENCES

- Internal Revenue Service Publication 15-b, Employer’s Tax Guide to Fringe Benefits
516.7 RELATED USU POLICIES

- Utah State University Policy 515: Travel

Information below is not included as part of the contents of the official Policy. It is provided only as a convenience for readers/users and may be changed at any time by persons authorized by the President, subject to review by the USU Policy Committee.

POLICY HISTORY

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