

[Company Name] Accountable Plan

1. Purpose

The purpose of this Accountable Plan is to establish a reimbursement or other expense allowance arrangement that complies with the requirements of Treasury Regulation § 1.62-2. This plan ensures that reimbursements for business expenses are excluded from employees' gross income, are not reported as wages, and are exempt from withholding and payment of employment taxes.

2. Business Connection Requirement

Reimbursements, advances, or allowances provided under this plan are only for business expenses that are allowable as deductions under sections 161 through 198 of the Internal Revenue Code. These expenses must be paid or incurred by the employee in connection with the performance of services as an employee of [Company Name].

3. Substantiation Requirement

Employees must substantiate each business expense to [Company Name] within a reasonable period of time. The substantiation must include:

- **Amount:** The cost of each separate expense.
- **Time:** The date the expense was incurred.
- **Place:** The location where the expense was incurred.
- **Business Purpose:** The business reason for the expense.
- **Business Relationship:** For entertainment expenses, the business relationship of the persons entertained.

Employees must provide documentary evidence, such as receipts, paid bills, or similar evidence, for any expenditure of \$75 or more and for all lodging expenses. The documentation must include sufficient information to establish the amount, date, place, and essential character of the expenditure.

4. Return of Excess Amounts Requirement

Employees must return to [Company Name] any amount paid under this plan that exceeds the substantiated expenses within a reasonable period of time. The determination of a reasonable period of time will depend on the facts and circumstances but will generally be treated as met if:

- An advance is made within 30 days of when an expense is paid or incurred.
- An expense is substantiated within 60 days after it is paid or incurred.
- An excess amount is returned within 120 days after the expense is paid or incurred.

5. Procedures

a. Advances

Advances for anticipated business expenses will be provided only if the amount is reasonably calculated not to exceed the anticipated expenditures. Employees must substantiate the expenses and return any excess amounts within the timeframes specified above.

b. Reimbursements

Employees must submit an expense report, along with the required documentation, within 60 days of incurring the expense. The expense report must be reviewed and approved by the employee's supervisor before reimbursement is made.

c. Electronic Receipts

For expenses charged to a company-issued credit card, electronic receipts provided by the credit card company will be accepted if they include the date, amount, merchant's name, and location. For expenses not clear on their face or not itemized, employees must provide additional documentation.

6. Compliance

Failure to comply with the substantiation and return of excess amounts requirements will result in the amounts being treated as paid under a nonaccountable plan. Such amounts will be included in the employee's gross income, reported as wages, and subject to withholding and payment of employment taxes.

7. Record Retention

[Company Name] will retain electronic and paper records of all substantiated expenses in accordance with Rev. Proc. 98-25. Employees are responsible for maintaining copies of their expense reports and supporting documentation.

8. Effective Date

This Accountable Plan is effective as of [Effective Date] and will remain in effect until amended or terminated by [Company Name].

9. Amendments

[Company Name] reserves the right to amend this Accountable Plan at any time. Any amendments will be communicated to employees in writing.

10. Acknowledgment

By signing below, I acknowledge that I have read and understand the terms of this Accountable Plan and agree to comply with its requirements.

Employee Signature: _____

Date: _____

Supervisor Signature: _____

Date: _____