# Travel Policy Statement

The University of North Carolina at Chapel Hill is a public institution governed by the State of North Carolina. As such, all expense records, regardless of fund source, are open to the public under the Federal and State Freedom of Information Act.

All business travel must support the mission of the University of North Carolina, receive the appropriate approvals, and be carefully planned to ensure that expenditures are necessary, prudent, and as economical as possible. A University employee traveling on official business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Excess costs, circuitous routes, delays or luxury accommodations and services unnecessary or unjustified in the performance of official business are not acceptable under this standard.

University officers, faculty, staff, and employed students may have their travel expenses reimbursed by the University, subject to the limitations contained in these regulations. Non-employee students may be reimbursed subject to these limitations provided approval by the department head was obtained in advance. Non-University employees traveling on University business and whose expenses are paid or reimbursed by University funds are subject to all University travel regulations, including statutory subsistence allowances.

## Statutory Provisions and Maximum Rates for Travel

Expenses for employee traveling on official University business are reimbursed at the following rates as set forth by State of North Carolina legislation:

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| **Transportation** | |  |
| Air | CABs (charges directly, no reimbursement required) | Domestic air travel will only reimburse for coach |
| Car | $0.55/mile (for use of private car when NO State car is available and roundtrip does not exceed 100 miles) | $0.30/mile (for use of private car when a State car is available) |

* Travel by private car for the convenience of the employee may not exceed the cost of using public transportation.
* Transportation by airline, bus, railroad, or other conveyance shall be reimbursed at actual tourist-class fare.
* The amount claimed for subsistence (room, meals, and reasonable gratuities) shall not exceed the statutory limits below.

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| **Subsistence** | **In State** | **Out of State** |
| Breakfast | 8.00 | 8.00 |
| Lunch | 10.45 | 10.45 |
| Dinner | 17.90 | 20.30 |
| Lodging | 63.90 | 75.60 |
| Total | 100.25 | 114.35 |

* Reimbursement for lodging may be made only in the amount documented by a receipt of actual lodging expenses from a commercial lodging establishment. The per diem rate for lodging does not include taxes. That is, the payment of sales tax, lodging tax, local tax, or service fees applied to the cost of lodging are paid in addition to the lodging rate and are reimbursed as a lodging expense.

## Exclusions

The University reimburses the actual cost with receipts for lodging when faculty, staff or students are in a high-cost area and unable to secure lodging with the current allowance, or when an individual submits in writing an opinion that his/her personal safety or security is unattainable within the current allowance. The University reimburses for the actual cost of the room if attending a conference and the conference rate is higher than the subsistence rate.

## Special Situations

Allowances will be paid for meals for partial days of travel when the partial day is the day of departure or the day of return. The following table details the requirements to claim such reimbursement.

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| **Meal** | **Day of Departure** | **Day of Return** | **Comments** |
| Breakfast | Leave before 6:00 a.m. | N/A | Must extend the work day two hours |
| Lunch | Leave before 12 noon | Return after 2:00 p.m. | Cannot be claimed unless the trip requires an overnight stay or the cost of the lunch is part of a registration fee |
| Dinner | Leave before 5:00 p.m. | Return after 8:00 p.m. | Must extend the work day three hours |

Subsistence expense is reimbursable if it is incurred at least 35 miles from the employee's home or work station, whichever is less, unless specifically authorized in advance by the Chancellor.

A request to stay at a non-commercial establishment (e.g. lodging at a location other than a hotel, motel, or bed and breakfast) must be approved in advance.

## Authorization for University Travel

All travel by University employees on University business is to be authorized by the agency head (Chancellor) or Chancellor’s delegate. Department heads or comparable administrators have been given this delegation.

In the event of an accident or injury while in travel status this approval would insure that worker's compensation claims are considered.

All out-of-state and foreign travel funded by contracts or grants requires prior agency approval. Federal contracts and grants require the use of U.S.-flagged airline carriers when leaving and returning to the United States unless otherwise approved by the sponsoring agency.

## Purchasing an Airfare Ticket

University travelers may have their airfare directly charged to the University and avoid any out-of-pocket cost by using the Central Airfare Billing System (CABS). CABS is also used in conjunction with the Web Travel system to reserve, issue, and pay for airline tickets.

## Reimbursing Travel Expenses

Travel Services uses a paperless travel reimbursement and registration payment process.

This process called “[Web Travel](http://financepolicy.unc.edu/Glossary/index.htm#W)” allows campus departments to submit travel claims and registration payment requests via the web. Supporting receipts are faxed directly to a computerized imaging storage and retrieval system. Departments are required to maintain original receipts and provide them to auditors upon request.

Traveler reimbursements are paid via electronic deposit to the traveler’s bank account.

# University –Related Business Entertainment Expenses

The University is committed to sound fiscal stewardship of State, federal, and institutional funds. Business entertainment is often essential for employees to carry out the mission of The University of North Carolina at Chapel Hill. However, not all fund sources may pay for business entertainment expenses.

1. Sponsored Research  
   Business entertainment expenses cannot be charged to contracts and grants unless such entertainment is specifically authorized by the terms of the contract or grant.
2. State Appropriations/State Receipts-Supported/Facilities & Administrative (F&A) Receipts Funds

These funds may be used in limited circumstances as follows:

* + Alcohol
    - State Appropriated funds, State Receipts-Supported funds, and F&A funds may not be used to purchase alcohol.
  + External Conferences
    - External conferences are those that involve the attendance of persons other than University employees during which official University business is discussed for the majority of the meeting. Payments for meals up to the State per diem allowance for meals under the travel rules are allowable if included in the registration fee. The registration fee must be charged to cover more than just the meal costs unless overnight travel criteria are met. Refreshment breaks may be paid from this fund source if there are twenty or more participants and the costs do not exceed four dollars fifty cents ($4.50) per participant per day.
  + Internal Conferences
    - Internal conferences are those that involve the attendance of employees within the University. Payments for meals are not allowable unless overnight travel criteria are met. Refreshment breaks may be provided if there are twenty or more participants and the costs do not exceed four dollars fifty cents ($4.50) per participant per day.
  + Training Sessions
    - Training sessions involve courses that develop an employee's knowledge, skill, and ability to perform the duties of his/her present job. The courses generally have a set fee, are of relatively short duration, and are not part of a curriculum leading to an educational degree. Refreshment breaks may be paid from this fund source if there are twenty or more participants and the costs do not exceed four dollars fifty cents ($4.50) per participant per day. The cost of meals may not be paid.
  + Informal Meetings
    - Expenses for informal meetings may not be paid from this fund source unless advance, written approval is received from the Chancellor or his/her designee for a specific event. An informal meeting is a meeting including the Chancellor or his/her designee and non-state employees during which official University business is discussed for the majority of the meeting. Informal meetings are those not held on a recurring basis. The Chancellor, or his/her designee, may be reimbursed for actual costs of meals for themselves and individuals who are not state employees and who are their guests.
  + Recruitment of Employees and Students
    - Expenses related to recruitment are not allowed on these funds sources unless expressly allowed as described in the Other Business Entertainment section below.
  + Other Business Entertainment
    - Other business entertainment expenses may not be paid from F&A funds. These expenses may be paid from State funds sources based on the facts and circumstances of the situation if advance, written approval is obtained from the Vice Chancellor for Finance and Administration or his/her designee. The departmental dean, director, or chair should provide documentation that the funds were provided by the state for a particular instructional, research, public service, or academic or administrative support program with the intention that appropriate business entertainment expenses would be part of the costs of operating the program.

3. Institutional Trust Funds and Special Funds (excluding F&A funds)   
Business entertainment expenses may be charged to Institutional Trust Funds (excluding F&A Receipts – see previous section) and Special Funds as described below.

* + Alcohol
    - Alcohol may be purchased from other Institutional Trust Funds or Special Funds only if those funds are discretionary in nature and the fund authority is sufficiently broad to cover the purchase. Guidelines pertaining to the purchase and sale of alcohol, the location of functions which includes alcohol on University property, and the requirements for functions at which alcohol is served should be followed.
  + Recruitment of Employees and Students
    - The University recruits in a highly competitive market for top employees and students. It is the policy of the University to invite prospective employees and students, and on occasion, both the candidate and immediate family members, to visit the campus. Prudent and reasonable costs of a dinner (or other meal) meeting or a reception which occurs as part of the recruitment process may be reimbursed as business entertainment.
    - Prudence suggests that University employees (including their guests) involved in the recruitment events should be limited to: (1) in the case of faculty: key faculty, department chairs, and dean or associate dean; (2) in the case of department heads: the dean, associate dean, key faculty, and administrative officials; (3) in the case of recruitment of deans: the members of the search committee, faculty as appropriate, and deans and administrative officials; and (4) in the case of major administrative officials: the members of the search committee, faculty and administrative staff as appropriate, and administrative officials.
  + Official Guests of the University
    - Business entertainment of University guests is essential. Examples of official guests would include the following: visiting lecturers; representatives of research organizations; visitors from other universities; individuals interested in University programs and issues (potential donors); guests invited to assist in the development of new programs (both paid and non-paid consultants); and business and community leaders. The relationship between the visitor and the University employees attending the function or their areas of responsibility must be clearly indicated, particularly for those who are at the campus on specific business on behalf of the University.
    - The University is not normally expected to reimburse official guests for travel and related expenses, except where the guests travel to the University on specific invitation. Reasonable costs of a dinner (or other meal) meeting or a reception which occurs as part of the official guest's visit may be reimbursed as business entertainment.
  + External Conferences
    - Business entertainment expenses should be covered from the revenue produced by the event and separate records maintained.
  + Internal Conferences, Training Sessions, Recognition Events, Business Meetings, and Seminars
    - A meal, such as a luncheon, and refreshment breaks which are provided as part of a departmental conference, training session, a recognition event for one or more employees, a business meeting, or a seminar are reimbursable as business entertainment expenses. These events are planned in advance, have a written agenda and have a list of attendees. The costs incurred should be prudent and reasonable.
  + Receptions and Dinner Meetings
    - Receptions for employees, alumni and friends of the University are reimbursed as business entertainment.
    - The University may, from time to time, hold dinner meetings for administrative officers, deans, department chairs, and faculty, including guests, for the purpose of discussing items of general University interest. Such meetings are reimbursed by the University as business entertainment.

## Documentation Requirements

Business entertainment expenses must be documented (substantiated) to meet requirements of the federal tax code (see section below), and prudent business practices. To meet these standards the expenses must be documented to show:

* Identification of the persons or group being entertained. If a small group (eight or fewer individuals) is being entertained, the names and total number of all persons attending must be shown.
* A statement as to the reason for such business entertainment. Indicate how the business entertainment benefited the University and clarify the relationship of the persons in attendance to the particular aspects of the University's programs or activities (titles, committee names, field of interest of person being entertained, reason for visitor being on campus, etc.).
* The place of entertainment. The location must be provided. Receipts for business entertainment expenses are required for reimbursement to employees. If payment is to be made to a vendor, the normal invoice or statement of costs is required.

Payments are made for business entertainment expenses when the documentation is complete. If appropriate action cannot be taken to properly document the expense, the employee must bear the cost of the business entertainment.

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| **DO** | **DO NOT** |
| Travel in coach. First/business class airfare is allowed in certain circumstances , but must be approved by the Chancellor or his designee and substantiated by written documentation | Process unreasonable cost of dinner (or other meal) meeting which occurs as part of a recruitment process and be reimbursed |
| Make sure furnished meals covered by registration are not reimbursed | Get reimbursed by UNC-CH if travel is covered by another entity |
| Include receipts for transportation (car rental, parking, etc.), and hotel with your travel reimbursements. | Attend a conference without attending any of the actual conference sessions |
| Attach a conference agenda to your travel reimbursement | Upgrade air or hotel and expense to UNC-CH |
| Process travel requests through the Healthcare System if you are a Healthcare employee | If hotel assesses an additional charge for more than one guest, do not expense to UNC-CH |
| Cover all the expenses when traveling with a guest, including meals, hotel, and air | Have frequent dinner or lunch office meetings on campus or in travel status and be reimbursed |

## Reason for Policy

The purpose of this policy is to provide guidance as to the type expenses that qualify as business expenses under the various fund sources received by the University, the documentation requirements for business expenses, and when business expenses might be taxable.

## Exclusions

The University does not reimburse for business entertainment expenses that are not part of an accountable plan as defined by the Internal Revenue Service.

## Special Situations

* Taxability of Business Entertainment Expenses
  + Business entertainment expenses are not taxable to employees when the reimbursements are part of an accountable plan as defined in the federal tax code. Business entertainment expenses are considered part of an accountable plan only if the following three conditions are satisfied: (1) there must be a business connection for the expenses; (2) the employee must either substantiate (document) or be deemed to have substantiated (documented) the expenses and (3) the employee must return to the University amounts in excess of the substantiated (or deemed substantiated) expenses.

1. Business Connection
   * The business connection requirement generally is satisfied if the expenses are incurred in connection with the performance of services as an employee.
2. Substantiation
   * The substantiation requirement is satisfied if enough information is submitted to the University to satisfy the documentation requirements.
3. Return of Excess Amounts
   * An employee must return amounts received in excess of those substantiated or deemed substantiated within a reasonable period of time.

* Tax Regulations
  + Although many business entertainment expenses would be considered as part of an accountable plan, it is important to adhere to tax regulations to avoid taxability of reimbursements. "Ordinary and necessary" meal and entertainment expenses under an accountable plan will not be reported on the employee's form W-2. In order for a meal or entertainment expense to be considered "ordinary and necessary,” the expense must be "directly related to" or "associated with" the active conduct of the trade or business. For example, during the meal, business must be discussed and there must be an expectation of a business benefit such as the hiring of a professional candidate or the obtaining of a gift or bequest from a potential donor. Furthermore, there should be no "substantial distractions" at the site of the meal.
* Business Meal Requirements
  + In a typical business meal situation, there will be at least one person present who is not a university employee. It is possible, however, for a University employee to entertain other University employees over a meal and have that meal qualify as a nontaxable meal eligible for University reimbursement. To be considered nontaxable, the meal in question must be considered to be an "ordinary and necessary" business expense "directly related to" or "associated with" the active conduct of University business.

Whether or not these requirements are met in a setting where only university employees are present requires judgment based on the facts and circumstances of each case. The courts have looked to the frequency of such meals as one factor in making this determination. For example, a group of business colleagues meeting daily for lunch to discuss bona fide business matters was not held by the courts to satisfy the necessary business requirement noted above. Thus, the fact that a lunch occurs only occasionally lends more credence to its business necessity.

If all of the requirements noted above are met for business meals, the University will reimburse the cost of the meals to either the employee or to the vendor. The cost of business meals is excluded from the employee's gross income and is not subject to withholding or payroll taxes. If the requirements are not met and the University pays the cost, then the expense reimbursement is taxable to the employee as part of a non-accountable plan.

The tax code and related regulations provide that expenses reimbursed under an accountable plan will not be reported on the employee's form W-2, hence the employee need not account for them on his or her tax return.

## FAQ’s

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| Question | Answer |
| While on a business trip, the department’s Dean had dinner with several individuals from other institutions. Should this dinner be included on his travel reimbursement? | No, the dinner expense reimbursement must be submitted on a check request and include the information required for an informal meeting. No per diem should be claimed on the travel reimbursement for this meal. |
| Does a staff birthday party qualify as business entertainment? | No. Birthdays, baby showers, or welcome back parties do not qualify as business entertainment. |
| What policies are operational if the travel and/or business entertainment expenses are covered by another entity? | If the travel is never covered by UNC-CH then rules of the external entities apply. However, employees should be mindful that they represent UNC-CH. |
| What policies are operational if the travel is supported by endowment funds (e.g. endowed professorship)? | University rules apply if the endowment is held by UNC-CH. Foundation funds are expended in accordance to the Fund Authority, which can be more flexible than University funds depending on the Fund Authority. |
| What rules are operational if travel is paid for from clinical funds? | Clinical funds are still University Funds. Therefore University rules apply. |
| Are there special rules that apply to foreign travel? | Yes. One can fly business class on international flights. However, there are special rules if the travel is paid by contracts and grants. Refer to OSR’s website for the rules. |

Be mindful of the News and Observer test – could this be newsworthy? Just because you can, does not necessarily mean you should. As the flagship school of the UNC system we are held to a higher standard. State Universities are accountable to North Carolina residents.