HSCEP OP: 79.10, Reimbursement for Travel Expenses for Spouses

PURPOSE: The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to establish the guidelines for the payment of travel expenses of a spouse.

REVIEW: This HSCEP OP will be reviewed on December 1 of each odd-numbered year (ONY) by the director of Procurement Services, with recommendations for revisions submitted to the chief financial officer or designee by December 15.

POLICY/PROCEDURE:

I. Authority.

Payment for a spouse’s entertainment, travel, dues, etc. will not be paid unless such payment has a bona fide institutional purpose that is beneficial to TTUHSC El Paso.

II. Background.

Internal Revenue Code §132 provides that an employer’s payment of travel expenses for a spouse/dependent is a fringe benefit which is includable in the employee’s gross income unless otherwise specifically excluded. Regulation §1.132-5 permits the exclusion of such travel expenses provided the payments for these items would be allowable as a deduction if not reimbursed by TTUHSC El Paso (Internal Revenue Code §162, §167, or §274).

III. Reimbursement Procedures for Travel Expenses of Spouses.

A. Payment for travel expenses of a spouse of an employee must be approved by the president (or if the president’s spouse by the chancellor) prior to travel.

B. Travel expenses are not processed through the Travel Office. The expense reimbursement of a spouse/dependent must be paid directly to the employee through payroll. The reimbursement must be processed through the Employee One-time Payment System (EOPS). Required documentation will need to be submitted describing the (1) business purpose for the spouse’s participation and (2) the specific activities conducted by the spouse in furtherance of this business purpose.

C. Spousal/dependent travel expenses are taxable unless the spouse’s/dependent’s presence has a bona fide business purpose.

- The performance of some incidental service by the spouse/dependent is not sufficient to qualify as a bona fide business purpose. The presence of the spouse/dependent must be essential, not merely helpful, to the employee. The spouse/dependent must spend a substantial amount of his/her time in assisting the employee in fulfilling the business purpose for the university. This means that the spouse/dependent must conduct substantive business functions.
• The test of business necessity for the spouse’s/dependent’s presence is made in relation to the business of the employee, rather than the business of the employer. Even if the employer requires the presence of the employee’s spouse/dependent on a trip, the related expenses may be taxable unless the spouse’s/dependent’s presence is necessary to the conduct of the employee’s business activities.

• Spousal/dependent travel expenses are taxable when the spouse’s/dependent’s only function is to serve as a “socially gracious” spouse/dependent and the time spent on personal activities should be minimal in comparison to those activities related to the business of the institution.

D. If the request for payment of the spouse’s travel expenses is not approved, only the clearly documented expenses of the employee will be considered for reimbursement.

E. Other non-official expenses of the spouse, if paid, will be included in the taxable compensation of the employee.