BRIGHT HILL ADVISORS
TAX AND ACCOUNTING SERVICES

Accountable Plan

The Plan

Included in this Accountable Plan packet is a sample plan for adoption into your company's corporate governance and a sample reimbursement worksheet for business expenses. If you need the Bright Hill Advisors to modify the Accountable Plan and provide an MS-Word document, just let us know!

Why Use an Accountable Plan?

We encourage businesses to implement an Accountable Plan which allows owners or shareholders to turn in expense reports for home office use, mileage, cell phone, internet, meals and travel. Some of these expenses are mixed used (personal and business), such as home office, cell phone and internet. These expenses should always be paid personally, and then reimbursed by the company on a pro-rated or business-use percentage. Conversely, anything that is 100% business use should be paid directly by the business.

If you reimburse yourself without an Accountable Plan, that money is considered taxable income. You in turn have to deduct those expenses as unreimbursed employee business expenses on Form 2106 subject to itemized deductions and income thresholds, and even Alternative Minimum Tax (AMT) limits.

The processing of an Accountable Plan can be done at the end of each quarter to basically re-classify owner or shareholder distributions as employee reimbursements. For example, let's say you took out $20,000 over the quarter as distributions. But after completing the Employee Reimbursement Voucher, the company owed you $5,000. We would make an entry to reflect the reimbursement, and your shareholder distributions would be re-classified as a $15,000 distribution (taxable) and a $5,000 reimbursement (non-taxable).

The "look back" at the end of the quarter method might not work if you provide a stipend or some other advance to your employees throughout the period. This is due to the time limits imposed on the substantiation requests and returns of excess reimbursements.

An Accountable Plan is easy to do, is a great way to pull money out of the business and actually reduces the amount of taxes paid. A win-win scenario.

Please call or email us anytime with your questions and concerns, or to schedule a consultation. Thank you in advance, and we look forward to working with you!

The Bright Hill Advisors

IRS Circular 230 Disclaimer: To ensure compliance with IRS Circular 230, any U.S. federal tax advice provided in this communication is not intended or written to be used, and it cannot be used by the recipient or any other taxpayer (i) for the purpose of avoiding tax related penalties that may be imposed on the recipient or any other taxpayer, or (ii) in promoting, marketing or recommending to another party a partnership or other entity, investment plan, arrangement or other transaction addressed herein.

Accountable Expense Reimbursement Plan

Be it resolved, that employees/members of _____ (here in after referred to as "the Company") be reimbursed for business expenses incurred on behalf of and authorized by the Company in accordance with the following criteria:

1. Business Purpose

Authorized business expenses covered by this plan must meet the requirements for deductibility as business expenses under Federal tax law. Such expenses must have been incurred by an employee in connection with the performance of services by such employee on behalf of the Company;

2. Adequate Substantiation

Any employee requesting reimbursement for authorized business expenses hereunder must furnish to the Company adequate substantiation of expenses to be reimbursed. Adequate substantiation shall be accomplished by the timely submission on a statement properly completed in accordance with the substantiation requirements of Federal tax law, together with any relevant documentary evidence required under the substantiation requirements of Federal tax law. Such documentary evidence shall indicate the amount, description indicating the particular nature of the expense, time, place and business purpose or use of any authorized business expenses and any other necessary, related information;

3. Return of Excess Amounts

Any employee receiving payment from the Company for an authorized business expense incurred by such employee on behalf of the Company must return within sixty (60) days after the incurrence of any such expense (or 120 days after the Company demands the report), any amount of such payment that exceeds the amount the employee has properly substantiated relating to such expense including any future returns by the employee or credits given to the employee;

4. Request for Reimbursement

Any request for reimbursement for any authorized business expense hereunder must be submitted by the employee within sixty (60) days after the incurrence of any such expense (or 120 days after the Company demands the report). Any request for reimbursement must be submitted via a properly completed and substantiated expense reimbursement voucher and related documentary evidence in accordance with the provision of paragraph (2) above;

5. Reimbursement of Transportation (Vehicle) Expense

Authorized transportation (vehicle) expenses hereunder shall be reimbursed to an employee at the rate of 56.5 cents per mile for properly substantiated mileage with an authorized company related business purpose;

6. Per Diem Reimbursement

At the discretion of the Company, employees may submit per diem reimbursement requests which do not require strict substantiation or receipts. Employees need only demonstrate the time, place (city location) and business purpose of the trip. Per diem reimbursements cover the costs of lodging, meals and incidentals, but cannot exceed Federal per diem rates.

7. Reimbursement of All Other Expenses

All other authorized business expenses hereunder shall be reimbursed in an amount equal to the actual cost or pro-rated business use cost thereof incurred by an employee;

8. Advances

In limited circumstances, advances of authorized business expenses to be incurred by an employee on behalf of the Company may be granted. The amount of money advanced by the Company to an employee must be reasonably calculated not to exceed the amount of anticipated expenditures and made within thirty (30) days of the anticipated expenditures are paid or incurred. The employee receiving such advance must substantiate any related expense to the Company within sixty (60) days after the incurrence of any such expense (or 120 days after the Company demands the report) and return within sixty (60) days after the incurrence of any such expense (or 120 days after the Company demands the report) any advanced amount that exceeds the amount the employee properly substantiated relating to such expense;

9. Additional Rules

Any reimbursement for expenses hereunder shall be payable to an employee by the Company either (1) with a check separate and apart from the employee's regular paycheck, or (2) by a separate amount disclosed on the employee's regular paycheck. This plan shall be maintained on a calendar year (i.e., January 1 through December 31) basis and the method of reimbursement enumerated hereunder may not be changed by action of either the Company or the employee at any time during a calendar year (i.e., once the method of reimbursement is used, it must be consistently followed for the rest of the calendar year);

10. Consequences of Failure

Consequences of failure by an employee to comply with any provision or provisions contained in paragraphs 1 through 9 above may, at the option of the Company, render the expenses related to such failure non-reimbursable;

11. Authorized Expenses Not Reimbursed

The following expenses shall be authorized but will not be reimbursed:

Company Officer

Date

Expense Reimbursement Voucher

Employee_____ Date_____

Period: From_____ To_____

Home Office

Your home office will qualify as your principal place of business if you use it exclusively and regularly for administrative activities and you have no other fixed location where you conduct substantial administrative activities. For example, you cannot claim a home office deduction if you occasionally work from home, but otherwise have an office at the Company's place of business.

Home Office SqFt _____ Total Area of Home SqFt_____ Business Use %_____

Mortgage Interest, PMI _____

Real Estate Taxes _____

Insurance _____

Rent _____

Repairs, Maintenance _____

Utilities _____

HOA Dues _____

Other _____ _____

Other _____ _____

Total _____

Business Use % _____

Reimbursement _____

Cell Phone

Total _____

Business Use % _____

Reimbursement _____

Internet

Total _____

Business Use % _____

Reimbursement _____

Mileage

Business Miles _____

Rate x $0.565

Reimbursement _____

Travel, Lodging, Meals and Entertainment

Travel _____

Lodging _____

Meals and Entertainment _____

Reimbursement _____

Per Diem

List all the locations, number of nights spent and the Federal per diem rate below:

_____

_____

_____

Reimbursement _____

Other Expenses

Reimbursement	

Summary

Home Office	
Cell Phone	
Internet	
Travel, Meals	
Per Diem	
Other Expenses	
Total Reimbursement	

Adequate substantiation must be accomplished by the timely submission of this voucher together with any relevant documentary evidence required under the substantiation requirements of Federal tax law. Such documentary evidence shall indicate the amount, description indicating the particular nature of the expense, time, place and business purpose or use of any authorized business expenses and any other necessary, related information. All supporting documentation, receipts and substantiation must be attached to this Expense Reimbursement Voucher. Please submit copies and retain originals for your records.

Employee Signature	Date
Company Signature Authorizing Reimbursement	Date