

Bowling Green State University

Travel and Entertainment Expenses – Athletic/Bowl Game Travel Related

The University is required to determine whether there is a taxable benefit (i.e., income) attributable to any persons traveling to or attending an athletic event, specifically a bowl game, when the University has paid for that person's travel, room, meals, tickets, etc.

The general rule is that any expenses incurred for a recognized business purpose are excludable from an employee's taxable income. Conversely, amounts expended on behalf of an employee that are not directly connected or attributable to a recognized business purpose must be included in the employee's taxable income and reported to the IRS via that employee's W-2.

Amounts expended on behalf of an employee's spouse, dependent, or guest are considered to be expended on behalf of the employee and are subject to the same requirement. Each section below explains what is involved in determining the taxability of the benefit.

Recognized Business Purpose

Employees attending an athletic event or bowl game for a recognized business purpose include all employees who are performing an integral part of their job function during the course of the trip. Generally, this would include Athletic Department coaches and support staff related to the team participation. It would also include Development personnel who are attending to cultivate current and potential donors and hosting University guests and other dignitaries at special events conducted at the site. It would also include employees from Student Affairs attending to organize and conduct special events related to the purpose of the trip.

These examples are provided to assist in clarifying the definition of "recognized business purpose." There may be others who have a recognized business purpose for attending. It is important for all employees to document their activities to substantiate the business purpose of their travel – particularly when a spouse has a business purpose for the trip. In the event of uncertainty, please contact the Business Office or the Office of the Vice President for Finance and Administration prior to incurring any expenses or entering travel status.

It is assumed that any non-employee invited to attend the event at the University's expense has been invited due to a specific business purpose; however, each individual's business purpose will need to be documented by the department/division head who has invited the guest. Please note: Per IRS regulations, any invited guests who bring dependent children, spouses or other guests who have no business purpose, will receive a form 1099-MISC for any taxable benefit exceeding \$600.

The IRS recognizes that an employee's spouse may have a business purpose for attending a special event such as a bowl game. For example, certain special events may be held where coaches' spouses are expected to appear. Additionally, the University may hold alumni or fundraising events at which a spouse is expected to participate in hosting. Note: Dependent children are generally not considered acceptable participants in determining a recognized business purpose.

Documentation will be required for each individual receiving University provided travel, hotel, meals, tickets, etc. demonstrating the business purpose for the benefit received.

Airfare

The airfare of all individuals attending the athletic event or bowl game for a recognized business purpose is excludable from taxable income (as it has been deemed a working condition fringe benefit). The fair market value of airfare for those not attending for a business purpose is includable in compensation.

Determination of Fair Market Value: If travel was on a commercial flight, the fair market value would be the price of a ticket. If travel was on a charter flight, the regulations provide a valuation formula to determine the value of the flight. The calculation includes a terminal charge plus a cents per mile charge. The Business Office will obtain the current cents per mile rates and also the distance for the flight to calculate the amount of income to be recognized.

Exception to Taxable Income Recognition: The IRS regulations contain a special rule for excluding the taxable income of airfare: When 50% or more of the regular passenger seating capacity of an aircraft is occupied by individuals whose travel purpose is primarily for the employer's business purpose, those employees who do **not** have a business purpose may fly and no additional income is recognized or added to their W-2 for the value of the airfare.

Additionally, retired employees, disabled employees, the surviving spouse of an employee, the current spouse, and dependent children of an employee may fly on such flights without the employee recognizing any additional taxable income even though those individuals do not have a business purpose for the trip.

Non-Employees: Independent contractors, members of the Board of Trustees, external vendors, and any other guests must be treated as non-employees. If a traveling non-employee is engaged in a recognized business purpose on behalf of the University, no portion of the expenses incurred by the University on their behalf would be attributable to him/her as taxable income and thus no 1099 would be issued. Conversely, if a non-employee is traveling without a recognized business purpose, and provided travel, lodging, meals or tickets by the University where the total value exceeds \$600, then that individual will be issued a form 1099-MISC reporting the taxable income per IRS regulations.

Ground Transportation

Ground transportation charges for employees with a recognized business purpose is excludable from their income. If additional charges are incurred for spouses, dependents, or others who do not have a business purpose, such amounts **are** includable in the employee's compensation. If there is no additional cost for the transportation (e.g., cab fair is the same for one or two people), then no additional compensation is attributed to the employee.

Hotel

Lodging costs for those employees making the trip for a recognized business purpose is excludable from their compensation. If employees are accompanied by others who do not have a business purpose for the trip, only the incremental costs associated with the additional guests would be includable in the employee's taxable compensation.

Example: If the cost of a hotel room is the same for a single or double room and the employee's spouse accompanies him/her for a non-business purpose, there would be no additional compensation to the employee. However, if there is an additional cost for the double room, then additional cost will be included as taxable compensation to the employee.

Event and Game Tickets

The cost of tickets for those attending the game or for those attending an event for a business purpose are excludable from income. The cost of tickets for spouses, dependents, or others who do not have a business purpose for attending the game or event would be includable in the employee's taxable compensation.

Per Diem or Meal Reimbursement

Per diems and meal reimbursements for employees traveling with a recognized business purpose are excludable from compensation. Any reimbursement for accompanying guests would be included in the employee's income unless the accompanying guest was engaged in a recognized business purpose.