

**Policy Title:** Business Meals and Entertainment Policy

**Policy Summary:** Guidance for business meals and entertainment expenses

**Policy Category:** Financial

**Policy Owner:** Finance

### Summary

The Business Meals and Entertainment Policy provides guidance for business meals and entertainment expenses incurred by University employees while conducting University business.

### Purpose

This policy provides guidance for business meal and entertainment expenses. It is intended to comply with the Internal Revenue Service (IRS) regulations and Internal Revenue Code (IRC) definition of an "Accountable Plan".

### Scope

This policy applies to all University employees who participate in business meals and/or entertainment on behalf of Drake University.

### Definitions

**Active conduct of business** - Generally, an expense is associated with the active conduct of business if a clear business purpose for the expense can be documented. The purpose may be to generate new business, encourage the continuation of an existing business relationship, or benefit the University in another meaningful way.

**Adequately accounted for** – An expense is considered adequately accounted for when required documentation has been received by the Accounting Office. Required documentation for business meals and entertainment expenses include itemized receipts for expenses incurred, date of entertainment, name and address or location of place of entertainment, type of entertainment if not otherwise apparent, business purpose for the expense or the business benefit gained or expected to be gained, the nature of the business discussion or activity, and identification of the persons who took part in both the business discussion and the entertainment activity.

**Business Meals and Entertainment** - Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation. Entertainment may include the cost of a meal provided to a customer or client, whether the meal is a part of other entertainment or by itself. A meal expense generally includes the cost of food, beverages, taxes, and reasonable tips for the meal.

**De Minimis** - A de minimis benefit is any property or service you provide that has so little value that accounting for it would be unreasonable or administratively impracticable. Under IRS regulations, cash and cash equivalent fringe benefits (for example, use of gift card, charge card, or credit card), no matter how little, are never excludable as a de minimis benefit.

**Excess Reimbursements** - Excess reimbursement is any amount paid to an employee that is not adequately accounted within a reasonable period of time.

**Incidental Expenses** – Fees, tips, and other gratuities that are usual and customary for services provided. The University recommends 15-20% gratuity.

**Necessary Expense** - A necessary expense is one that is helpful and appropriate for University business.

**Ordinary Expense** - An ordinary expense is one that is common and accepted in University business.

**Reasonable Period of Time** - The definition of reasonable period of time depends on the facts and circumstances of the situation. However, regardless of the facts and circumstances of the situation, actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time.

- An advance is given within 30 days of expense payment or occurrence.
- Expenses are adequately accounted for within 60 days after paid or incurred.
- Excess reimbursement is returned within 60 days after the expense was paid or incurred.

### **Policy**

Business meal and entertainment expenses may be allowed if ordinary, necessary, and reasonable. The main purpose of the expense must be the active conduct of business with the general expectation of generating revenue or other specific business benefit at some future time. Engagement in business should exist directly before, directly after, or within the entertainment period.

Meals and entertainment with other University faculty or staff are generally not reimbursable. To qualify for reimbursement, the expense must be de minimis in nature, occasional or unusual in frequency, and must not be a form of disguised compensation. Examples of allowable meal expenses include, but are not limited to, occasional meals provided to enable an employee to work overtime, meals provided during a lunch hour that is restricted by imposing business matters, or occasional departmental retreats.

Meals and entertainment with individual student(s) are generally not reimbursable. Employees who wish to provide such may obtain a meal ticket(s) for Hubbell Dining.

All business meal and entertainment expenses must be adequately accounted for and any excess reimbursements must be returned within a reasonable period of time. Expenses not adequately accounted for within a reasonable period of time will not be paid with University funds.

**Last Review Date:** June 2022

**Effective Date:** December 2008

#### **Resources and Related University Policies:**

- [IRS Publication 463](#), Travel, Entertainment, Gift, and Car Expenses, Chapter 2 Entertainment
- [IRS Publication 463](#), Travel, Entertainment, Gift, and Car Expenses, Chapter 6 How To Report
- [IRS Publication 15-B](#), Employer's Tax Guide to Fringe Benefits, De Minimis (Minimal) Benefits