Tax Home Guidelines for Employee Travel

Purpose

To ensure compliance with Internal Revenue Code Section 162, applicable Treasury Regulations, and IRS accountable plan requirements, Texas Christian University (TCU) has established the following guidelines for determining whether employee travel qualifies for non-taxable treatment.

These guidelines establish TCU's administrative procedures for travel expense reports. In some cases, TCU's guidelines may be more restrictive than IRS rules to promote consistent administration and compliance.

Tax Home Determination

- For purposes of these guidelines, and consistent with Internal Revenue Code §162(a)(2), Treasury Regulation §1.162-2, and related IRS guidance **(IRS Publication 463)**, an employee's **tax home** is the **entire city or general area of their principal place of business or regular post of duty**, regardless of where the employee maintains their personal residence.
- For most TCU faculty and staff, the employee's principal work location is the TCU Fort Worth campus. Accordingly, these employees are considered to have a tax home associated with the **TCU Fort Worth campus**.
- Employees with approved **remote work arrangements, multiple work locations** or other unique work assignments may have a different tax home based on facts and circumstances of their employment and applicable IRS guidance.

TCU Administrative Tax Home Area

For employees whose principal place of business is the TCU Fort Worth campus, TCU has established the following Administrative Tax Home Area for purposes of consistently administering travel expense reports under its accountable plan.

- Tarrant
- Dallas
- Collin
- Denton
- Rockwall
- Wise
- Parker
- Hood
- Somervell
- Johnson
- Ellis

Travel within these counties is generally not eligible for non-taxable lodging or per diem reporting under TCU's accountable plan, regardless of the distance traveled from the TCU campus. Mileage alone does not determine whether travel is within or outside an employee's tax home.

Lodging Within the Administrative Tax Home

Lodging expenses incurred within an employee's tax home or within TCU's administrative tax home generally do not qualify as tax-free under TCU's accountable plan.

An exception may apply when an overnight stay is **necessary to obtain sleep or rest to meet the demands of the employee's work assignment, consistent with applicable IRS guidance**.

When submitting expense reports for lodging within TCU's tax home, travelers must include detailed comments in Concur explaining why the overnight stay was required to perform their job duties. Examples of qualifying business activities may include:

- Conferences with required evening and early morning sessions
- University retreats
- Recruiting activities
- Other official University business requiring attendance during extended work hours

Concur Comment examples:

> *Conference concluded at 11:00 p.m. and the first required session began at 7:00 a.m. the following morning, making overnight lodging necessary to obtain sufficient sleep or rest to perform required work duties.*

Or

> *TCU Fort Worth campus is not my principal place of business. My principal place of business is (Insert). Note: personal residence is not an acceptable principal place of business.*

If adequate justification is not provided, the lodging expense may be treated as **taxable income** and reported through Payroll.

Meals and Per Diem Within the Administrative Tax Home

Per diem is not permitted for travel occurring within an employee's tax home or within TCU's administrative tax home area as defined above. An overnight stay within the tax home does **not** make per diem eligible for non-taxable reporting.

Employees who incur <u>personal</u> meal expenses while conducting official University business within the tax home should use the **Meals – One Day Trip (Exception Based)** expense type in Concur.

Expenses submitted under this expense type:

- Require itemized receipts.
- Are processed as **taxable**.

- Will be reported to Human Resources for taxation in the month following the month in which the expense report receives final approval in Concur.

If TCU Fort Worth campus is ***not*** your principal place of business, you are eligible for per diem when traveling to TCU's administrative tax home for official University business. In Concur, the following comment is required in all Meals – Daily Per Diem lines: *TCU Fort Worth campus is not my principal place of business. My principal place of business is (Insert).*

Business Meals and Hospitality

Meals purchased for a business meeting or hosted meals with other individuals (including TCU employees, guests, students, or other business associates) should use the **Business Meals/Hospitality** expense types in Concur, **not** the **Meals – One Day Trip** expense type.

Expenses submitted under this expense type:

- Require itemized receipts.
- Requires list of attendees and the business purpose.
- When properly documented, are **not taxable** to the employee.

Authorities

These authorities collectively establish the federal tax rules governing travel expenses, tax home determinations, and accountable plan expenses. These guidelines have been developed based on the following federal tax authorities governing business travel expenses and accountable plans:

- Internal Revenue Code §162(a)(2) – Authorizes deductions for ordinary and necessary travel expenses incurred while away from an employee's tax home in the pursuit of a trade or business.
- Treasury Regulation §1.162-2 – Provides rules governing travel expenses, including the requirement that travel be directly connected with the conduct of the employer's business.
- Treasury Regulation §1.62-2 – Establishes the requirements for employer accountable plans and the conditions under which travel expenses may be excluded from an employee's taxable wages.
- IRS Publication 463, Travel, Gift, and Car Expenses – Provides the IRS's administrative guidance regarding tax home, travel away from home, temporary assignments, lodging, meals, and substantiation requirements.
- Applicable IRS Revenue Rulings, Revenue Procedures, and judicial decisions interpreting travel expense and tax home principles, as applicable.

Guidelines Interpretation

The TCU Administrative Tax Home Area established in these guidelines is an administrative boundary adopted solely for purposes of consistently administering travel expenses under the University's accountable plan. Because the Internal Revenue Code and Treasury Regulations do not prescribe specific geographic boundaries for an employee's tax home, TCU has adopted this administrative boundary to promote consistent application of its reimbursement guidelines. It is not intended to redefine an employee's tax home under federal tax law.