

Guidance on Business Expenses

Frequently Asked Questions

Q: What determines a “proper business expense”?

A: The cost:

- Must be necessary and reasonable.
- Documentation includes a clear demonstration of the Caltech business purpose
- Clearly documents that the cost is not of a personal nature.

See page 1 of the Guidance on Business Expenses.

Q: Do I need to provide my receipts for reimbursement requests?

A: Receipts are required for most expenses included in reimbursement requests. Caltech works on the “accountable plan” which means employees are accountable to Caltech for their business expenses and must (1) show that the expenses have a business purpose or business connection, (2) were paid or incurred while performing services for Caltech and (3) be substantiated by the individual incurring the expense.

Electronic or original paper receipts, preferably in detail format, such as an itemized hotel folio, airline passenger ticket coupon, or restaurant receipt are required for certain types of expenses but should be provided whenever available for all expenses.

For travel expenses, receipts are required regardless of dollar amount in support of expenses for the following items: airfare, car rental, lodging and registration. Receipts are also required for other individual travel related miscellaneous expenses of \$75 or more. Receipts are not required amounts of less than \$75 for travel expenses that are not incurred for airfare, car rental, lodging, and registration.

For all non-travel goods and services, receipts are required regardless of dollar amount to support all goods and services expenses.

If an employee does not have a receipt then a P-Card or Travel Missing Receipt form must be completed in order to for the expenses to be considered for reimbursement. See the following policies for additional information: Guidance on Business Expenses, Caltech Travel Policy, and the Non-Employee Travel Policy.

Q: What are “allowable” and “unallowable” costs?

A: Direct costs charged to a sponsored research award must be “allowable”, “allocable”, “reasonable” and “consistently treated” under the Uniform Guidance cost principles. Costs that are unallowable for Federal funds may still be allowable for non-Federal sources including non-Federal sponsored awards, gift funds, and unrestricted funds so long as they represent reasonable and necessary Caltech business expenses. Any cost that would be considered unallowable for Federal awards, however, must be accounted for using an “unallocable” expenditure type so it can be identified and treated appropriately during the development of the F&A cost rate. See definitions section of the Guidance on Business Expenses for definitions of these key attributes for allowability. See also page 3 of the Guidance on Business Expenses for additional discussion on allowability and unallowable costs.

Q: What are “discretionary funds”?

A: Many Caltech accounts are designated for specific purposes such as research sponsored by the Federal government or scholarships and fellowships supported by gifts, private grants or endowment income. The term “discretionary” is often used to distinguish other accounts that are generally subject to broad restrictions. The implication is that, for these broadly restricted funds, many expenses are appropriate at the discretion of the account holder or division chair. It should be clear, however, that only expenses serving a legitimate business purpose are an appropriate use of any kind of Caltech funds. See page 4 of the Guidance on Business Expenses.

Q: How are expenditures authorized?

A: Certain individuals are authorized to make particular types of expenditures based on the position they hold. Everyone at Caltech who expends funds must have their expenditures authorized or approved by an individual at a higher level than the person incurring the expenditure. Both the person who incurs the expense and the person who authorizes the use of a particular source of funds are responsible for ensuring maximum practical economy for a reasonable business purpose. See page 6 of the Guidance on Business Expenses.

Q: Can I purchase an appreciation or recognition gift for an employee? When are these gifts taxable to the employee?

A: In general, gifts with a cash value (gift cards, purchased gifts where there is an identifiable price, etc.) are taxable. Any gift that has a cash value is reportable for tax purposes regardless of the cash value (i.e., there is no *de Minimis* amount for a gift with a cash value). The individual providing the gift or their designee should report the gift and the value to Caltech Payroll so that the cash value can be imputed as taxable income to the employee in the pay period when the employee receives the gift.

Caltech’s Rewards and Recognition program is a great way to reward and recognize employees and teams who go the extra mile to service their departments and the Caltech campus. Taxability of the gifts has been determined by Human Resources and a process is already in place to manage these awards. Spot Award recipients are taxed on their paycheck as imputed income for the \$100 American Express Gift Check that they receive because the \$100 gift cards have a cash value. Teams receiving a Team Achievement Award are honored at a reception but are not taxed for any portion of the cost of the reception because there is no individual gift with a cash value.

Other types of appreciation or recognition gifts such as buying lunch for your staff, providing an employee with a plaque of nominal value, etc. cannot be charged to sponsored awards but may be able to be paid for with other sources of funds. These types of expenses should be approved by the individuals are authorized to make particular types of expenditures based on the position they hold.