



Policy: Spousal Travel

Submitted By : Sarah Stover

Office of Financial Affairs
Controller's Office Policies and Procedures

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Policy

It is Villanova University's policy that spousal travel will not be treated as taxable income to the University employee if the travel is for a documented, bona fide business purpose (as determined by reference to Internal Revenue Service guidance). In all other cases, spousal travel expenses paid for or reimbursed by the University will be treated as taxable income to the employee.

Background

Generally, the University does not pay for or reimburse the travel-related expenses (e.g., airfare, hotel, meals, etc.) of employees' spouses. There are a limited number of specific situations where the University will pay for the costs associated with such travel, because the University has identified the travel to have an important business purpose. Although the University may deem certain spousal travel to have an important business purpose, at the same time, such travel may not be considered to have a bona fide business purpose in reference to requirements set by the IRS. In such cases, the expenses associated with spousal travel will be treated as taxable income to the employee by the University and the IRS.

Procedures

Approval of Spousal Travel

Spousal travel will only be paid for or reimbursed by the University if the travel is approved in advance by the President or the appropriate Vice President. The travel and approval must be documented in writing, as described below, and the documentation must be maintained by the traveler's home department in accordance with the University's record retention policy.

Documentation of Spousal Travel, and Reporting Requirements

A traveler's home department must maintain written records that clearly document the following:

- Name of individual traveling (spouse)
- Name of Related University Employee
- Details of Travel (Date, Purpose, Destination, Airline, etc.)
- Cost of Travel (estimation of value if necessary) and method of payment
- Business purpose for the spouse's participation, including specific activities expected to be conducted by the spouse in furtherance of the business purpose (see below)
- Approval of travel by appropriate person, as described in the preceding section

On a monthly basis, the details of such travel (spouse's name, employee's name, costs of travel, etc.) must be summarized and reported to the Payroll Office by the traveler's home department, so that the value of the travel can be included as taxable income in the employee's paycheck. If the traveler or the traveler's home department believes that the spouse's travel is for a bona fide business purpose as defined by the IRS, the Office of Financial Affairs will review all relevant

documentation, and in conjunction with the University's tax advisors, determine whether or not the costs of such travel are includible in the employee's taxable income. Results of the determination will be shared with the employee's home department.

In determining the costs associated with spousal travel, any additional costs that are incurred by the University as a result of a spouse accompanying an employee on a trip (i.e., costs which would not have been incurred if the employee were traveling alone) must be included. Examples of such costs include, but are not limited to, the cost of a spouse's airline ticket and the cost of the spouse's meals.

Bona Fide Business Purpose – IRS Definition

In order for spousal travel to not be taxable to the employee, the presence of the spouse must be essential (not just beneficial) to the University employee being able to carry out his/her business purpose for the University. A determination of whether an employee's spouse serves a bona fide business purpose as defined by the IRS will be based on the following criteria:

1. The degree to which the "dominant purpose" of the travel is to aid the employee's business purpose of promoting the University's objective.
2. Whether the spouse's presence on the trip is necessary to effectively carry out the duties of the employee.
3. The extent to which the spouse's presence on the trip is to provide more than "incidental" business related services to the employee (e.g., typing notes, attending to ministerial or scheduling matters, attendance at meals, etc. are considered incidental).
4. The time spent by the spouse on personal activities in comparison to the activities related to the business of the University.

Based on current documentation from the IRS, the following purposes for spousal travel are not likely to be considered bona fide business purposes, and thus the cost of the travel will be taxable income to the University employee:

1. The spouse's performance of some incidental service or ministerial task (such as taking notes) or accompanying the employee to luncheons and dinners. The spouse must perform substantive business related functions.
2. An expectation that the spouse will be present at related social functions or that the spouse's presence will promote goodwill with the other attendees.