

Effective Date: 09/10/18

Approval: \_\_\_\_\_

**CITY OF LEWISVILLE  
POLICY STATEMENTS**

**TOPIC: 1.0 – ADMINISTRATION**  
**REFERENCE: SECTION I – CITY COUNCIL TRAVEL AND BUSINESS EXPENSES**

**I. CITY COUNCIL TRAVEL AND BUSINESS EXPENSES**

A. Purpose

The purpose of this policy is to establish a consistent process for the accounting and reimbursement of City Council and appointed board member travel and business expenses, and compliance with the regulations of the Internal Revenue Code.

B. Definitions

1. Accountable Plan – An allowance or reimbursement policy where amounts are non-taxable to the recipient if the following requirements are met:

- a. There must be a Business Connection to the expenditure;
- b. There must be Adequate Accounting by the recipient within a reasonable period of time; and
- c. Excess reimbursements must be returned within a reasonable period of time.

Payments made under an allowance or reimbursement program that does not meet all three requirements for an Accountable Plan are taxable wages when paid or when constructively received by the mayor or council member.

2. Adequate Accounting – Verification of the date, time, place, amount and Business Purpose of expenses. Itemized Receipts are required unless the reimbursement is made under Per Diem.

3. Business Meal – A non-routine meal that includes more than one person; has a clear, necessary business reason for incurring the expense; and is substantiated with an Itemized Receipt. It must also meet the Directly-Related or Associated Test.
4. Business Purpose or Connection – A deductible business expense incurred in connection with services performed as a mayor or council member.
5. Day Meals – “On Your Own” meals incurred without an Overnight Stay. These meals would be taxable as wages per the IRS if reimbursed by the employer.
6. Incidental Expenses – Fees and tips given to luggage-handling services, lodging staff and tips and taxes for food. Incidentals, along with meals, are included in the M&IE (Meals and Incidental Expenses) Per Diem rate.
7. IRS – Internal Revenue Service
8. IRS Standard Mileage Rate – IRS published reimbursement rate for mileage when a mayor or council member uses their personal vehicle for business travel. The rate can be found at [www.irs.gov](http://www.irs.gov).
9. Itemized Receipt – A receipt that lists the specific line items and amounts purchased. The receipt is provided by the merchant and also includes information identifying the business, time of purchase and other information related to the transaction. A credit card receipt is never an itemized receipt.
10. Overnight Stay – Travel long enough to require substantial sleep or rest. A longer than normal work day does not meet the IRS definition.
11. Per Diem – An allowance per day to pay for meal and incidental expenses (M&IE) and lodging expenses while traveling on business. Federal per diem rates are located under [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem).
12. Tax Home – The general vicinity or principal place of business (City Hall). It includes the entire metropolitan area for IRS purposes. For Lewisville, the metropolitan area is Dallas, Denton, Collin and Tarrant counties.
13. Travel Expenses – Qualifying expenses incurred during travel on business away from the Tax Home.
  - a. Travel must be temporary, and

- b. Substantially longer than an ordinary day's work, requiring an Overnight Stay or substantial sleep or rest.

## C. General Allowances

### 1. City Council and Board Member Travel

- a. The City will pay certain expenses for travel required to conduct City business for the mayor, council members and appointed board members.
- b. Any out-of-state travel request by a mayor or council member needs to be approved on a case-by-case basis by the City Council prior to the trip. Once approved, no formal action is required for future said trip.
- c. The mayor and council members shall avoid changing of travel plans that result in increased costs to the City.
- d. Appointed board members will be subject to same guidelines within this policy as the mayor and council members unless otherwise noted.

### 2. Entertainment and Alcohol

The City will not reimburse for entertainment or alcohol.

### 3. Liability Coverage

- a. The mayor and council members traveling on City business will be covered by insurance to the same extent they are covered during periods when they are discharging their prescribed duties.
- b. Additional insurance coverage for rental cars is not required under the City's insurance coverage and will not be reimbursed.

### 4. Receipts and Documentation

Reimbursements for travel and business expenses will only be made under an Accountable Plan. The City will not reimburse for expenses incurred outside of an Accountable Plan. Itemized Receipts are required unless the reimbursement is for Per Diem meals, Per Diem lodging, or transportation as provided for under section I.D.1.e below. The IRS does allow for the occasional missing receipt but this is limited to an individual expenditure of less than \$75.

D. Policy

1. Transportation

a. Commercial Airlines

- (1) The City will pay for economy round trip airfare. The mayor and council members may choose to travel first-class, but the City will only pay economy fares.
- (2) The City will pay for one (1) personal checked bag, each way, per trip.
- (3) The City will pay up to \$30 of additional fees for preferred or advance seating, each way per trip, if necessary.

b. Ground Transportation

- (1) The City will pay for rental car, taxi, bus, and similar ground transportation fares for required transportation.
- (2) Direct expenses, such as gasoline and tolls, associated with the use of rental cars will be paid.
- (3) Appropriate receipts are required for these expenditures.

c. Personal Vehicles

- (1) The mayor and council members may use their personal vehicles for out-of-town travel. If the destination is less than 500 miles from their Tax Home, the mayor and council members will be reimbursed actual mileage to and from the destination multiplied by the current IRS Standard Mileage Rate. If the mayor or council member chooses to drive to a destination that is more than 500 miles from their Tax Home, the City will reimburse the lesser of:
  - (a) The cost of a 21 day advance round trip airfare for each official traveling to the destination on City business in the vehicle. The comparison airfare should be economy or lowest fare available unless extenuating circumstances can be documented,
  - OR
  - (b) Actual mileage to and from the destination at the current IRS Standard Mileage Rate.

- (2) When the destination is more than 500 miles from the point of departure, the City will not reimburse for expenses (such as lodging and meals) in transit except as allowed for under I.D.2.c and I.D.3.a.(5).
- (3) The City will pay for any required City business related mileage while at the destination.
- (4) The City will not reimburse for toll fees when using personal vehicles. The City considers these fees compensated by approving the use of the IRS Standard Mileage Rate.

d. Parking

The City will reimburse, with appropriate receipts, parking required while the mayor or council member is conducting City business.

e. Non-Receipt Transportation Expense

The IRS does allow reimbursement for transportation expenses for which a receipt is not readily available (i.e. parking meters). The City will pay for this occasional expense.

2. Lodging

a. The City will reimburse lodging expenses under the Per Diem allowance method. The mayor and council members are deemed to have substantiated the amount of the expenses up to the federal Per Diem rate.

- (1) Expense Reports will note these Per Diem amounts for reimbursement without actual receipts.
- (2) Rates vary based on destination and are established by the U. S. General Services Administration. These rates are reviewed annually and updated each October 1. These rates can be obtained by going to [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem).
- (3) The rates do not include taxes. An amount equal to 20% of the Per Diem room rate will be added on the expense report for taxes incurred.
- (4) The mayor and council members are only eligible for Per Diem if they actually paid for overnight accommodations.

- (5) Per Diem should be reduced in those cases where the federal rate would be an excess reimbursement.
    - b. An exception to the Per Diem method is for lodging rates expressly associated with a conference or meeting sponsored by a third party.
      - (1) These rate(s) are stated in the conference, or meeting sponsored by a third party, literature or notices and may apply to non-designated lodging if designated accommodations are not available.
      - (2) The City will pay actual expenses with appropriate receipts.
      - (3) The City will pay or reimburse expenses for any type of lodging as long as the rate is at or lower than the stated conference rates. Additional transportation and travel costs should be taken into consideration when comparing the non-conference lodging value to the conference accommodations and the most economical decision should be chosen.
    - c. The payment or reimbursement for lodging will be for the actual number of days of the conference or meeting sponsored by a third party, plus reasonable allowance for travel time.
    - d. Overnight accommodations are not reimbursable unless the travel destination is outside the Tax Home area.
    - e. The mayor and council members are encouraged to make travel plans in advance as conference lodging fill to capacity and other accommodations may exceed the Per Diem conference or meeting sponsored by a third party rate that will be reimbursed.
    - f. Extraordinary circumstances requiring reimbursement for lodging expense beyond Per Diem and conference or meeting sponsored by a third party rate will need written documentation submitted to the City Secretary's office before additional reimbursement.
  3. Meals and Incidental Expenses (M&IE)

Reimbursement of M&IE is dependent on whether there is a valid Business Purpose and whether the expenses are substantiated with Adequate Accounting. The City will only reimburse for M&IE when both conditions have been satisfied. The IRS makes three clear, distinct categories surrounding meal reimbursements that are detailed below.

a. Individual Meals While Traveling Overnight

- (1) The City will reimburse these M&IE under the Per Diem allowance method. The mayor and council members are deemed to have substantiated the amount of the expenses up to the federal Per Diem rate. The City will no longer reimburse these individual meals from actual receipts.
- (2) Expense reports will note these Per Diem amounts for reimbursement without actual receipts.
- (3) Rates vary based on destination and are established by the U. S. General Services Administration. These rates are reviewed annually and updated each October 1. These rates can be obtained by going to [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem).
- (4) If traveling to more than one location in one day, rates for the area where the mayor or council member stops for rest and sleep will be used.
- (5) Per the IRS, on the first day of travel and on the last day of travel, the M&IE rate must be prorated. This prorated amount is stated on the above referenced website.
- (6) If a meal (excluding continental breakfast, snacks, refreshments, hors d'oeuvres, and appetizers) is included in a registration fee for an event, the Per Diem will be reduced except on prorated Per Diem days. From the website above, select "Meals and Incidental Expense Breakdown" to obtain this reduction amount to the M&IE rate. Likewise, if the mayor or council member's meal is paid for under I.D.3.c., the Per Diem is to be reduced.
- (7) Per Diem should be reduced in those cases where the federal rate would be an excess reimbursement.

b. Individual Meals Away From Home But Not Overnight (Day Meals)

- (1) The City will not reimburse for these meals since they are generally taxable as wages.
- (2) The City will reimburse for meal expenses directly associated with and necessary for attending meetings if related to City business and the meal is included in the

program. The IRS gives examples such as chamber of commerce, business leagues, and trade or professional associations.

c. Business Meals

(1) Meals that meet the definition of Business Meals under I.B.3. must also meet one of the following tests:

(a) Directly-Related Test – the meal must satisfy all of the following:

- i. The main purpose of the combined business and meal is the active conduct of business;
- ii. Business is actually conducted during the meal period; and
- iii. There is more than a general expectation of deriving income, lowering expenses or some other specific City benefit at some future time.

OR

(b) Associated Test – the meal must satisfy all of the following:

- i. Associated with the active conduct of the City's business; and
- ii. Directly before or after a substantial business discussion.

(2) Receipts for Business Meals that meet one of the above tests shall be submitted with accompanying notation of the subject of the meeting and individuals present along with the documentation requirements under I.C.4.

(3) Tips associated with Business Meals should be 15% for quality service. Tips in excess of 20% will not be paid by the City.

(4) In cases where a meal qualifies for Per Diem reimbursement under I.D.3.a., above but also qualifies as part of a Business Meal expense in this section, the meal will be reimbursed as a Business Meal to the employee,

mayor or council member that paid for the meal. No Per Diem reimbursement will be allowed.

4. Other Travel Issues

- a. The City will not pay for social or recreational conference functions that are separately ticketed events outside the base conference or seminar registration fee.
- b. The City will not pay for dry cleaning, laundry, in-room drink and snack bar, vending machine items, magazines, health clubs, spas, pay television, hotel phone use, charges for personal postage and other personal items, or other such Travel Expenses deemed to be non-essential to the purpose of the trip.
- c. Spousal and family expenses associated with any City approved travel are not eligible for reimbursement.

5. Reimbursement Requirements

- a. Reporting for all Travel Expenses shall be submitted to the City Secretary's office within ten (10) working days of their return from the trip.
- b. Reimbursement for Travel Expenses and other business expenses will only occur upon completion of the trip. All allowable Travel Expenses, including prepaid expenses (i.e., payments made directly to airlines, conference registrations, etc.), and credit card charges shall be reported on the expense report.
- c. The expense report form along with other reimbursement forms are available under S:\City of Lewisville\AP & Purchasing Forms\Expense Form.
- d. Each person traveling shall fill out an expense report.
- e. Receipts and other supporting documentation shall be attached to the expense report.
- f. Substantiation of travel for conferences or training shall be included with the expense report. This can be in the form of a brochure, schedule or itinerary.
- g. An internet mileage printout (such as Google Maps) attached to the expense report is recommended for supporting documentation for

mileage reimbursement. The IRS requires that mileage being reimbursed using the IRS Standard Mileage Rate must substantiate the date, business purpose, and place of each trip. A mileage log with these required elements should suffice for this purpose.

## **II. GENERAL PROVISIONS**

The City of Lewisville reserves the right to change, modify, amend, revoke or rescind all or part of this policy in the future.