

### **140.2 Business Expense versus Personal Expense**

Travel expenses and other reimbursements or payments to a University employee must be treated as taxable income to the employee if the expenses are personal in nature (personal expenses) or if the requirements described in section 140 for expense reimbursements are not met.

Business Expenses and Personal Expenses are generally distinguished as follows.

- A *business expense* must be both ordinary and necessary. An ordinary expense is one that is common and accepted for universities. A necessary expense is one that is helpful and appropriate for carrying out the mission of the University. Salaries and benefits paid to employees and utility costs to operate campus facilities are examples of business expenses.
- *Personal Expenses* are incurred by individuals and do not meet the definition of a business expense. Living expenses of an employee and travel expenses for commuting to and from the primary work location of an employee are examples of personal expenses.
  - Lodging and meals are generally considered personal expenses but may, in limited circumstances, be considered a business expense. Refer to Section **130.4 Meals** and **130.5 Lodging** for additional details.
  - Commuting expenses include costs incurred to travel from your residence to your primary work location, also referred to as the Tax Home in IRS guidance, and are always considered to be personal expenses, regardless of how far your residence is from your primary work location.
    - Primary work location is determined by the employee's supervisor and may be any location where the University has a substantial physical presence (Main Campus or any regional or military sites). Primary work location may be the employee's home if a Remote Work Agreement has been established. Primary work location is determined at the time of employment or if a substantial change in duties occurs.
    - In some instances, an employee's supervisor may approve a hybrid work arrangement, whereby the employee is regularly scheduled to work in a home office on some days and at a University location on some days. In such cases, both locations are considered the **primary work location** for purposes of applying these requirements.
    - Expenses incurred while traveling to the employee's **primary work location** are not reimbursable on a tax-free basis. Any reimbursement of such expenses must be treated as taxable income to the employee.
    - Expenses incurred while **traveling away from home** for business purposes (e.g. travel to an academic conference) may be treated as a tax-free reimbursement if the requirements of section 140 are met.

- Expenses occurred while traveling to a **temporary work location** may be treated as a tax-free reimbursement if the requirements of section 140 are met.
  - The temporary work location assignment must be expected to last one year or less
  - The temporary work location must not be in the same metropolitan area as the employee's residence.
  - *Example:* Employee A has an approved Remote Work Agreement which treats Employee A's residence as her primary work location. However, A is required to travel to the main campus two days per month for departmental meetings. A's residence is in Ft. Worth. Expenses incurred, including transportation, lodging, and meals, for travel to these departmental meetings may be treated as a tax-free reimbursement if the requirements of section 140 are met.

Source: [IRS Publication 463](#): Travel, Gift, and Car Expenses  
[IRS Publication 565](#): Business Expenses