

NUMBER: BTRU 1.16
SECTION: Board of Trustees

SUBJECT: Board Member Expense Policy and Procedures

DATE: February 17, 2017

Policy for: All Campuses
Procedure for: All Campuses
Authorized by: J. Cantey Heath, Jr.
Issued by: Board of Trustees

I. Policy

Expenses directly incurred by members of the Board of Trustees of the University of South Carolina in fulfilling their responsibilities as members and in acting for the benefit of the University shall be reimbursed in accordance with State regulations and the provisions detailed in this Policy.

While directors of a corporation (i.e. members of the governing board) are typically defined by statute as non-employees (i.e. Form 1099), officials of states and their political subdivisions and instrumentalities are classified as employees because they are elected public officials which subjects them to a degree of control that is characteristic of an employer-employee relationship. The Trustees of the University are elected by the State legislature which has the power to remove them from the Board. As a result, Trustees are classified by the IRS as an “employee” for purposes of payroll tax reporting (i.e. Form W-2) and payroll tax remittance purposes.

Trustees do not receive compensation for their services as a board member. Under Article II, Section 4 of the University Bylaws, each member of the Board shall draw such Per Diem and expenses as from time to time may be allowed other boards, commissions and committees of the State or its agencies. These “draws” represent reimbursement for out-of-pocket expenses incurred in fulfilling their responsibilities as members of the Board of Trustees and not compensation for services performed.

The purpose of this Policy is to provide guidance and procedures whereby expenses that are incurred by a Trustee or by the spouse of a Trustee in connection with University related travel, entertainment, food, lodging, and the like, may be reimbursed without triggering a “taxable” event that would be reported on an annual Form W-2. This Policy also shall define those authorized expenses that may be paid directly by the University instead of by the Trustee involved.

A. Authorized Expenses

The expenses to which this policy applies are expenses that may be incurred by or on behalf of a Trustee for:

1. Board Meetings, Commencement and Other University Business Events and Meetings – Travel to and from a board meeting or to and from an activity that relates or pertains to the University’s business.

a. Vehicle mileage – Generally, the University will not reimburse (regardless of the source of funds) for the use of a personal car within 10 miles of an employee’s official headquarters and/or place of residence. As a result, Trustees using a personal vehicle are eligible for reimbursement only if the trip exceeds the 10 mile distance requirement under the following circumstances:

- The trip from the Trustee’s personal residence to University meetings and back, is considered commuting by the Internal Revenue Service. Commuting is nondeductible personal travel. If the Trustee elects to be reimbursed for personal vehicle mileage, the Trustee must complete the Reimbursement Form (personal section), attached as Appendix A. Reimbursed personal mileage must be treated as wages and will be considered taxable income to the Trustee on an annual Form W-2.
- Since commuting is defined as the trip from the employee’s home to his regular place of employment and back, the travel that occurs between a Trustee’s place of business and the University campus location will be considered “business” and is eligible for reimbursement. (IRS Revenue Ruling 55-109). To obtain reimbursement for these business miles, the Trustee must complete the Reimbursement Form (business section), attached as Appendix A. Reimbursed business mileage is not considered taxable income and will not be reported to the IRS.

In accordance with State regulations, the State Superintendent of Education is not eligible for mileage reimbursement under any circumstances. In addition, The University will provide reimbursement based on the most direct route, at the current applicable University rate per mile.

- b. Per Diem – Trustees have the option to receive a minimum per day Per Diem in accordance with the annual South Carolina Appropriations Act Section 117.19 with the exception of the State Superintendent of Education. Per Diem is intended to reimburse the Trustee for incidental personal expenses incurred as a result of the following:
- Regular, special, emergency board committee and working group meetings.
 - Presentations before legislative committees or other legislative bodies as a representative of the board.
 - Commencements and other special events conducted on all campuses of the University.
 - Attendance at national conferences or meetings of higher education organizations in which USC is a member.

If the Trustee elects to collect the Per Diem, the Trustee must complete a Board of Trustees Reimbursement Form, attached as Appendix A, for each meeting and event attended to be reimbursed. Because the Per Diem is intended to reimburse the Trustee for incidental personal expenses, it is considered a taxable payment; the full amount paid to the Trustee will be reported on an annual Form W-2.

- c. Lodging expenses – Overnight stays incurred by Trustees attending University business events will be provided to the extent that the overnight stay allows the Trustee to meet Board attendance expectations. The Board Office staff will assist with lodging arrangements. Every effort will be made to obtain the most practical and economical room rate and provide for the University to be directly billed by the hotel or motel.

It is anticipated that overnight lodging will be required only in the following circumstances:

- When the business of the University extends beyond a normal working day (i.e. after 5:00 pm) and travel back to a Trustee’s residence would be impractical, or

- When the business meeting begins in the morning and long distance travel early in the day would be impractical.

As a result, the amounts paid for business lodging will not be included in the Trustee's W-2 income (i.e. IRC Section 162).

- d. Meals and Entertainment – Appropriate meals will be provided by the University for bona fide business meal and entertainment expenses that may include spouse/guest, as appropriate. The Board Office will assist with the required written substantiation. As a result, it will not be necessary to request reimbursement for such meals that typically include board meetings and developmental meetings as the Board deems necessary. In addition, the amounts will not be included in the Trustee's W-2 income (i.e. IRC Section 162).

- University entertainment is the arrangement of activities, events, or meals for the promotion and advancement of the University's mission. While the breadth of the University's mission may occasionally require entertainment needs, such expenditures must be reasonable and must be managed in a fiscally responsible manner.

- Meals or events that are primarily social in nature (i.e. public relations, development, etc.) and have a University related business purpose may be permitted. Examples of acceptable entertainment expenses include:

1. Alumni events and receptions
2. Faculty, staff, and student awards and appreciation events
3. Receptions for visiting scholars, dignitaries, award-winners, etc.
4. Meals including University guests and other non-employees
5. Donor and donor prospect meals and receptions
6. Commencement-related events
7. Recruitment of prospective faculty, staff, or students
8. Catered events in celebration of University milestones

- e. Please note that this is not an all-inclusive list. In addition to these expenses, there may be other events on or off campus not specifically covered in this policy whereby the expenses may be

reimbursable. In all such cases, the Board Office will be responsible for evaluating the expenses for reimbursement according to the criteria presented in Section A, Part 1.

2. Spousal Expenses – IRS Regulation 1.132-5(t) generally provides that payment for travel expenses of a Trustee’s spouse traveling with the Trustee may be excludable from taxable income if the trip is for a bona fide business purpose and the Trustee substantiates the travel. The presence of the spouse must be essential, not just beneficial, to the Trustee being able to carry out his/her business purpose for the University. If the intention of the spouse’s attendance can be proven it was not primarily for vacation purposes and that substantive business-related functions were performed while traveling, the expenses may be deductible even though socializing was a part of the spouse’s services.

When spousal expenses are allowed for official University events to which the Trustee and the Trustee’s spouse are invited or expected in the role of Trustee, the Board Office will assist in the documentation of the business purpose for these expenses. If the spouse’s travel does not qualify as business, the Trustee’s taxable fringe benefit is computed as the “increase in cost.” For example, hotel rates for double occupancy usually are not twice the single occupancy rates. To determine the incremental, “additional” cost, the Trustee must obtain the single occupancy rate and subtract that from the double occupancy rates. If, however, as in the case of rental cars, no incremental cost is involved, the spouse in effect travels for free. The Board Office will assist in the documentation of the business purpose for these expenses. Taxable fringe benefits for spousal travel that meets the business-related criteria will not be considered taxable income to the Trustee and will not be reported on an annual Form W-2.

3. Gifts received from the University or related organizations – Gifts, awards, and other non-cash presentations are generally considered taxable income to the Trustee unless considered *De Minimis* (see sub-section b. below) or a Trustee achievement award.
 - a. *De Minimis* fringe benefits are those that are both low in cost and given on an infrequent basis. For the University’s determination of the taxability of a gift; gifts, awards, and presentations costing \$100 or less will generally be considered de minimis.
 - b. In contrast, flowers, books, fruit baskets, plaques, certificates (not gift certificates), or similar items given for a special purpose such as family death or illness, recognition of special effort, or outstanding performance may be “excepted” from the \$100 ceiling, with adequate documentation supporting the exclusion from income,

such as board minutes, death notices or other similar correspondence.

4. Athletic Tickets and Events – Members of the Board of Trustees, in their development capacity for the University of South Carolina, will have occasion to attend University athletic events or competitions. These events provide the Trustee with the opportunity to engage donors, supporters, state officials and business leaders in the advancement of the University of South Carolina’s teaching, research, creative activity and community engagement mission. When attending such events, the Trustee is considered to be appearing in an official capacity and may be required to attend official functions or play an official role thereto. Such tickets, and the reimbursement of any reasonable expenses related to the event are considered “reimbursement of a business expense” and not a gift or taxable compensation. In addition, “post-season” participation is considered to be a means to further recognize and promote, through national exposure, the University and its athletic programs. Post-season activities shall be accomplished consistent with state law, University policy, conference/NCAA rules and prudent management. The following principles apply to the Trustees attendance at athletic events:

- a. Regular Season Home Game Tickets

At the beginning of each season, the Board Office shall distribute four complimentary football tickets for seating located in the University Bay, including related parking. In addition, Trustees shall also receive two complimentary men’s basketball tickets at the beginning of the season with related parking. Two complimentary tickets for women’s basketball and men’s baseball games shall be provided upon request.

Along with the tickets, the Board Office will provide a detail development guest list, which will assist Trustees in further advancing the University’s mission by entertaining persons having a business relationship with the University. The Board Office will retain these records in order to meet the supporting documentation requirements under IRS Regulation 1.274-5T(c).

As a result, the season tickets will be excluded from a Trustee’s taxable income as a working condition fringe benefit under IRC Section 162. Complimentary tickets provided upon request will be excluded from the Trustee’s taxable income as a “no additional cost services” exception under IRC Section 132(b).

b. Regular Season Away Game Tickets and Related Expenses

1. Trustees may be invited to visit with the administration of another school and tour its facilities to further advance the University's mission as part of a regular season away game. Events of the trip and attendees are documented on a trip agenda and retained by the University's Board Office as supporting documentation for the business purpose.

Official University representation begins the day travel commences and ends the day after the game. Expenses to be covered include transportation to the destination, ground transportation during the trip, and appropriate event tickets. Lodging and meals are typically paid by the Trustee and are not reimbursed.

2. In all other circumstances, Trustees who want to attend regular season away games shall purchase tickets and make their own travel arrangements, which are not reimbursed by the University.

c. Post-Season Athletic Event Participation

The Policy covering Post-Season Athletic Event Participation is the same as item b. Regular Season Away Game Tickets except for the following:

- Expenses to be covered include transportation, lodging and two complimentary event tickets for the Trustee, who has been invited to represent the University. Meals are paid by the Trustee and are not typically reimbursed.
- Group Transportation may be arranged for the Trustees to travel together. If a Trustee decides to select other modes of travel, the Trustee will be responsible for the expense and will not be reimbursed by the University.

B. Carolina Card Access Privileges

Each Trustee is provided with a "Carolina Card" that allows them and their guest free access to certain campus facilities such as the Solomon Blatt Physical Education Center and the Thomas Cooper Library. The value of the Trustee's personal use of these

recreational facilities will be excluded from taxable income because the IRS requirements for “no additional cost service” fringe benefit under IRC Section 132(b) and special rules regarding the use of an “employer provided athletic facility” have been met.

C. License Plates and Arranged Parking

Each Trustee is provided with a “USC Board of Trustees” government license plate that they pay for personally. While this plate possesses a distinguishing design for identification purposes, the plate does not allow the Trustee any special parking privileges at the University. Parking is arranged and paid for by the Board Office for events like meetings, particularly if the parking is in a location where paid parking is required, such as the Alumni Center. Since the “value” of the arranged parking paid by the University on behalf of the Trustee is no more than \$175 per month, it is considered a working condition fringe benefit excludable from taxable income.

D. Supporting Documentation

All supporting documentation will be retained in accordance with the University’s Record Retention policy.

II. Related Policies

BTRU 1.03 Bylaws of the Board of Trustees
BUSA 7.01 Acquisition and Payment of Goods and Services
FINA 1.00 Travel
HR 1.02 University of South Carolina Ethics Policy
LIB 1.03 Archives and Record Management

III. Reason for Revision

IV. Appendices

Appendix A: Board of Trustees Reimbursement Declaration Form and Reimbursement Form

BOARD OF TRUSTEES

Reimbursement Declaration

Members of the board may be paid per diem, mileage, and subsistence at rates established by the State for travel and expenses incurred while conducting official business of the University. The per diem allowance of the Board of Trustees is \$35 per day. The per diem rate is established by the General Appropriation Act and is given in lieu of an annual salary.

As described in BTRU 1.16 Board of Trustees Member Expense Policy and Procedures, per diem payments and other reimbursements may be reported on IRS forms W-2 or 1099, as appropriate.

Members of the board have the option to decline any per diem, mileage and/or subsistence reimbursement. To confirm whether or not you wish to receive per diem, mileage and/or subsistence reimbursements from the University, please complete this form and return it to the Board of Trustees Office. All payments, typically made on a quarterly basis, must be mailed directly to members of the Board of Trustees.

If you elect mileage reimbursement, please indicate your business and residence addresses from which mileage should be calculated. You must specify from which location you travel since it will determine whether the reimbursement is reported on a W-2 or a 1099. The Board Office in Osborne will be used as the Columbia campus destination address.

I elect to receive per diem for calendar year ____.

I elect to receive mileage and subsistence reimbursements for calendar year ____.

I elect **NOT** to receive per diem for calendar year ____.

I elect **NOT** to receive mileage and subsistence reimbursements for calendar year ____.

NAME: _____

Residence: _____

Business: _____

Signature

Date

University of South Carolina
BOARD OF TRUSTEES

Appendix A

Reimbursement Form

NAME: _____

MEETINGS (Please specify)	DATE(S)
_____	_____
_____	_____
_____	_____
_____	_____

PER DIEM @ \$35.00

- 60000/A0001/51700 [Meetings] \$ _____
- 60050/A0001/51700 [Commencement] \$ _____

MILEAGE (Must select whether travel is from residence or business; 53.5 cents per mile)

_____ Round Trip Miles from **Residence** to _____

_____ Round Trip Miles from **Business** to _____

_____ TOTAL MILES

- 60000/A0001/52021 [Meetings] \$ _____
- 60050/A0001/52021 [Commencement] \$ _____

LODGING (Only if not billed directly to USC. Receipt for hotel must accompany claim.)

- 60000/A0001/52021 [Meetings] \$ _____
- 60050/A0001/52021 [Commencement] \$ _____

SIGNATURE