Business Meal Reimbursement

FSS PPS 03 01 14  Business Meal Policy

The following is a summary for Business Meal Reimbursement

Effective: 01/01/2010
Revised: 08/05/2016

Expenses for business meals may be reimbursed from university funds if the amount is approved as reasonable and necessary by the appropriate account manager. If the individual incurring the expense is the account manager, the Dean/Director must approve the reimbursement. If the individual incurring the expense is the Dean/Director, the Vice President must approve the reimbursement. Reimbursements may include food, beverages, sales tax, and gratuity subject to the restrictions outlined in Tips/Gratuity below, and sales taxes on taxable purchases as discussed below.

Reimbursement of business meals is appropriate if the main focus of the activity is to support the business and educational mission of the university, and consumption of food is incidental to the purpose of the meeting. Business meals must include at least one or more external participants to the university. External participants include official guests of the university such as donors or potential donors, visiting lecturers, visitors from foreign countries, visitors from other universities and individuals interested in university programs, prospective faculty/staff during the interview process, guests invited to assist in the development or evaluation of programs, alumni, business leaders, and community leaders. The presence of university faculty and staff at the business meal must be integral to the purpose of the meeting.

In accordance with The Texas State University System Rules and Regulations, Article III, Section 06.08, the expenditure for food must assist in carrying out the educational function of the university, promote education, and provide an important public purpose. To achieve these goals set by the System, the expenditure must meet one or more of the eight approved direct purpose guidelines as outlined in Section 01.05 of UPPS 03.01.03, Purchase of Awards, Flowers, Food, or Refreshments.

Criteria

Expenses for business meetings including meals, beverages, gratuity, and sales tax on taxable purchases (see below) may be reimbursed from university funds if the amount is approved as reasonable and necessary by the account manager, the Dean/Director, or the Vice President on the expenditure payment request document. The AP-12 form may be used to indicate the business purpose and obtain approvals. The AP-12 form can be attached to the PO, e-NPO or P-Card waiver request. The following guidelines apply to business meals:

1. Business meal reimbursements must support the business and educational mission of the university and must include at least one external participant who is a governmental agency official, an educational institution official, a visiting lecturer, a prospective donor, or a business or community leader. A meeting consisting solely of one or more university faculty or staff employees partaking of a meal does not constitute a business meeting eligible for meal reimbursement.

2. Meal reimbursements for business meetings may also include:
   a. An activity where students are participating, including non-overnight travel. There is no basis for inclusion as wages since the meals were purchased for the convenience of the employer (i.e. the university is in the business of offering students an educational experience); or
   b. Meals served in conjunction with events such as training workshops, award ceremonies, off-site planning retreats, and student/faculty recognition receptions. When attendance is required at a meeting/training event that extends beyond the lunch hour, if lunch is not provided by the sponsor then the lunch expense the employee incurs would be allowed for reimbursement as a business meal and would not be considered wages. No provision is allowed to exclude meals outside of the business meeting time from wages if reimbursed. If no meals were occurred during the time of the event, then any meals which are reimbursed would be treated as wages to the employee.

3. Reimbursements for business meetings with external participants held by faculty and staff while in travel status are allowable under this policy, however; faculty and staff involved in the meal cannot also claim per diem under the university's travel reimbursement policy. Reimbursements for business meetings involving only university faculty and staff in travel status are not allowable under this policy.

4. Meals provided by Texas State to a spouse, family member or other personal acquaintance of a university employee will be permitted only when there is a substantial and bona fide business reason for that person’s attendance. The IRS does not permit tax-free treatment without such a reason.

5. The business purpose must be stated on the PO, or e-NPO or P-Card waiver. The AP-12 form can be used for this information.

6. Alcohol purchases or other exceptions to this policy may only be made with approval from the President or the requestor’s respective Cabinet Officer.

7. An itemized receipt or vendor invoice is required to support a business meal. Credit cards receipts are not acceptable unless they are itemized.

8. A list of participants names and definition as either external attendees or employees of the university is required if there are 19 or fewer participants. If 20 or more participants attend then a general description of the attendees is required. The AP-12 form can be used for this information.

State of Texas Sales Tax

State of Texas sales tax regulations specifically list meals as an example under “items of a personal nature.” Although no definition of items of a personal nature is given in the regulations, the regulations are clear that such purchases are taxable. However, the university does not consider all meal purchases to be items of a personal nature. Business meals purchased directly by the university are not considered items of a personal nature and are therefore considered a tax-exempt purchase. Properly identifying whether a meal is an item of a personal nature or not is key to determining whether the meal should be taxable or tax-exempt. To assist employees in making such determinations, the following guidance is provided.

When business meals are purchased with a personal credit card or with cash by an agent or employee of Texas State, the meal is considered an item of a personal nature, even if the meal will be consumed in conjunction with official Texas State business. The agent or employee may not present a completed Sales Tax Exemption Certificate to the merchant to claim a sales tax exemption. Because the Texas State agent or employee is unable to avoid payment of the sales tax, the sales tax is considered a valid business expense and may be paid or reimbursed to the agent or employee at the discretion of the account manager.

When meals in conjunction with official Texas State business are purchased by an agent or employee with a purchase order, a direct payment form (e-NPO with the merchant as the vendor), or a P-card, the meal is considered to be sales tax-exempt. The agent or employee must present a completed Sales Tax Exemption Certificate to the merchant and avoid paying sales tax. Effort should be made to purchase business meals with a purchase order, a direct payment form (e-NPO with the merchant as the vendor), or a P-card to avoid unnecessarily paying sales tax.

Tips/Gratuity

Non-state appropriated funds may be used to reimburse tips or gratuity in addition to the cost of business-related meals. Funding from sponsored programs or other restricted funds may have additional requirements which prohibit the payment or reimbursement of gratuity. The gratuity must be identified as a line item on the receipt or invoice. The reimbursement will not exceed 20% of the total receipt or invoice excluding sales tax. State appropriated funds are prohibited from reimbursing or paying gratuity, unless the amount is a required fee for the services provided. A common example is a 15% to 18% mandatory gratuity for large parties at restaurants or concierge services at a hotel. Such fees must be mandatory and itemized on the receipt or invoice.