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Employee Business/Travel Expenses Operating Policy and Procedure

Objective:

1. To fund authorized employee business/travel expenses when such expenses are necessary to conduct state business, and to promptly reimburse employees for allowable expenses incurred. For travel advances, see [PAY0020, Travel Advances](#) and for relocation expense reimbursement, see [PAY0022, Employee Relocation Expenses](#).
2. To ensure that state business/travel expenses are in compliance with travel expense policies and procedures of Minnesota Management & Budget, the Department of Administration and with applicable collective bargaining agreements, compensation plans, or state statutes.

This policy applies to all [executive branch employees](#) regardless of the source of funds from which the reimbursement is made.

Minnesota Management & Budget strongly encourages the use of state purchasing cards approved by the Department of Administration, Materials Management Division, for certain employee business/travel expenses. Employees who use state purchasing card must follow the Department of Administration's Purchasing Card Use Policy and all applicable collective bargaining agreements/compensation plans.

The following types of business/travel expenses may **not** be charged on a state purchasing card:

- Meals
- Personal phone calls
- Internet connection fees unless associated with a state issued mobile device, or hotel stay
- Fuel purchases
- Cash advances
- Relocation expenses



The employee's applicable collective bargaining agreement or compensation plan defines the parameters under which an employee may be advanced funds or reimbursed for travel.

Employees can obtain employee travel expense forms in Self Service. The forms are also available on the [Minnesota Management & Budget Web site](#). If you are unable to obtain the forms on the Web, fax a request to (651) 296-8325. Employees in departments that are approved for Self Service business expenses can enter expenses and advance requests online.



Agencies may impose greater control than required by this policy/procedure, but never less. All travel policy and procedures must comply with the requirements of the IRS, MN Statutes, policies and procedures of Minnesota Management & Budget and Department of Administration, and applicable collective bargaining agreements and compensation plans.

Click the following:

Policy

[Benefits Derived from Travel](#)

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Travel Expense Reimbursement

Forms:

FI-00529 SEMA4 Employee Expense Report - This form is not used if employees are using Self Service business expenses.

FI-00152 Authorization for Travel

PE-00668 Request for Approval of Special Expenses

References:

PAY0020 - Travel Advances - Operating Policy and Procedure

PAY0049 - Self Service Business Expenses - Operating Policy and Procedure

M.S. 43A.38, Subd. 2

M.S. 15.435

All Minnesota Statutes are available from The Office of the Revisor of Statutes.

<https://www.revisor.mn.gov/statutes/>

Department of Treasury, Internal Revenue Service, Publication 15 (Circular E), Employer's Tax Guide

Minnesota Management & Budget Administrative Procedure 4.4, Special Expenses

Date Last Reviewed: February 2012

Date Last Updated: January 2014

Number PAY0021 - Employee Business/Travel Expenses

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Employee Business/Travel Expenses

Policy - Benefits Derived From Travel

Employees traveling on state business may be offered travel benefits issued by lodging facilities or airlines.

Benefits issued by lodging facilities may include a free night of lodging given after a specified number of days paid. Airline benefits may include cash payments, discount coupons, free tickets, and frequent flyer mileage either as compensation to passengers who have been delayed or as rewards for frequent trips with a specific airline. Employees must not accept these benefits for personal use, according to Minnesota Statutes 43A.38, subdivision 2, which reads in part:

Employees in the executive branch in the course of or in relation to their official duties shall not directly or indirectly receive or agree to receive any payment of expense, compensation, gift, reward... from any source, except the state for any activity related to the duties of the employee unless otherwise provided by law.

In addition, Minnesota Statutes 15.435, Airline Travel Credit, prohibits state employees and other officials using state funds traveling on state business and using commercial airlines from claiming frequent flyer mileage as their own. Frequent flyer miles accumulated as a result of state business travel may only be accepted if the benefit can be accrued to the state and used exclusively for state business travel.

When submitting expenses for reimbursement, employees must certify, (by signing the expense report or by agreeing to the affirmation in Self Service business expenses,) that they have not accepted personal travel benefits when they apply for travel reimbursement.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0049 - Employee Self Service Business Expenses Operating Policy and Procedure



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Employee Business/Travel Expenses

Policy - Combined Business and Personal Travel

When an employee combines business and personal travel, the state will reimburse the employee only for expenses incurred that are directly related to the business portion of the trip. Rental cars for an employee should only be considered if public transportation is clearly unable to transport the employee to the destination or the employee has special transportation needs. If a rental vehicle is used for both business and pleasure, any additional costs incurred because of pleasure driving will not be reimbursed.

The state will not reimburse employee personal expenses, such as golf, sightseeing, bus tours, souvenirs, movies, park fees, health/fitness club fees, and games.

Use of State Cars

The personal use of state vehicles is prohibited except where specifically allowed by Minnesota Statutes section 16B.55. Personal use is reportable as wages to the Internal Revenue Service (IRS) on the employee's W-2 form. The state withholds FICA, Medicare, federal and state taxes on the value of such use. Please refer to PAY0019, Reporting Personal Use of Employer-Provided Vehicles for Tax Purposes, for more details.

You may also refer to the following topic(s):

Employee Business Expense

PAY0019 - Reporting Personal Use of Employer-Provided Vehicles for Tax Purposes Operating Policy and Procedure

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0049 - Employee Self Service Business Expenses Operating Policy and Procedure



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Employee Business/Travel Expenses

Policy - Employee Expense Report

All state employees in the executive branch must complete an employee expense report (SEMA4 Employee Expense Report) or must enter expenses in Self Service business expenses to receive reimbursement for travel expenses (refer to the Travel Expense Reimbursement Responsibilities Policy). When submitting expenses for reimbursement, employees must certify (by signing the expense report or by agreeing to the affirmation in Self Service business expenses) that they have not accepted personal travel benefits. The SEMA4 Employee Expense Report includes instructions for completing the form. Instructions are provided for those who enter business expenses in Self Service. Failure to complete the form properly and promptly or to enter expenses correctly in Self Service may result in expense items being disallowed and/or payment delayed. Agencies may substitute an agency-developed form for the SEMA4 Employee Expense Report as long as the alternative form includes required language and fields.

The following Expense Report guidelines must be followed:

- The Internal Revenue Service (IRS) requires that if employee business expenses are not submitted for reimbursement within "a reasonable period of time" - which is further defined as within 60 days after the expenses were paid or incurred, the expense reimbursement is categorized as supplemental wages and becomes taxable for federal, state, FICA and Medicare; and tax withholding must be taken at the supplemental rate. [See Department of the Treasury, Internal Revenue Service, Publication 15 (Circular E), Employer's Tax Guide.]
- All travel reimbursements for the fiscal year (ending June 30) must be submitted by July 31 (or earlier depending on fiscal year close date) and processed to ensure prompt payment from the proper fiscal year. Minnesota Management & Budget issues fiscal year close deadlines each spring/summer.
- An employee expense report submitted after July 31 requires a written explanation signed by the agency head (or agency head designee) and will be paid from current fiscal year funds. (For example, an employee submits an expense report for fiscal year ending June 30, 2013, on July 19, 2013. July 18, 2013 was the deadline for fiscal year 2013. A written and signed explanation must be attached to the expense report before the payment can be processed, and it will be paid from 2014 funds.)



The SEMA4 Employee Expense Report cannot be used to claim reimbursement for relocation expenses. Use the Relocation Expense Report to claim relocation expenses. Also, all employee relocation expenses must be submitted to Minnesota Management & Budget, Statewide Payroll Services, for payment after the agency has followed and completed the steps in the relocation policy and procedure.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0022 - Employee Relocation Expenses Operating Policy and Procedure

PAY0049 - Self Service Business Expenses Operating Policy and Procedure



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Employee Business/Travel Expenses

Policy - Meals and Lodging

Meals

Employees are reimbursed for the actual cost of a meal, not to exceed the maximum established in the applicable collective bargaining agreement or compensation plan. Cost of a meal includes tax and a reasonable gratuity and does not include alcoholic beverages. Agencies must establish procedures to verify that employees do not treat meal reimbursements as a per diem arrangement.

According to IRS regulations, reimbursements for meal expenses on trips not involving an overnight stay are taxable income. Therefore, when the expenses are paid, federal, state, FICA, and Medicare taxes will be withheld from the employee's pay, and the amount of the expense will be included in wages on the employee's W-2 form. The overnight stay distinction applies whether or not the employee incurs a lodging expense. (For example, if the employee stays with friends or relatives at no charge, any meal expenses for that trip are considered Meals With Lodging (not taxable,) even though there will be no lodging expense reimbursement.)

An employee may claim reimbursement for breakfast only if required to leave home for a travel status assignment before 6:00 a.m. or to be away from home overnight. To claim breakfast because of the need to leave home before 6:00 a.m., the employee must record the departure time on the SEMA4 Employee Expense Report or in the description field for meal expenses in Self Service.

An employee may claim reimbursement for lunch only while in travel status (defined as performing required work more than thirty-five (35) miles from a temporary or permanent work station) and the work assignment extends over the normal noon meal period.

An employee may claim reimbursement for dinner only if state business caused arrival at home from travel status after 7:00 p.m. or an overnight stay away from home. To claim dinner because the employee arrived home after 7:00 p.m., the employee must record the time of arrival home on the SEMA4 Employee Expense Report or in the description field for the meal expenses in Self Service.

Employees who meet the eligibility requirements for two or more consecutive meals shall be reimbursed for the actual costs of the meals not to exceed the combined maximum reimbursement amount for the eligible meals. Combined reimbursement (meal bunching) allows an employee to group the allowable limits for several meals and claim reimbursement on the amount actually spent on all meals not to exceed the combined total. For example, the 7/1/09 - 6/30/11 AFSCME rates are: breakfast \$7.00, lunch \$9.00, and dinner \$14.00. If the employee's trip covers seven meals, dinner the first night and all three meals the next two days, the employee could claim actual meal expenses not to exceed a maximum of \$74.00 for this trip. The \$74.00 maximum allowed may be divided among the seven meals in any way the employee chooses.

Sometimes the cost of commercial transportation, conference registration fee, or hotel lodging includes a meal. The employee is not eligible for additional reimbursement for that meal. Exceptions are fairly limited and may include: 1) the need for special diets which were not available, or 2) in cases of air travel, when exceptional turbulence would make eating highly difficult. Exceptions must be made on a case-by-case basis, and it is the agency's responsibility to review the circumstances and determine when reimbursement is warranted. This should be addressed in the agency policy.



If a lodging facility provides a breakfast referred to as "continental breakfast," the employee is eligible for reimbursement if breakfast is eaten elsewhere.

Lodging

Employees who incur expenses for lodging should select accommodations that are acceptable and reasonably priced. If possible, agencies should contract with facilities that are frequented regularly to obtain discounts in addition to normal government and frequent visitor discounts.

In order to be reimbursed for lodging, the employee must stay at a licensed lodging facility. Employees cannot be reimbursed for staying at the house of a relative, friend, or personally-owned property. The employee or department may enter into rental agreements to save costs on long-term lodging.

Employees must submit the itemized receipts for lodging showing the detail of charges with their SEMA4 Employee Expense Report or separately if using business expenses in Self Service in order to obtain reimbursement. Credit card billings, charge slips, check drafts, and canceled checks are not acceptable receipts. Employees can only be reimbursed for the single-room (occupancy) rate for lodging (not to include special rooms such as a pool side room when a regular rate room is available). If the employee bills the room directly to the agency or uses a state purchasing card and the facility charges the multiple room rate, the amount billed to the agency must be the single rate and the difference between the two rates must be paid by the employee when checking out of the lodging facility. If the employee submits a receipt for reimbursement that is for a multiple rate, the state agency must reimburse the employee at the single rate which must be clearly stated on the bill. If the single rate and multiple rate are the same, this must be stated on the bill.

Monitoring for duplicate payment of meals and other expense items can be difficult when the lodging accommodations are direct-billed because the agency usually receives the SEMA4 Employee Expense Report and hotel bill at different times, and the supervisor may never see the lodging bill. The only lodging charge that can be direct-billed to the agency is the room charge. Other miscellaneous charges on the lodging invoice, such as meals, dry cleaning, telephone, etc., must be paid by the employee at the lodging facility, at the time of checkout, and claimed on the employee expense report or entered in Self Service business expenses, if the expenses are allowable.



Travel to border communities is treated as in-state travel. (Border communities are contiguous cities/towns/communities. For example, Fargo-Moorhead, West Grand Forks-East Grand Forks.) It is the agency's responsibility to determine what cities are considered border communities.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0049 - Self Service Business Expenses Operating Policy and Procedure



Continue with your next task.

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Employee Business/Travel Expenses

Policy - Miscellaneous Expenses

Personal Telephone Calls

If provided by the employee's applicable collective bargaining agreement or compensation plan, personal telephone calls are reimbursable while the employee is in travel status overnight. Refer to each applicable collective bargaining agreement or compensation plan to determine if receipts are required for personal telephone call reimbursement.

Laundry and Dry Cleaning

Employees in travel status in excess of one week without returning home shall be allowed the actual cost not to exceed the cost allowed in the applicable collective bargaining agreements or compensation plans, for laundry and dry cleaning for each week after the first week.

Example: On the 8th day away from home, the employee qualifies for reimbursement. The employee can claim expenses until returning home. Once home, the employee is not eligible to claim expenses again until the 8th day away from home on the next trip.

Parking

If an employee who normally does not drive to work drives a personal vehicle to work because the vehicle will be used for state business during the day, the employee is not entitled to parking reimbursement at the work station, unless the agency required that the employee drive to work.

Cellular Telephones

The agency's internal travel/business expense policy must include reimbursement information regarding cellular telephones. All cellular telephone use and plans must be reviewed and approved by the agency prior to the employee beginning to use the cellular telephone. The agency must approve any adjustments to the cellular telephone plan that affect the cost to the state. (For example, the employee increases the cost of the cellular telephone plan and wants the state to incur additional expense.) All cellular telephone expenses must be checked and adjusted as needed before being reimbursed. When reimbursing for cellular telephone use, neither the employee nor the agency can benefit.

Other Expenses

The following are examples of expenses that will **not** be reimbursed unless allowed by Minnesota statute or by the employee's applicable collective bargaining agreement or compensation plan:

- Alcoholic beverages
- Annual fees and interest for personal credit cards
- Late payment fees or interest on state-issued corporate credit cards
- Expenses of traveling companions or family members
- Expenses related to vacation or personal days while traveling
- Loss or theft of personal cash or property (this includes personal vehicle loss due to accidents, vandalism, etc.)
- Entertainment or amusement costs, movies, "no-show" charges, optional travel or baggage insurance, parking or traffic tickets, commuting mileage or costs, health/fitness club fees, towing/repairs of vehicles
- Incomplete or incorrect expense reports or expense entry in Self Service

Board Members

Compensation and expense reimbursement paid by a state board, council or committee to a member must be processed through the accounting system. This includes compensation and expense reimbursement when a state employee serves on a state board, council or committee either as part of state employment or outside of state employment. (Refer to the MN Statute for additional information regarding board members.)

Tuition Reimbursement

The Internal Revenue Service sets guidelines regarding employer-paid educational assistance benefits. For example, for calendar year 2014, if the employer paid for more than \$5,250 of qualifying education benefits for an employee during the year, there would generally be tax withheld on the amount over \$5,250.

Beginning January 1, 2013, most employer-provided education benefits that do not relate to an employee's current job are taxable in Minnesota.

Therefore, agencies must monitor the total tuition amounts paid to employees and verify that they do not exceed the taxable education benefit limit. Earn codes have been established for reimbursing tuition to ensure correct taxation and reporting on the W-2 form.

For additional information refer to the following Internal Revenue Service publications and topics and Minnesota Revenue guidelines:

- IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits
- IRS Publication 970, Tax Benefits for Education
- IRS Publication 529, Miscellaneous Deductions
- Tax Topic 513, Educational Expenses
- Tax Topic 421, Scholarship and Fellowship Grants
- Minnesota Revenue Guidelines for Employer Provided Education Assistance Benefits

To ensure accurate processing and transaction entry in SEMA4, review the [Employee Business/Travel Expenses Procedure - Employee Tuition Reimbursement](#) for complete information on agency responsibilities.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances - Operating Policy and Procedure

PAY0049 - Self Service Business Expenses Operating Policy and Procedure

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Employee Business/Travel Expenses

Policy - Selecting a Mode of Transportation

Persons traveling by air/bus/train on state business should select the lowest cost transportation available upon arrival at a city of destination. The choice will depend upon the availability of transportation services.

Airfare and Mileage Instead of Airfare

Commercial or public transportation should normally be used for out-of-state travel except to communities which border Minnesota (for example, Fargo-Moorhead). Travel to border communities is treated as in-state travel.

An agency may authorize out-of-state travel for employees requesting travel who use their personal vehicles under special circumstances. The reimbursement for transportation to and from the trip destination (including any additional expenses that result while en route such as mileage, additional meals, or lodging) is limited to the lowest round trip airfare (based on the number of days the employee would have attended if traveling by air). If the lowest round-trip airfare can only be obtained by the employee arriving early and/or staying an additional night(s), the cost of the additional necessary hotel accommodations and/or meals may be included in computing the amount of the lowest airfare for the purpose of determining the expense reimbursement. An airfare itinerary from the state agency's travel agency (vendor) must be attached to the Authorization for Travel form. The lowest round trip airfare must be listed on the SEMA4 Employee Expense Report or in the description of the expense in Self Service business expenses. If additional hotel accommodations and/or meals are included in computing the lowest airfare, these additional costs must be itemized and attached to the out-of-state authorization.



Employees authorized to drive a personal vehicle will be eligible for reimbursement of local mileage at the destination regardless of the limit determined by using the lowest round trip airfare. These "local" expenses are reimbursed over and above the expenses tied to the transportation costs to and from the trip destination.

Control numbers will not be issued for this type of travel; therefore, the lower mileage rate normally prevails. However, if the state can substantially benefit from an employee reducing normal travel expenses and the total cost of the trip using the higher mileage rate is less than the lowest round trip airfare, then the higher mileage rate can be used without obtaining a control number. An approved explanation regarding the use of the higher mileage rate is required on the SEMA4 Employee Expense Report or submitted on paper or in email if using Self Service business expenses, before expenses can be reimbursed. The determining factor in deciding the correct reimbursable amount between mileage and airfare is whichever is the lowest amount.

Travel reimbursements are for actual expenses only. There is no mileage reimbursement for being a passenger in a private vehicle or an employer-provided vehicle.

Normal out-of-state travel time is arriving on Monday to attend or fulfill state business starting on Tuesday morning. Under special circumstances, an employee may leave earlier than the normal out-of-state travel time required to arrive at a destination if they obtain prior written approval. The approval should be obtained no later than 10 days (in emergency situations only) and no earlier than 30 days prior to departure. This time frame gives the agency time to get the proper airfare rates for the determination of maximum transportation expenses. The purpose for the earlier departure date must be noted on the SEMA4 Employee Expense Report or submitted on paper or in email if using Self Service business expenses.

Use of Rental Car (see also Combined Business and Personal Travel)

A rental car may be considered if business travel is required, and public transportation is clearly not adequate. Rental car usage requires justification (indicating why a rental car was used instead of public transportation) on

the SEMA4 Employee Expense Report and the travel authorization form or, if using Self Service business expenses, in the description field or on separate documentation.

If a rental car is necessary, employees must rent from the state's contract rental car vendor (as of 10/08, Enterprise Rent-A-Car Company.) The State has entered into nation-wide contracts with Enterprise that have full insurance coverage built in. Therefore, additional insurance should not be purchased when renting through Enterprise. The cost of any additional coverages will not be reimbursed.

If a rental car is necessary, and Enterprise Rent-A-Car Company is not available, use of another vendor requires that the employee purchase the liability and physical damage coverage offered by the rental company. Employees will only be reimbursed for the cost of the liability and physical damage coverage. The purchase of any other optional coverages will not be reimbursed.

It is the employee's responsibility to ensure they are making the correct rental car arrangements. If there are questions regarding rental contracts or insurance options, the employee should check with the Department of Administration, Risk Management Division prior to making arrangements.

In the event of an accident involving a collision or comprehensive damage with a rental vehicle, immediate notification must be made to the employee's supervisor or agency contact. The agency contact must notify the Department of Administration, Risk Management Division. This notification must be given regardless of fault.

For further information regarding insurance matters, contact the Department of Administration, Risk Management Division.



Any additional rental options selected by the employee will not be reimbursed.

You may also refer to the following topic(s):

Business/Travel/Relocation Expense

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0049 - Self Service Business Expenses Operating Policy and Procedure

Department of Admin., Policy and Procedure ADM-74, State Passenger Fleet Management Policy



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Employee Business/Travel Expenses

Policy - Special Expenses

Some expenses incurred in connection with official functions of an agency or assigned duties of a state employee which are not reimbursable through the regular expense regulations, may be special expenses. Provisions on special expenses are found in the applicable collective bargaining agreement or compensation plan and Minnesota Management & Budget [Administrative Procedure 4.4, Special Expenses](#).

Employees must obtain approval of special expense items before incurring such expenses or the payment request will be denied. Employees request approval using the Request for Approval of Special Expenses form. In emergency situations where prior approval was impossible to obtain, a statement must accompany the request for special expense approval explaining why approval could not be obtained beforehand. Payments to reimburse or advance special expenses may only be made if the original Request for Approval of Special Expenses form is submitted.

As of March 2004, examples of special expenses may include such items as (refer to [Administrative Procedure 4.4](#) for details):

- Meals as part of a conference, workshop, or seminar
- Registration
- Tuition
- Refreshments
- Lodging when the employee is not in travel status
- International travel
- State fair expenses
- Employee awards/recognition

Agencies should contact Minnesota Management & Budget for further Special Expense information.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0049 - Employee Self Service Business Expenses Operating Policy and Procedure

Minnesota Management & Budget, [Administrative Procedure 4.4, Special Expenses](#)



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Employee Business/Travel Expenses

Policy - Timing of Travel Expense Payments

The Internal Revenue Service (IRS) requires employee business expenses to be submitted for reimbursement within "a reasonable period of time" - which is further defined as within 60 days after the expenses were paid or incurred. If not submitted within 60 days, the expense reimbursement is categorized as supplemental wages and becomes taxable for federal, state, FICA and Medicare; and withholding tax must be taken. [See Department of the Treasury, Internal Revenue Service, Publication 15 (Circular E), Employer's Tax Guide.]

Business/travel expenses are paid on the on-cycle payroll. In order for business/travel expenses to be processed with the on-cycle payroll, they must be entered by Thursday noon of payroll processing week. If the employee has direct deposit, expense reimbursements will be deposited into the employee's account. The business expense amounts paid will be viewable on the employee's paystub. Business expense reimbursements for some employees will appear on a separate check and the employee will have two paystubs and two deposits for the pay period.

Three off-cycles are also available for business expenses. However, the off-cycle should be used only if it is critical that the payment be received outside of the biweekly on-cycle payroll. Off-cycle payments will be posted to the accounting system as expenditures against the budget with the next pay period on-cycle.

In an emergency situation, where it is not possible to wait for the reimbursement of expenses to be issued on this schedule, the agency's imprest cash account can be used. If an agency does not have an imprest cash account, contact Minnesota Management & Budget at 651-201-8187. When imprest cash is used, the agency (or Minnesota Management & Budget) must require the employee to sign a statement stating that the employee understands that the agency (or Department of Finance) will deduct the imprest cash amount, and issue the allowable expense reimbursement on the employee's next on-cycle paycheck. This is done in order to reimburse the imprest cash account and keep all expense reimbursements in SEMA4. See Minnesota Management & Budget Operating Policy and Procedure PAY0030, Payment of Payroll Transactions Through Imprest Cash Fund.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0049 - Employee Self Service Business Expenses Operating Policy and Procedure

Payroll Overview - Payroll Biweekly Processing Schedule



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Employee Business/Travel Expenses

Policy - Travel Expense Approval Required in Advance

Employee travel may be authorized only if the Appointing Authority Designee approving the travel reasonably determines that:

- The travel is primarily for the benefit of the state and is related to the effective conduct of state business, including the promotion of interstate cooperation;
- The costs to the state of the travel and absence from work will be offset by benefits accruing to the state, including the professional advancement of the employee; and
- The travel relates to activities which do not have as their purpose the advancement of a political party, a political candidate, or a religious denomination.

An Appointing Authority Designee shall authorize in advance and in accordance with all policies and procedures, all travel at state expense when such travel is necessary to conduct state business. All out-of-state travel requires advance written approval. A copy of the conference agenda must be attached to the Authorization for Travel form to assist in approval decisions. All in-state travel at state expense requires advance verbal approval by the Appointing Authority Designee. All travel (whether in-state or out-of-state) that is to be paid for, or reimbursed by, an outside organization (third party,) requires advance written approval by the Appointing Authority Designee. The requirement of approvals for in-state and out-of-state travel must be addressed in the agency's internal travel policy. Authorization forms must be retained in the agency for audit purposes. International travel requires Minnesota Management & Budget approval. (See [Special Expenses](#).)

In order to meet the requirements for written approval, an Authorization for Travel form must include an estimate of all costs, the name, location, and dates/times of the event to be attended, and the reason(s) the trip is necessary. The form should detail any financial decisions made, such as:

- The employee will leave a day early to take advantage of lower airfare.
- The employee will stay over a weekend, to obtain a lower airfare (indicate if at employee or state expense). An agency may pay additional expenses related to the reduced airfare providing they do not exceed the amount saved on the lower airfare if the employee stays over for state benefit.
- Other unusual situations which increase or decrease the cost of the trip.
- When an employee elects to drive a personal vehicle instead of fly, the prior approved document requires the lowest round trip airfare amount along with anticipated mileage expenses. (See [Selecting a Mode of Transportation](#).)
- When travel is to be paid for, or reimbursed by, an outside organization (third party,) the following additional information must be listed on the Authorization for Travel form:
 - name of the outside organization (third party);
 - what expenses will be covered by the third party;
 - whether the expenses will be paid directly by the third party or reimbursed to the employee by the third party.



If the employee will be reimbursed by the third party, he or she must provide the agency with a copy of the expense report that he or she submits to the third party for reimbursement.

- The employee must certify that he or she:
 - Will not seek reimbursement beyond the limits established in the state's travel policy or applicable collective bargaining agreements/compensation plans.
 - Will not accept personal travel benefits.

- Will not seek reimbursement from the State of Minnesota for any expenses either reimbursed by or directly paid by the third party.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances - Operating Policy and Procedure

PAY0049 - Self Service Business Expenses Operating Policy and Procedure



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Employee Business/Travel Expenses

Policy - Travel Expense Receipts

Itemized receipts are required for all expenses except meals, taxi services, baggage handling, parking meters, pay telephones, coin-operated laundry machines, gratuity (tip) paid to housekeeping staff at a licensed lodging facility, tolls and metered photocopiers unless specified by the applicable collective bargaining agreements or compensation plans. Agencies have the option of requiring receipts, such as for meals, as a means of cost control. No form of canceled checks and copies of credit card bills/receipts can be substituted for receipts.

It is the employee's responsibility to obtain and submit the correct receipts. If a receipt is lost, the agency must require the employee to obtain a duplicate receipt, if possible, in order to be reimbursed. For example, an employee can call a hotel to get a copy of the itemized receipt. When the receipt is lost, an agency may allow an employee to file an affidavit in lieu of a lost receipt. The fact that the itemized receipt was lost must be noted on the SEMA4 Employee Expense Report or noted in the description field if using Self Service business expenses. Affidavits should rarely be used and the agency must ensure that affidavits are seldom used.

You may also refer to the following topic(s):
Employee Business Expense



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Employee Business/Travel Expenses

Policy - Travel Expense Reimbursement Responsibilities

Employee

Employees who travels on state business are responsible for:

- Obtaining all required approvals in advance of travel
- Complying with:
 - the state's travel policy, and procedure PAY0021, Employee Business/Travel Expenses
 - the state's travel advance policy and procedure PAY0020, Travel Advances
 - applicable collective bargaining agreements/compensation plans
 - agency rules, regulations and policies/procedures



The employee may be reimbursed only for actual expenses not to exceed amounts authorized by the employee's agency and applicable collective bargaining agreement/compensation plan. Employees must not treat meal or other reimbursements as a per diem arrangement.



Expenses paid by the employee must be submitted on an expense report or entered in Self Service for reimbursement by the employee who incurred the expense. This includes expenses incurred when traveling as part of a group. An employee may not assume the expenses of another employee on his/her expense report.

- Accurately completing and submitting expenses either on an expense report or in Self Service. This includes providing required itemized receipts. Agencies may substitute an agency-developed form for the SEMA4 Employee Expense Report as long as the alternative form includes required language and fields.



Employees are responsible for submitting business expense reimbursement requests within 60 days of incurring the expense. The result of non-compliance is that the reimbursement becomes taxable income, which is a cost not only to the employee but also to the agency. (The agency must match the FICA and Medicare tax paid by the employee.) Employees, whose job responsibilities require them to travel for business purposes daily or weekly, should routinely submit expense reports to avoid these costs. Employees should not allow unreimbursed expenses to accumulate to the point where those expenses must be considered taxable income.

Supervisor

Supervisors are responsible for:

- Prior to travel, reviewing all travel requests and approving the requests only if the necessity for travel is valid and if proposed expenses are in compliance with:
 - the state's travel policy and procedure PAY0021, Employee Business/Travel Expenses
 - the state's travel advance policy and procedure PAY0020, Travel Advances
 - applicable collective bargaining agreements /compensation plans
 - agency rules, regulations, and policies/procedures
- After the employee submits the SEMA4 Employee Expense Report for approval or enters business expenses in Self Service, reviewing and:
 - approving/signing off on only those actual expenses that comply with:

- the state's travel policy and procedure PAY0021, Employee Business/Travel Expenses
 - the state's travel advance policy and procedure PAY0020, Travel Advances
 - the applicable collective bargaining agreement /compensation plan
 - agency rules, regulations, and policies/procedures
- denying any expenses that do not comply
- If using Self Service business expenses, complying with the state's travel policy and procedure PAY0049, Self Service Business Expense

Agency Payroll (or Accounting Unit)

Agency payroll or accounting unit staff are responsible for:

- Ensuring the accuracy of SEMA4 Employee Expense Reports and expenses entered in Self Service. This includes insuring that all required signatures and approvals are obtained.
- Ensuring compliance with:
 - the state's travel policy and procedure PAY0021, Employee Business/Travel Expenses
 - the state's travel advance policy and procedure PAY0020, Travel Advances
 - the state's travel policy and procedure PAY0049, Self Service Business Expense (if using Self Service business expenses)
 - applicable collective bargaining agreements/compensation plans
 - agency rules, regulations, and policies/procedures
- Reimbursing employees for all reasonable and necessary authorized expenses
- Ensuring that reimbursements are appropriately taxed.



If a reimbursement is taxable because it was submitted by the employee more than 60 days after the expense was incurred, SEMA4 automatically creates an additional record within the expense group using the non-paid earn code BTX. This taxable expense amount is added to the employee's taxable gross amounts for the purpose of calculating tax withholding.



It may be appropriate to modify the BTX row amount in situations where it can be documented that the employee actually submitted the expense report within the designated 60 day period. However, agency staff (acting on behalf of the appointing authority, and hence the State of Minnesota as the employer) should not alter BTX information without documentation and just cause. Doing so puts the State of Minnesota in violation of IRS regulations.

Agency

Agencies are responsible for developing internal policies and procedures to control and monitor travel expenses. Policies /procedures must include:

1. Identification of agency management staff responsible for clarifying business expense and travel reimbursement questions.
2. Instructions for obtaining advanced written approval for out-of-state travel. The Minnesota Management & Budget Authorization for Travel form, or an agency designed form, may be used for this purpose. The agency form must include, at a minimum, the same information on the Minnesota Management & Budget Authorization for Travel form.
3. Instructions for obtaining advanced verbal approval for in-state travel.
4. The development of an internal special expense plan, as required by Minnesota Management & Budget Administrative Procedure 4.4, Special Expenses. (See [Special Expenses](#))
5. A review, or pre-audit function, to ensure that all expense reimbursement payments comply with:
 - the state's travel policy and procedure PAY0021, Employee Business/Travel Expenses
 - the state's travel advance policy and procedure PAY0020, Travel Advances

- applicable collective bargaining agreements /compensation plans
 - agency rules, regulations, and policies/procedures
6. A requirement to inform employees that they may be reimbursed only for actual expenses not to exceed amounts authorized by the employee's agency and applicable collective bargaining agreement/compensation plan. Agencies must not allow employees to treat meal or other reimbursements as a per diem arrangement.
 7. How to comply with the Minnesota Management and Budget's Benefits Derived From Travel Policy by:
 - Informing employees about the law (which prohibits employees from accepting personal travel benefits obtained on state travel as their own)
 - To help achieve cost savings, encouraging employees who travel frequently to take advantage of available travel benefit programs by obtaining a separate frequent flyer and/or hotel reward account (s) to be used exclusively for state travel
 - Periodically reviewing this policy with employees to ensure understanding and compliance
 8. A method for educating supervisors on their responsibilities when approving employees' expenses.
 9. A procedure to monitor all outstanding business advances biweekly using the SEMA4 On-Demand Report, Employee Business Expense Outstanding Advances (FIHU0400). This procedure must include steps to promptly recapture all outstanding business advances that have reached or exceeded the recapture date.
 10. A procedure to monitor the SEMA4 Employee Business Expense Status page to ensure that business expenses will be processed in a timely manner.
 11. For agencies using Self Service business expenses, a procedure to monitor the status of expense groups, using the view-only Self Service Business Expenses component in SEMA4, or the Business Expense Review search to ensure the timely processing of the expenses.
 12. A procedure detailing what action the agency will take when an employee does not comply with:
 - the state's travel policy and procedure PAY0021, Employee Business/Travel Expenses
 - the state's travel advance policy and procedure PAY0020, Travel Advances
 - the applicable collective bargaining agreement/compensation plan
 - agency rules, regulations, and policies/procedures or if the employee commits an infraction such as altering receipts, submitting duplicate receipts and expenses, or submitting additional receipts and/or expenses not incurred. This procedure should include:
 - Delay or withholding of reimbursement
 - Disciplinary action by the employee's agency
 13. A control number policy/procedure if the agency requires this option for tracking mileage reimbursement rates.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances - Operating Policy and Procedure

PAY0049 - Self Service Business Expense Operating Policy and Procedure

Business/Travel/Relocation Expense - Reports



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Employee Business/Travel Expenses

Procedure - Employee Tuition Reimbursement

Employee

1. Obtain approval in advance for tuition reimbursement at state expense in accordance with Minnesota Management & Budget and your agency's tuition reimbursement policies and procedures. If the tuition reimbursement exceeds \$500, complete the Special Expense form. Attach all required documentation and submit for approval to the Appointing Authority Designee prior to incurring the expense.
2. Submit the SEMA4 Employee Expense Report, and all required supporting documentation. If your agency uses Self Service Business Expenses, enter expenses. Submit all required supporting documentation including itemized receipts to your supervisor.
3. Submit business expense reimbursement requests within 60 days of incurring the expense, or after satisfying all requirements to be reimbursed (e.g. completed the course with a satisfactory grade). The result of non-compliance is that the reimbursement becomes taxable income. Employees should not allow unreimbursed expenses to accumulate to the point where those expenses must be considered taxable income. The result of non-compliance is a cost to the employee and to the agency. (The agency must match the FICA and Medicare tax paid by employees.)

Supervisor

4. Review the SEMA4 Employee Expense Report or the business expenses entered in Self Service for propriety and accuracy. This includes the completion of all items required on the report or information required to be entered in the description field in Self Service Business Expenses. Review the required itemized receipts. Verify that the expenses comply with:
 - Applicable collective bargaining agreement, compensation plan or statutory limits
 - Minnesota Management & Budget's:
 - PAY0021 - Employee Business/Travel Expense - Operating Policy and Procedure
 - Employee Training and Development, Administrative Procedure 21
 - Special Expenses, Administrative Procedure 4.4
 - Agency rules, regulations, and policies/procedures
5. Do not approve expenses that do not comply. If using Self Service Business Expenses, have the employee change or delete the expense. After the change is made, continue with the approval process.
6. Complete labor distribution if required by the agency.
7. Sign, date, and forward the SEMA4 Employee Expense Report and all receipts to the agency payroll (or accounting) unit. If your agency uses business expenses in Self Service, approve expenses and agree to affirmation statement.

Agency Payroll (or Accounting) Unit

8. Ensure that all required documentation and itemized receipts have been submitted.
9. Do not approve expenses that do not comply.
10. Determine the taxability of the reimbursement by reviewing Minnesota Management & Budget's Tuition Reimbursement Policy. If a taxable reimbursement exists you must add a taxable value in mass time entry

using earn code EDP (for Federal and MN State taxes), or EDQ (for MN state taxes only) during the same pay period the Tuition Reimbursement is being processed in SEMA4 Business Expense.

Job Related? Yes	
\$5,250 or less	Non-taxable for Federal and State
Over \$5,250	Taxable for Federal and State
Job Related? No	
\$5,250 or less	Taxable for MN
Over \$5,250	Taxable for Federal and State

11. Biweekly, print the [FIHR6680, Employee Tuition Reimbursement Report \(DocumentDirect/InfoPac ID HP6680\)](#) that lists all employees in a department that have had TRG (Training/Tuition) payment, or have had EDP (Tuition Waiver - Txbl Fed + MN), or EDQ (Tuition Waiver - Txbl MN Only) entered in the current calendar year. Review this report to confirm that your employees receiving tuition/training reimbursements have been taxed appropriately based on the guidelines set forth by the Internal Revenue Service and the Minnesota Department of Revenue. Agencies are responsible for determining if educational assistance benefits are taxable.

 You may also refer to the following topic(s):
 Employee Business Expense



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Employee Business/Travel Expenses

Procedure - Special Expenses

Employee

1. When a special expense is anticipated, complete the Request for Approval of Special Expenses form. Approval is required prior to incurring the expense. In emergency situations, if prior approval is impossible to obtain, approval may be granted if it is accompanied by a statement explaining why prior approval could not be obtained.
2. Obtain required signatures as specified in:
 - the agency's written procedures for the review and approval of special expense requests and;
 - the Minnesota Management & Budget Administrative Procedure 4.4, Special Expenses.
3. Attach the approved original Request for Approval of Special Expenses form to the SEMA4 Employee Expense Report and forward to the agency payroll (or accounting) unit. Submit the request separately if using Self Service business expenses.

Agency Payroll (or Accounting) Unit

4. Verify that the Approval of Special Expenses form has been completed according to:
 - the requirements outlined in the agency's written procedures for the review and approval of special expense requests and;
 - the Minnesota Management & Budget Administrative Procedure 4.4, Special Expenses.
5. Enter the approved special expenses in SEMA4 or have employees enter them in Self Service.

You may also refer to the following topic(s):

Employee Business Expense

PAY0020 - Travel Advances Operating Policy and Procedure

PAY0049 - Self Service Business Expense Operating Policy and Procedure

Minnesota Management & Budget Administrative Procedure 4.4, Special Expenses.



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Employee Business/Travel Expenses Procedure - Travel Expense Reimbursement

Employee

1. Obtain approval in advance for traveling at state expense in accordance with Minnesota Management & Budget and your agency's policies/procedures. If travel is out-of-state, complete the Authorization for Travel. Attach all required documentation and submit for approval to the Appointing Authority Designee prior to travel.
2. Submit the SEMA4 Employee Expense Report. If your agency uses Self Service business expenses, enter expenses. Submit all required itemized receipts to your supervisor. Refer to the applicable collective bargaining agreement, compensation plan, state statute or the agency human resources office for specific rates and limits that apply to your expenses.
3. Submit business expense reimbursement requests within 60 days of incurring the expense. The result of non-compliance is that the reimbursement becomes taxable income. Employees, whose job responsibilities require them to travel for business purposes daily or weekly, should routinely submit SEMA4 Employee Expense Reports to comply with the 60 day IRS requirement. Employees should not allow unreimbursed expenses to accumulate to the point where those expenses must be considered taxable income. The result of non-compliance is a cost to the employee and to the agency. (The agency must match the FICA and Medicare tax paid by employees.)

Supervisor

4. Review the SEMA4 Employee Expense Report or the business expenses entered in Self Service for propriety and accuracy. This includes the completion of all items required on the report or information required to be entered in the description field in Self Service business expenses. Review the required itemized receipts. Verify that lodging (or any other charge on a hotel bill) was not direct-billed to the agency. Verify that the expenses comply with:
 - Applicable collective bargaining agreement, compensation plan or statutory limits
 - Policies and procedures of Minnesota Management & Budget
 - Agency rules, regulations, and policies/procedures
5. Do not approve expenses that do not comply. If using Self Service business expenses, have the employee change or delete the expense. After the change is made, continue with the approval process.
6. Complete labor distribution if required by the agency.
7. Sign, date, and forward the SEMA4 Employee Expense Report and all receipts to the agency payroll (or accounting) unit. If your agency uses business expenses in Self Service, approve expenses and agree to affirmation statement.

Agency Payroll (or Accounting) Unit

8. Monitor the status of Self Service business expenses to ensure the timely processing of the expenses.
9. Review the SEMA4 Employee Expense Report or the business expenses entered and approved in Self Service according to Step 4.
10. Ensure that all required itemized receipts have been submitted.
11. Do not approve expenses that do not comply.

12. If your agency does not use Self Service business expenses, enter the trip information in SEMA4. The system assigns a unique number (Expense Group ID) to each trip. Write the Expense Group ID on the SEMA4 Employee Expense Report for reference when accessing trip information and when submitting additional expenses related to the trip at a later date. If your agency uses Self Service business expenses, access the Manager-Approved expenses in SEMA4 and mark expenses approved where appropriate. Complete labor distribution where necessary.

When entering additional expenses for an existing trip, access the same record using the system-assigned expense group ID.

 **Warning** If the expenses submitted are for Relocation, forward to Statewide Payroll Services.

The Off Cycle field will be blank, meaning that the reimbursement will be paid on the next on-cycle payroll. The off-cycle should not be used unless it is critical that the payment be received outside of the on-cycle payroll. (Refer to Timing of Travel Expense Payments.)

13. Ensure that delinquent reimbursement requests (submitted more than 60 days from the time expenses were incurred) are appropriately taxed.
- If a reimbursement is taxable because it was requested more than 60 days after the expense was incurred, SEMA4 automatically creates additional records within the expense group using the non-paid earn code BTX. These taxable expense amounts are added to the employee's taxable gross amounts for the purpose of calculating withholding.
 - It may be appropriate to modify the BTX row amount in situations where it can be documented that the employee actually submitted the expense report within the designated 60 day period. However, agency staff (acting on behalf of the appointing authority, and hence the State of Minnesota as the employer) should not alter BTX information without documentation and just cause. Doing so puts the State of Minnesota in violation of IRS regulations.
14. Monitor and settle all outstanding advances by the recapture date. If your agency uses Employee Self Service business expenses, the employee enters the expenses and then the agency enters the advance recapture.
15. Biweekly, view the SEMA4 On-Demand report, Employee Business Expense Outstanding Advances (FIHU0400). Take action if the recapture date is past for any advance or if any advance is for a separated employee. This report must be kept up-to-date biweekly.
16. Biweekly, review the FIHR2470, Self Service Business Expense Audit Report (DocumentDirect/InfoPac ID HP2470) that lists employees whose business expense information was entered and approved in Self Service, but the entry and approval process did not follow the established routine.

You may also refer to the following topic(s):
Employee Business Expense
PAY0020 - Travel Advances - Operating Policy and Procedure



Continue with your next task.