Posting Date: February 9, 2026

Reminder: Business Expense Tax Implications

The Internal Revenue Service (IRS) requires that if employee business expenses are not submitted for reimbursement within 60 days after the expenses were incurred, the reimbursement becomes taxable for federal, state, Social Security and Medicare; and withholding tax must be taken.

If you submit expenses after the 60-day period, your reimbursement will be taxed at the following rates:

- Social Security/Medicare Taxes 7.65%
- Supplemental Federal Tax Rate 22.00%
- Supplemental State (MN) Tax Rate 6.25%

Employees who enter business expenses in Self Service are also subject to the 60-day requirement.

- If a reimbursement is taxable due to submitting the expenses late, then a row is displayed on the Other Expenses page *after agency payroll, or accounting staff, completes the approval process*.
- The earnings code on this row is **BTX** and the amount consists of the expenses subject to tax because they were submitted late.

If your reimbursement does become taxable, you will see the following in the Earnings section of your paystub:

- The description(s) and amount(s) of the reimbursed expenses display as usual.
- A row with the description **Tax Adj BE** displays. The amount consists of the expenses subject to tax because they were submitted late. This is a non-paid item, indicating the taxable gross amounts were increased by this amount and tax withholding calculations included this amount. This will also be reflected on your W-2 at year-end.

Questions?

If you have questions about this information, contact your Payroll, or HR Resources office. You can obtain contact information from within Self Service. Under “Need Assistance?”, select “Employee Contacts”.