



ACCOUNTING BULLETIN

TO: Fiscal Officers of All State Agencies

FROM: Steven L. Valasek, Director of State Accounting

DATE: September 15, 2003

SUBJECT: Modification of Detail Object Code (DOC) 1286 – Travel and Expense Reimbursement, Reimbursements to Non-State Employees.

NUMBER: 112

The Internal Revenue Service (IRS) regulations for 1099-MISC reporting (Publication 463) require that reimbursements to nonemployees be treated as income when the nonemployee does not adequately account to the payer for reimbursable expenses. If a nonemployee provides the payer with an adequate accounting of the reimbursable expenses, the reimbursement is not reportable as income.

In order to comply with IRS regulations, the non-reportable DOC 1286 should be used when reimbursing a non-state employee, providing an adequate accounting has been provided to the agency in the form of receipts, canceled checks or bills. Reimbursements for which an adequate accounting is not made should continue to be charged to a reportable DOC covering the services performed.

1286 Travel and Expense Reimbursement, Reimbursements to Non-State Employees, Including Vendors Performing Contractual Services.

Payments to reimburse a NON-STATE EMPLOYEE, including a vendor performing contractual service, for any expenditure directly incident to travel or other related expenses in connection with official State business provided the non-state employee adequately accounted for the expenses. Such accounting must include written substantiation of the actual expenses with appropriate documentation (receipts, canceled checks, bills). Reimbursements for which an adequate accounting is not made should be charged to the detail object code covering the services performed. **NR**

Agencies should begin using DOC 1286 immediately for non-state employee reimbursements (including vendors performing contractual services) when an adequate accounting has been given. Travel and expense reimbursements related to a contract will continue to be included in the contract and will require obligation.

For expenditures already processed during this calendar year that are impacted by this change, an Object Correction Request (Form C-90) should be submitted to State Accounting by October 31, 2003.

If you have any questions related to this bulletin, contact Linda Seelbach at 217/782-3608. Agencies may access this and other Accounting, Payroll and SAMS bulletins on the Comptroller's website at www.ioc.state.il.us under Resource Library.