

Family & Spouse Travel



slides available at byu.edu/tax, under Family Travel

Taxable Benefit

The IRS requires employer-paid family travel to be included on the W-2 unless

- **The employee has reimbursed the employer, or**
- **The family member had a documented “bona fide business purpose”**

Process

- **Advance approval from Dean or Director**
 - **Deans and Directors from their Vice President**
- **Provide copy of approval, documented business purpose, and costs of family travel to tax office with substantiation form**
 - **Incremental costs:** airfare, hotel, food (if it exceeds employee per diem), etc.
- **Dean/Director approves travel from University funds**
- **Tax office determines qualification for “bona fide business purpose” under IRS rules**

Family Travel Substantiation

This form is to be completed by the employee and kept on file by the department for all instances of family travel. A copy of this form must be provided upon request for internal or external audit purposes. A copy must be forwarded to Regulatory Accounting at C-233 ASB for all instances of unsubstantiated, unreimbursed family travel.

Form online at:
finserve.byu.edu
under - Forms /
Tax / Family Travel
Substantiation

Employee Name: _____ University ID No: _____
Family Member(s): _____ Destination: _____
Relationship(s): _____ Travel Dates: _____
Family Travel Expense(s): _____ Travel Plan No: _____

When the University pays for a family member to accompany a University employee on travel, the Internal Revenue Code requires that the family member's travel must be reported as income to the employee unless the employee reimburses the expenses or the family member's travel has a substantiated "bona fide business purpose". Department approval, complying with other University policy, or being of benefit to the University do not establish a business purpose.

Necessary services establish a bona fide business purpose such as foreign language translation, operating a trade show booth, providing assistance to a disabled employee, and providing required technical and administrative support. Helpful services, incidental functions, and social reasons do not create a business purpose, specifically hosting or attending social functions even if it is customary or intended for spouses to attend. One rule of thumb is to ask whether the University would have sent another employee to fulfill the same functions had the family member not gone.

1. Does the family member have a bona fide business purpose for accompanying the University employee?
 Yes, skip question 2 and describe the business in question number 3
 No, answer question number 2
2. Has the employee reimbursed the University for the family member's travel within 60 days of the travel?
 Yes, please substantiate the reimbursement in question number 3
 No, the family travel must be added to the employee's taxable wages and payroll taxes will be withheld over two paychecks (unless the employee arranges otherwise); a copy of this completed form must be promptly forwarded to Regulatory Accounting at B-280 ASB
3. Describe the family member's bona fide business purpose or substantiate employee reimbursement as applicable, attach extra pages or use the back as necessary.

Signatures:

Department Controller: _____ Date: _____

Dean/Chair/Director: _____ Date: _____

Employee Signature: _____ Date: _____



Business Purpose

- **There's no black and white test on what is or is not a business purpose**
- ***General rule of thumb:* would the University have needed to send another employee if the family member did not perform the function for which they are going?**
 - **If yes it is more likely to be a business purpose**

Examples of Business Purposes

- **A spouse performing *significant* University responsibilities**
- **An employee with a disability requiring assistance to travel that he or she does not require at home**
- **University supporters/donors**
 - **Significant interaction with donors— document who met with, what discussed, when, where, advanced preparation, etc.**
- **Spouse conducted or led organized meetings**

Social Reasons

A stylized illustration of a man and a woman in formal attire. The woman is on the left, wearing a dark dress and holding a glass. The man is on the right, wearing a suit and bow tie, also holding a glass. They are both smiling. The background is light blue with scattered confetti in various colors (red, blue, yellow, pink). The overall style is clean and modern.

- **The IRS and Courts do not usually consider social reasons to be a business purpose**
 - **Dinners or receptions do not establish a business purpose even if spouse attendance is appropriate, expected, or customary**

Study Abroad & Long-Term Assignments

Although there may not be a business purpose, University-paid family travel for study abroad assignments or other longer-term assignments is often less than the total allowed per diem amount. If so, there may not be a reportable income tax issue.

Taxable Travel

- **After Dean or Director approval, please notify the tax office before travel to help manage employee expectations**
- **If determined to be taxable**
 - **Travel costs added to employee's W-2**
 - **Withholding from employee wages**
 - **Employee should be made aware of impact**
 - **Employer portion of payroll taxes will be charged to department/college**

Questions?

For case-specific questions, contact us:

**<http://byu.edu/tax> see Family Travel
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