



# UNIVERSITY OF RICHMOND

## Policy Manual

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<b>Policy #:</b>	FIN-4102	<b>Policy Title:</b>	Policy on Business Expenses and Compensation
<b>Effective:</b>	01/01/2024	<b>Responsible Office:</b>	Controller's Office
<b>Date Approved:</b>	12/05/2023	<b>Approval:</b>	EVP and Chief Operating Officer
<b>Replaces Policy Dated:</b>	N/A	<b>Responsible University Official:</b>	University Controller

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### PURPOSE:

The purpose of this policy is to provide clarity about the distinction between funds to support business expenses and funds paid as compensation.

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### SCOPE:

This policy applies to the University of Richmond and all of its Affiliates. As used in this policy, the term "Affiliates" means organizations or entities in which the University owns a controlling interest or has the right to elect the majority of the entity's governing board.

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### POLICY STATEMENT:

#### *FIN-4102.1 – Definitions*

#### Additional Compensation:

Additional compensation is a payment of University-administered funds that is over and above an individual's base salary and benefits, whether one-time or on-going.

# FIN-4102 – Policy on Business Expenses and Compensation

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## Appropriate

Appropriate means an expense is suitable or fitting in the eyes of an objective third party and fulfills a valid business purpose.

## Business Purpose

The business purpose establishes that a particular good, service or activity is necessary to fulfill the mission of the University and primarily benefits the University.

## Necessary

An expense is necessary when it is required to achieve a particular business purpose.

## Reasonable Expense

A reasonable expense is ordinary – not lavish or excessive – and reflects a prudent decision to incur the expense on behalf of University in furtherance of its mission.

## *FIN-4102.2 – Policy*

In accordance with federal requirements, if an individual has the right to receive compensation for services performed, the University must report the income to the individual and the Internal Revenue Service (IRS). In all cases, the University will determine whether financial consideration provided in association with a particular program or activity is considered wages (compensation) or more appropriately classified as professional development funds to be used for necessary and appropriate business expenses. Such determinations are made based on the program and services involved.

When faculty or staff perform services that would otherwise be paid to an individual to complete, but are considered outside their regular work responsibilities, any financial consideration associated with these additional activities or services are considered additional compensation and are taxable wages to the employee. Faculty may not receive professional development funds (sometimes called “faculty development funds”) for work that would otherwise be paid as additional compensation or are provided to other employees as compensation. Examples of such additional, taxable compensation include payments for overload teaching or payments to 9-month faculty for mentoring undergraduate research students in the summer.

When faculty or staff participate in activities or services as part of their normal work responsibilities, additional resources associated with that activity may be provided to support necessary and appropriate business expenses. Such resources are University funds, and must be spent in accordance with all University policies related to the appropriate use of University resources. Even if such funds are allocated to a faculty-designated account (“faculty development account”), such funds are not taxable to the employee and may not be used to pay additional salary to the employee directing those funds. Such professional development funds (“faculty development funds”) typically expire at the end of the fiscal year, with the exception of start-up funds and research incentive accounts. Balances allocated to employees expire upon an employee’s separation from the University and shall not be paid out to an employee. Examples of non-taxable funds of this type include start-up funds and funds provided to pay for the direct expenses associated with faculty research or creative work or business-related travel.

## *FIN-4102.3 – Related Regulations and Accreditation Standards*

26 CFR § 1.451-2 Constructive Receipt of Income

# FIN-4102 – Policy on Business Expenses and Compensation

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## **RELATED POLICIES:**

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*FIN-4101* – Use of University Funds and Financial Resources

*ACD-7401* – Additional Compensation for Faculty

*FIN-1100* – Policy on Gifts, Prizes and Awards

## **POLICY BACKGROUND:**

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Approved on December 5, 2023 and effective January 1, 2024

## **POLICY CONTACTS:**

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University Controller