

EXPENSE REIMBURSEMENT POLICY

INTRODUCTION AND SUMMARY

Members of the Group are entitled to be reimbursed for expenses incurred in attending conferences and seminars, entertaining referring physicians and other related expenses. The annual maximum for all such expenses is offset against the member's share of income determined under the compensation plan. Such expenses must however, meet the business purpose tests AND be substantiated as provided for in the Internal Revenue Code and regulations in order to be reimbursed by the Group. Requirements for various categories of expenses are briefly summarized below:

Travel, meals & lodging while away from home overnight - Domestic (within the United States):

These expenses would typically be incurred in connection with a continuing medical education or similar conference. The business purpose of travel must be specified in writing if it is not readily apparent from the nature of the trip. The IRS requires that such expenses be "reasonable and necessary in the conduct of the taxpayer's business and directly attributable to it" and primarily for business and not pleasure. The rules further require that the taxpayer participate in the activities of the conference specified in the agenda, such as general meetings, discussions, workshops and lectures. The agenda should be kept. If CME credits are awarded for such participation, appropriate documentation should be maintained.

Travel expenses, such as airfare, require receipts in order to be reimbursed. Lodging (hotel) requires a receipt. Receipts for meals should also be maintained – only 50% are deductible.¹ Other expenses, such as taxi fares, gratuities and other local travel as well as daily meals totaling in the aggregate less than \$25 can be summarized in writing at or near the time the expense is incurred without maintaining receipts.

Automobile Expenses

The simplified deduction for business auto use during 2003 is 36.5¢ per business mile traveled. Business miles are any travel between the first *business* stop on a given day and consecutive *business* stops. No deduction is permitted for travel between one's home and the office, or from the office to one's home. Similarly, no deduction is allowed for travel between one's home and the hospital. Travel between the office and the hospital would be reimbursable at the 36.5¢ rate.

Continuing Medical Education

In order to be reimbursed for the conference fee and related expenses for travel or meals (which must be documented as above) a member must submit evidence of CME credits earned.

¹ We advise clients with corporate practices to limit the reimbursement of meals to the 50% that is deductible.

Meals and Entertainment:

This category includes meals with business associates (as distinct from meals for oneself while travelling), country and business clubs, and tickets for events in sports, music and similar entertainment. Such expenses must be directly related to the conduct of a member's practice, research or related responsibilities. Business must be discussed during the course of the meal or other event, or immediately before or after the event ***and the discussion must be documented in writing.***

The time (date), place, business purpose, and business relationship of the person entertained must be specified in writing. Such expenses cannot be "lavish or extravagant." No definition is provided by the IRS for these terms, but members should recognize that in the event of an audit, the initial determination will be made by the examining IRS Agent.

It is absolutely critical that the business purpose be specified in the written documentation submitted. Many credit card receipts have space for this data on the back, so the original (as opposed to the copy returned with certain credit cards), fully completed on the back, will be adequate documentation.

Employee Functions

Occasional meals including things like doughnuts and coffee ***for the office***, or a company picnic or Christmas party are 100% deductible.

Business Gifts

Under the tax law, the maximum reimbursement for the costs of gifts to individuals having a relationship to the member's practice is the total amount of \$25 per year. This limitation applies to the total of ALL gifts, including Christmas, birthdays, and other occasions. The name and business relationship of each person for whom a \$25 gift is given must be submitted with the reimbursement request.