



University of California Business and Finance Bulletin

Office of the Executive Vice
President—Chief Financial Officer

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G-45**

**Implementing Requirements on Expenses
Incurred in Support of Official Responsibilities of
the President and Chancellors**

<http://www.ucop.edu/ucophome/policies/bfb/g45.pdf>

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Business and Finance Bulletins Home Page: <http://www.ucop.edu/ucophome/policies/bfb/>

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Overview

The Regents of the University of California recognizes the unique role of the President and the Chancellors in representing the University. In performance of this role, the Officers are called upon to extend official hospitality to important visitors, and to entertain guests of the University in conjunction with alumni and development activities, campus events, and other official functions.

In consideration of the substantial duties and responsibilities of the President and the Chancellors, it is the policy of the Regents to provide each such Officer with suitable housing to enable the individual to perform the administrative, ceremonial, and social functions required of the position. Each Officer is required to occupy that housing as a condition of his or her employment and for the convenience of the University ([Regents Policy on University-Provided Housing](#)).

The following Implementing Requirements for the Regents Policy on University-Provided Housing are intended to clarify procedures for identifying and reporting expenses of the President and the Chancellors associated with their official residences. The Requirements summarize and incorporate by reference other existing University policies governing allowable expenses incurred by the Officer, such as travel, entertainment, and gift expenses. In addition, the Requirements address appropriate use of the funds available to the President and the Chancellors in support of their official duties, and the required associated reports for documenting the use of those funds. The Requirements also address those expenses that may create additional taxable income for the President or Chancellor.

These Implementing Requirements are effective for expenses incurred on or after November 1, 2005. Under the IRS Special Accounting Rule, the first reporting period was November 1, 2005 to October 31, 2006. Thereafter, the reporting period is November 1 of each year to the following October 31st.

Accounting Requirements

Each location shall use the expense categories defined in Sections II through VIII to prepare reports. Accordingly, each location must establish a separate account in the location general ledger for each category of expense. Separate accounts are not required if a location general ledger system has the capacity to segregate the account categories, such as by project code or sub-budget codes within an account. An appropriate fund source(s) should be established within each account.

Required Reports

Each location must prepare an Annual Report of Fiscal Year Expenses of the President/Chancellor (Appendix A) as required under Section XI. In addition, each location must prepare an Annual Report of Taxable Expenses of the President/Chancellor (Appendix B) as required under Section XII.

Scope

This Bulletin does not apply to expenses incurred by the Director of the Lawrence Berkeley National Laboratory.

I. Summary of Requirements

The table on the next page summarizes expense categories covered by these Guidelines, whether specific general ledger (G/L) accounts should be established, taxability of the expenses, and annual reporting requirements.

A. Personal-Benefit-Related Expenses

The University recognizes that the President or Chancellor and his or her family may receive some personal benefit from expenses incurred in the operation of the residence. For example, support staff employees assigned to the residence may occasionally perform duties and services that personally benefit the President or Chancellor, but are incidental to the job of supporting the Officer in the performance of his or her official duties.

B. Taxability

Staff costs and certain equipment costs that are attributable to personal benefit to the President/Chancellor represent additional taxable income to the Officer, and are reported as wages on the Officer's Form W-2. Such amounts are subject to withholding for federal and state income taxes and applicable Social Security and Medicare taxes. Taxable expenses associated with personal-benefit services must be reported on the Annual Report of Taxable Expenses of the President or Chancellor (Appendix B).

II. Housing Expenses of the President or Chancellor

Housing provided to the President or Chancellor typically includes public, guest, and private use facilities. The public areas of the residence are used for official business functions, such as entertaining University donors and visitors from academia, industry, and government. These public areas may also be used for campus administrative meetings, ceremonial functions, and other events. The private residence area may consist of an entire floor, a wing, or just a few rooms.

An annual budget allocation is made available to the President and the Chancellors for housing maintenance and related costs associated with the operation of the University-provided residence. This allocation is intended to support the staffing and operation of an Officer's official residence during his or her occupation and also during intervals between the individual's departure and the arrival of a successor.

Because the President and the Chancellors are required to occupy University-provided housing, the value of such housing is not taxable to the Officer. In addition, the value of all prepared meals provided to the Officer and his or her family on the premises of the University-provided residence is not taxable.

Table 1

| Expenses | Specific G/L Acct. Required?¹ | Taxable?² | Fiscal Year Reporting Required? | Policy Reference |
|--|---|-----------------------------|--|-----------------------------|
| Housing Expenses of the President/Chancellor | | | | |
| General Maintenance | | | | |
| Security Services | Yes | No | Yes | |
| Security Equip/Install. | Yes | No | Yes | |
| Utilities | Yes | No | Yes | |
| Other General Maint. | Yes | No | Yes | |
| General Household | Yes | No | Yes | |
| Grounds Maintenance | Yes | No | Yes | |
| Residence Entertainment | | | | |
| Hosted by Officer | Yes | No | Yes | BFB BUS-79, AM A-253-7 |
| Hosted by "Other" | Yes | No | Yes | BFB BUS-79 |
| Support Staff | Yes | Yes | Yes | |
| Equipment | Yes | Yes | Yes | |
| Capital Improvements | Yes | No | Yes | AM P-415-3 |
| Other Housing Expenses | Yes | No | Yes | |
| Travel | Yes | No | Yes | BFB G-28, AM A-253-27 |
| Entertainment Outside the Residence | Yes | No | Yes | BFB BUS-79, AM A-253-27 |
| Gifts | Yes | No | Yes | BFB G-42, G-41, AM A-253-27 |
| Memberships | Yes | Yes | Yes | BFB G-43 |
| Associate of the President/Chancellor | Yes | No | Yes | Footnote ³ |
| Other Expenses | Yes | No | Yes | |
| Mortgage Origination Program | | | No | Footnote ⁴ |

¹ The location may use attributes other than account numbers (e.g., project codes) to record expenses instead of separate accounts, if possible within the location's general ledger system.

² "Yes" means the category includes taxable expenses, but there may be an element of business use. "No" means that under policy no taxable expenses should be charged to this category; however, these expenses should be reviewed to confirm there are no taxable components.

³ See Regents [Policy on the Associate of the President and the Associate of the Chancellor](#).

⁴ The Mortgage Origination Program is administered by the Office of Loan Programs, Finance Office.

Expenses supporting the operation and maintenance of housing provided to the President and the Chancellors shall be recorded in the location accounting system based on the categories listed below. (Expenses that may include taxable components are identified in Sections II. E and F; other expense categories in this Section generally do not include taxable expenses, but should be reviewed to confirm there are no taxable components.⁵)

A. General Maintenance Expenses Account

Expenses to be charged to this account are those that support the general maintenance and upkeep of the residence. Such expenses should be reported under the following categories:

- Security Services - Expenses related to use of campus police or private security services.
- Security Equipment and Installation - Expenses related to the purchase of security equipment and systems installation and monitoring, fire alarm system charges, and similar expenses.
- Utilities - Expenses related to gas, electricity, water, sewer, refuse disposal, and similar expenses.
- Other General Maintenance - Expenses related to general liability insurance costs; house systems general maintenance and repair; installation, repair, upkeep, and removal of furnishings, equipment, and appliances; homeowner association dues, if applicable; pest control; and accommodations for special needs (ADA and other), etc.

Expenses charged to this account generally are not taxable to the President or Chancellor.

B. General Household Expenses Account

Expenses charged to this account cover ordinary household expenses that support the operation of the residence both for official business purposes and for day-to-day living or family requirements of the President/Chancellor.

Examples of such expenses may include but are not limited to:

- General house cleaning, dry cleaning, laundry, trash removal, window washing;
- Supplies for the residence, such as cleaning supplies, paper, light bulbs, linen, kitchenware, tools, etc., and
- Salaries and benefits of housekeeping staff.

⁵ In this Bulletin, the sentence “Expenses charged to this account generally are not taxable to the President or Chancellor” means that such expenses are typically not taxable under policy, but should be examined for taxable components, e.g., a gift made to an employee that exceeds the IRS limit for such gifts.

Housekeeping services for the personal areas of the residence should be limited to the minimum necessary to maintain the residence. In general, the personal areas of the residence should not be cleaned more than once per week.

Expenses charged to this account generally are not taxable to the President or Chancellor.

C. Grounds Maintenance Expenses Account

Expenses charged to this account relate to the maintenance of the grounds associated with the University-provided housing. Such expenses may include but are not limited to:

- Landscaping and maintenance of plants,
- Tree trimming, pruning, and removal,
- Salaries and benefits of grounds maintenance staff, and
- Pool maintenance, if applicable.

Expenses charged to this account generally are not taxable to the President or Chancellor.

D. Residence Entertainment Expenses

One purpose of the residence furnished to the President or a Chancellor is to provide an appropriate setting for the Officer to perform the ceremonial and social duties of the position. Expenses charged to this account should be separately recorded to identify the following two general types of entertainment:

- Events Hosted by the President/Chancellor

Events hosted by the Officer may include meals and related hospitality in connection with meetings with visiting dignitaries and officials; gatherings of students and alumni groups; donor cultivation and appreciation events; faculty/staff recognition and morale-building activities; and business meetings with administrators, faculty, or students. Such events include activities hosted by the Officer and/or the Associate of the President or Chancellor.

- Events Hosted by Other Individuals or Groups

Events hosted by others may include meals and related hospitality in connection with similar events held at the residence of the President or Chancellor. Such events may be hosted by another University official, such as a Vice Chancellor or Dean.

Only entertainment expenses funded by the budget of the President/Chancellor should be recorded under this account, whether hosted by the President/Chancellor or another individual or group. An Event Log, however, of all official events, business meetings, and other activities held at the residence must be maintained, including activities funded by another department.

Expenses that are charged to either of the above categories generally are not taxable to the President or Chancellor.

E. Support Staff Expense Account

The location may assign a number of full-time and part-time staff to support the management and operation of the residence, such as a House Manager, Event Coordinator, the cook, and other support staff. Grounds maintenance and housecleaning staff expenses should not be charged to this category. Expenses charged to the Support Staff account may include but are not limited to:

- Wages and benefits of employees required to keep the residence staffed and in operation, including those who cook and prepare meals;
- Transportation costs (e.g., mileage reimbursement) associated with such staff in running household errands, doing grocery shopping, making deliveries, etc.

Support staff effort that represents a personal benefit to the President or Chancellor (or family) is taxable to the Officer. Personal services performed by support staff should be limited to no more than 25%, on an annualized basis, of the total duties assigned to such staff. Such personal duties should also be detailed in the employees' job descriptions. Examples of personal-benefit expenses may include but are not limited to:

- Running personal errands such as shopping or picking up dry-cleaning, laundry, prescriptions, etc.;
- Transportation services, including driving an Officer or family member to the airport for a personal trip or vacation;
- Wardrobe-related laundry/dry cleaning/ironing services;
- Caring for pets, including the cost of pet food and supplies; and
- Handling private mail and telephone calls.

The value of *all* support staff time, regardless of the percentage of such time, incurred in performing personal errands or other personal duties for the President/Chancellor is taxable to the Officer.⁶

All support staff assigned to the residence are required to report the percentage of their time devoted to performing taxable personal services for the Officer using the report provided in Exhibit 1. The report will be used as the basis for determining the allocation of staff salaries, benefits, and transportation-based expenses (e.g., mileage) devoted to performing such personal duties on behalf of the Officer and his or her family.

Total support staff expenses, including the personal amount of such expenses, must be reported on the Annual Report of Taxable Expenses of the President/Chancellor (Appendix B) in order to calculate the amount taxable to the Officer.

⁶ Services provided by the cook in preparing meals for the Officer and his or her family are not taxable.

F. Equipment Expenses Account

This expense category includes equipment (and related services) *dedicated primarily* to personal use by the President/Chancellor and his or her family. Examples of such expenses may include but are not limited to cable television, Internet connection, telephone, fax machine, or other equipment.

If the equipment and services are used both for personal and business purposes, any personal use that exceeds 15% is taxable to the Officer.⁷ Under IRS regulations, personal use is not taxable if it is equivalent to 15% or less of the total use of the equipment or service on an annualized basis. If the personal use exceeds 15%, the entire cost associated with such personal use is taxable.

The personal use of equipment in the residence is reported annually by the Officer using the report provided in Exhibit 2. Such personal use is reported on the Annual Report of Taxable Expenses of the President/Chancellor (Appendix B) in order to calculate the amount taxable to the Officer.

G. Capital Improvement Costs Account

The expenses charged to this account relate to capital improvements made to the residence that extend the economic useful life of the facility, and to the purchase of capital equipment, furnishings, and artwork. Such expenses may include but are not limited to remodeling, renovation, and upgrade of the residence; new furnishings; and replacement of appliances. Approval of minor and major capital improvements to the Officer's residence are subject to the dollar limitations set forth in the [University Housing Policy](#).

Expenses charged to this account generally are not taxable to the President or Chancellor.

All capital equipment, furnishings, and artwork purchased with University funds must be recorded in the location equipment and facilities inventory system and remain the property of the University. For further details, see BUS-29, [Management and Control of University Equipment](#).

H. Other Housing Expenses Account

The expenses charged to this account should include any expenses that do not fall under one of the other housing accounts, such as the rental of temporary off-campus housing and related expenses.

The cost of groceries used by the cook to prepare meals should be reported under this category, unless the groceries were purchased as part of an entertainment event. Expenses for groceries used by the cook to prepare meals for the Officer and his or her family generally are not taxable. This tax exclusion, however,

⁷ Personal use of a cell phone or similar portable electronic communications device (e.g., personal digital assistant or smart phone) must be reimbursed by the Officer in accordance with the procedures set forth in Business and Finance Bulletin G-46, Guidelines for the Purchase and Use of Cellular Phones and Other Portable Electronic Resources.

applies only to prepared meals and does not extend to groceries provided to an Officer in lieu of prepared meals.

III. Travel Expenses Account

Expenses charged to this account include travel expenses of the President or Chancellor that are ordinary and necessary to accomplish the official business of the University. This account should include only travel expenses funded by the President's or Chancellor's budget. However, travel of staff members whose expenses are funded from the President or Chancellor's budget should be excluded.

Expenses charged to this account generally are not taxable to the President or Chancellor.

For further details, see Business and Finance Bulletin G-28, [Policy and Regulations Governing Travel](#).

IV. Account for Entertainment Expenses Incurred Outside the Residence

Expenses charged to this account include official entertainment expenses funded by the President or Chancellor's budget that do not occur on the premises of the University-provided residence. Entertainment expenses incurred by staff members whose expenses are funded from the President or Chancellor's budget should be excluded.

Entertainment expenses include hospitality provided to campus and/or community audiences in support of the mission of the University, including campus-wide events and activities hosted by the Chancellor, such as a staff picnic, end-of-the year academic farewell, etc. Expenditures for meals and light refreshments provided to donors, guests, visitors, volunteers, and other individuals are permitted when the purpose involves conducting substantial and bona fide University business. Expenses charged to this account generally are not taxable to the President or Chancellor.

For further details, see Business and Finance Bulletin BUS-79, [Expenditures for Entertainment, Business Meetings, and Other Occasions](#).

V. Gift Expenses Account

Expenses charged to this account may include non-cash awards and gifts presented by the Officer to employees, faculty, and students. Expenses may also include gifts to donors or nonprofit organizations that benefit the University or are clearly necessary in fulfillment of the University's role as a good community citizen. Such gifts include both non-cash gifts and cash contributions to non-employees or external non-profit organizations.

Expenses charged to this account generally are not taxable to the President or Chancellor.

For further details, see Business and Finance Bulletins G-41, [Employee Non-Cash Awards](#), and G-42, [Gifts Presented to Non-Employees on Behalf of the University](#); and Accounting Manual Chapter A-253-27, [Administrative Fund Payments](#).

VI. Membership Expenses Account

The expenses charged to this account are for membership dues or fees paid on behalf of the President or Chancellor. The University supports membership in organizations that promote the advancement of education and research, facilitate community relations, and enhance the professional standing of administrative personnel. This account should not be charged for any institutional memberships purchased by the President or a Chancellor on behalf of the University where the Officer's use of the membership is incidental. The President and the Chancellors are authorized to evaluate and approve memberships that are expected to benefit the University, such as:

- Organizations of universities and colleges, including accrediting agencies;
- Organizations of professional schools and colleges;
- Organizations of institutional service agencies;
- Scholarly societies (e.g., the Modern Language Association);
- Community organizations (Chamber of Commerce, Urban League); and
- Social organizations (e.g., business, athletic, luncheon, sporting, airport and hotel clubs)

University funds may not be used for membership dues or fees of any organization that maintains legally impermissible, arbitrary, or unreasonable discriminatory membership policies and procedures. In addition, University-funded membership must be related to business purposes, that is, activities that contribute to any one of the University's major functions of research, patient care, teaching, or public service.

Under policy, only the personal use of a social membership is treated as additional taxable income to the President or Chancellor. Taxable expenses related to a social membership are separately reported by the President/Chancellor under the procedures set forth in Business and Finance Bulletin G-43, [Policy on University Membership in Organizations](#).

VII. Account for Expenses of the Associate of the President/Chancellor

Expenses charged to this account include University business-related expenses funded by the Associate of the President or Chancellor's budget.

Upon recommendation of the Chancellor, the President may approve the appointment of the Chancellor's spouse or domestic partner as Associate of the Chancellor or Acting Chancellor, and upon consultation with the Regents, the President's spouse or domestic partner may be appointed as the Associate of the President or Acting President. Appointment as the Associate of the President (or Chancellor) is intended to reflect and recognize the contributions and services of those individuals who are called upon to serve as ambassadors for the University and/or the President (or Chancellor). The Associate will represent the University in association with the President (or Chancellor) or independently at the campuses, National Laboratories, and at national and international functions. The Associate will be expected to accompany the President (or Chancellor) in settings where this will enhance the University's relationships with students, alumni, faculty, staff, donors, friends, public officials, private sector officials, and representatives of foreign governments. Intended significant involvement in activities and functions such

as described above is required in order to be granted the appointment as Associate. This appointment is without salary.

Expenses incurred on behalf of an Associate may include the following:

- University-related travel expenses, including automobile expenses,
- Business meeting and entertainment expenses,
- Cellular phone and other portable electronic resources,
- University equipment (e.g., laptop computer),
- Business travel insurance coverage,
- Workers' compensation insurance coverage and indemnification, and
- Business cards.

Expenses charged to this account generally are not taxable to the President or Chancellor. See Appendix C for Tax Guidelines Governing Expenses of an Associate of the President/Chancellor.

For further details, refer to the [Regents Policy on the Associate of the President and the Associate of the Chancellor](#).

VIII. Other Expenses Account

In the exercise of their official duties, the President and the Chancellors may incur a variety of expenses that do not fall under the categories listed above. The expenses charged to the "Other Expenses" account may include but are not limited to:

- Furnishings for the President's UCOP office or the Chancellor's on-campus office, including the purchase of artwork,
- Newspaper, periodical, and journal subscriptions purchased for use by the President/Chancellor,
- The prorated share of office supplies and equipment expense utilized by the President/Chancellor,
- Hire of a driver for transportation of the Officer to and from official University functions,
- Renovation of the President/Chancellor's on-campus office, and
- Expense of moving-in personal belongings to the President/Chancellor's residence and the removal thereof at the end of the Officer's appointment.⁸

This account should not include any support staff costs associated with the President's UCOP office or Chancellor's on-campus office. In addition, any University-wide expenses, such as for the Chancellor's inauguration, should be excluded.

Expenses charged to this account generally are not taxable to the President or Chancellor.

⁸ Moving expenses will be reimbursed in accordance with policy on [Senior Management Group Moving Reimbursement](#).

IX. Payment Method

Expenses charged to the various accounts identified above are reportable under this Policy, regardless of the payment mechanism. In general, two methods of payment are available for expenses incurred by the President or Chancellor:

- Direct Reimbursement of Travel Card and Out-of-Pocket Expenses.

The President or Chancellor may be reimbursed for out-of-pocket expenses associated with the conduct of official University business, including charges made with an employee-paid liability card. The Officer is personally responsible for paying those charges. The University reimburses the Officer for such charges based on a submitted travel expense voucher and supporting documentation.

- Payments on Behalf of the President or Chancellor

Certain Officer expenses may be billed directly to the University, including transportation tickets, payments to vendors and caterers, and conference fees. The University may also issue a Corporate Liability Card to the Officer, so that he or she may charge University-related expenses directly to the University.

For further details, refer to the [Policy Concerning Corporate Credit Cards](#), and Business and Finance Bulletins G-28, [Policy and Regulations Regarding Travel](#) and BUS-79, [Expenditures for Entertainment, Business Meetings and Other Occasions](#).

X. Allowable Fund Sources

Expenses incurred for official University business may be paid from a variety of fund sources available to the President or Chancellor. Such sources include Departmental Funds, Chancellor Funds, and Unrestricted Funds. Each Officer also receives an annual Administrative Fund allocation; these funds may be used to supplement the Officer's budget for business-related expenditures.

XI. Annual Report of Fiscal Year Expenses of the President/Chancellor

At the conclusion of each fiscal year, each location shall prepare an Annual Report of Expenses of the President/Chancellor (Appendix A) identifying the total expenses incurred by the Officer under Sections II through VIII of these Standards. This report must be submitted to the location accounting office by September 1st of each year.

A copy of the report must be sent by the Controller to the Office of the President, pursuant to the due date announced by the Executive Vice President—Chief Financial Officer.⁹

⁹ The President's report must be submitted to the Business Resource Center, which is responsible for sending a copy of the report to the Executive Vice President—Chief Financial Officer in accordance with the due date.

XII. Annual Report of Taxable Expenses of the President/Chancellor

Each year, each location shall report the taxable personal-benefit expenses, if any, associated with the following services incurred by the Officer on the Annual Report of Taxable Expenses of the President/Chancellor (Appendix B):

- Support Staff Expenses, and
- Equipment Expenses.

The taxable expenses identified in this report shall be treated as additional wages received by the Officer. The report must be prepared and filed with the location accounting office even if the Officer does not incur any taxable expenses. This report is due November 15th of each year. Copies of the Report of Staff Time Devoted to Personal Services Performed for the President/Chancellor (Exhibit 1) and the Officer's Report of Personal Use of University-Owned Equipment (Exhibit 2) must be included with the report submitted to the accounting office.

Copies of these reports must be sent by the Controller to the Executive Vice President—Chief Financial Officer within 30 days of the due date.¹⁰

¹⁰ Same as Footnote 9.

UNIVERSITY OF CALIFORNIA
Annual Report of Fiscal Year Expenses of the President/Chancellor
FY _____ - _____

Name of Officer: _____
Title: _____
Date Prepared: _____

| Expense Type | Expense Amount |
|--|----------------|
| Housing: | |
| General Maintenance | |
| • Security Services | |
| • Security Equip/Install. | |
| • Utilities | |
| • Other General Maintenance | |
| General Household | |
| Grounds Maintenance | |
| Residence Entertainment | |
| • Chancellor Hosted | |
| • Hosted by "Other" | |
| Support Staff | |
| Equipment | |
| Capital Improvements | |
| Other Housing Expense | |
| Total Housing Related Expenses: | |

| Expense Type: | Expense Amount |
|-----------------------------------|----------------|
| Travel | |
| Entertainment Outside Residence | |
| Gifts | |
| Memberships | |
| Associate of President/Chancellor | |
| Other Expenses | |
| Total | |
| Total Expenses | |

Officer Signature: _____
Preparer Name: _____
Preparer Title: _____

Instructions for Annual Report of Fiscal Year Expenses of the President/Chancellor

Report all amounts incurred whether paid on behalf of the Officer or reimbursed directly to the Officer. Expenses paid on behalf of the Officer may include payments made directly to a vendor, those charged to his or her personal credit card, or those made by another individual on behalf of the Officer, and recharges on behalf of the Officer by another University department. Report all amounts that have been paid or accrued for the current fiscal year. Any payments accrued in the previous fiscal year should not be reflected in the current fiscal year. Details concerning expenses to be charged to each account follow.

Housing Expenses:

- General Maintenance – Expenses required to support general maintenance and upkeep, including security services, security equipment and installation, utilities, and other expenses.
- General Household – Ordinary household expenses that support both the operation of the residence and day-to-day living expenses of the Officer.
- Grounds Maintenance – Expenses related to maintenance of the grounds associated with the residence.
- Residence Entertainment - Expenses incurred at events hosted by either the President/Chancellor or by others. Report on expenses that are paid with the President/Chancellor's departmental funds.
- Support Staff - Expenses for wages and benefits of any support staff assigned to the residence.
- Equipment - Expenses for equipment and related services that are furnished for use of the President/Chancellor and his or her family.
- Capital Improvement Costs - Expenses necessary to extend the economic useful life of the residence, and expenses for capital equipment, furnishings, and artwork.
- Other Housing Expense- Expenses that do not fall under one of the housing accounts, including rental of temporary off-campus housing, the cost of groceries not purchased as part of an entertainment event or used by the cook to prepare meals, and other expenses.

Travel - Expenses incurred by the President/Chancellor, and funded by the budget of the President/Chancellor, that are ordinary and necessary to accomplish the official business of the University. Travel of staff members whose expenses are funded from the President/Chancellor's budget is excluded.

Entertainment Provided Outside the Residence - Expenses for entertainment that does not occur at the residence but are funded by the Officer's budget, including campus-wide events and activities hosted by the Chancellor.

Gifts - Expenses for non-cash or cash gifts made by the President/Chancellor.

Memberships – Expenses for memberships in organizations paid on behalf of the President/Chancellor. This account should not include any institutional memberships purchased by the President/Chancellor on behalf of the University where the President/Chancellor's use of the membership is incidental.

Associate of the President/Chancellor - Expenses incurred by the Associate to the President/Chancellor.

Other Expenses - Expenses supporting official duties that do not fall within one of the above categories.

Due Date

The report must be signed by the President/Chancellor and filed with the location accounting office by September 1st of each year.

A copy of the report must be sent by the Controller to the Office of the President, pursuant to the due date announced by the Executive Vice President—Chief Financial Officer

UNIVERSITY OF CALIFORNIA
Annual Report of Taxable Expenses of the President/Chancellor

Reporting Period: _/_/_ - _/_/_
Name of Officer: _____
Title: _____
Date Prepared: _____

| Support Staff Expenses | Staff Sal. | Benefits | Transportation | Total Expense | Personal Percent | Personal Amount* |
|------------------------------|------------|----------|----------------|---------------|------------------|------------------|
| House Manager | | | | | | |
| Event Coordinator | | | | | | |
| Cook | | | | | | |
| Housekeeper | | | | | | |
| Other: | | | | | | |
| _____ | | | | | | |
| _____ | | | | | | |
| Total Staff Expenses: | | | | | | |

***Note:** Report all personal use of staff time as any staff time spent for personal purposes is taxable.

| Equipment Expenses | Total Expense | Personal Percent | Personal Amount** |
|----------------------------------|---------------|------------------|-------------------|
| Cable TV | | | |
| Internet Connection | | | |
| Telephone | | | |
| Fax Machine | | | |
| Other: | | | |
| _____ | | | |
| _____ | | | |
| Total Equipment Expenses: | | | |

| Other Expenses | Total Expense | Personal Percent | Personal Amount** |
|----------------|---------------|------------------|-------------------|
| _____ | | | |
| _____ | | | |

| | | | |
|-----------------------------|--|--|--|
| Total Taxable Amount | | | |
|-----------------------------|--|--|--|

****Note:** Report amounts in "Personal Amount" column only if personal use of equipment exceeds 15 percent of total use. If personal use of equipment exceeds 15 percent, the entire amount of personal use is taxable.

Officer Signature: _____
Preparer Name: _____
Preparer Title: _____

**Instructions for Preparing the
Annual Report of Taxable Expenses
of the President/Chancellor**

Because the President and the Chancellors are required to occupy University-provided housing, the value of the housing is not taxable to the Officer. In addition, the value of all meals prepared by a cook for the Officer and his or her family on the premises of the University-provided residence is not taxable, including the cost of groceries associated with the meals.

However, services or expenses incurred in the operation and staffing of the residence that are of personal benefit to the President or Chancellor are therefore taxable to the Officer. Such expenses, if applicable, are to be reported under the following categories.

Support Staff Expenses: This expense category includes salary and associated benefits for and transportation-related costs (e.g., mileage reimbursement) of employees assigned to the residence, to the extent that the staff perform services that personally benefit the President or Chancellor. Examples of such services may include but are not limited to:

- Running errands such as personal shopping or pickup of dry-cleaning, laundry, prescriptions, etc.
- Transportation services, such as driving the Officer or family member to the airport for a personal trip or vacation,
- Wardrobe-related laundry/dry cleaning/ironing services,
- Caring for pets, including the cost of pet food and supplies, and
- Handling private mail and telephone calls.

The estimated percentage of time devoted by staff to the provision of personal services, multiplied by the total staff expenses reported under this category, is the calculation used to determine the personal amount taxable to the Officer. The estimated staff time devoted to personal services should be documented by a time or effort report prepared periodically (e.g., quarterly) by each support staff employee assigned to the residence. The report must also be signed by the President/Chancellor, to acknowledge that the Officer has been provided with a copy of the report (see Exhibit 1).

Equipment-Associated Expenses: This expense category includes equipment (and related services) *dedicated primarily* for the personal use of the President/Chancellor and his or her family. Examples of such equipment-associated expenses may include but are not limited to cable television; Internet connection; telephone; fax machine; or other.

If the equipment or service is used both for personal and business use, then the percentage of personal use associated with each equipment item or service must be estimated each year in a statement prepared by the President/Chancellor (see Exhibit 2). Personal use that amounts to 15% or less on an annual basis is not taxable. If the personal usage exceeds 15%, then the entire value of such personal usage is taxable as additional wages to the Officer. If a separate private telephone line is provided for use by the Officer and his or her family, then the associated costs will be considered 100% personal.

Alternative Allocation Methods

A campus may use an alternative allocation method in lieu of time or effort reports, if the alternative method is more appropriate under the circumstances. The Executive Vice President—Chief Financial Officer must provide prior approval of any alternative allocation method.

Reporting Period

Taxable staffing and equipment expenses identified in the Annual Report shall be treated as additional wages received by the Officer. To properly withhold federal and state income taxes and applicable Social Security and Medicare taxes, the University has elected to use an IRS Special Accounting Rule with respect to expenses that personally benefit the President/Chancellor. Accordingly, the reporting period for the Annual Report is **November 1 of the prior year through October 31 of the current year**. The University will withhold applicable payroll taxes on the Officer's December 1 paycheck using the Description of Service (DOS) Code "TEP" assigned by UCOP Payroll Coordination and Tax Services.

Due Date

The Annual Report of Taxable Expenses, the Officer's Report of Personal Use of University-owned Equipment and the Report of Staff Time Devoted to Personal Services Performed for the Officer must *all* be filed with the location accounting office by November 15th. These reports must be signed by the President/Chancellor.

Copies of these reports must be sent by the Controller to the Executive Vice President— Chief Financial Officer, Office of the President, within 30 days of the due date.

(Office Letterhead)

Date _____

ACCOUNTING OFFICE

Subject: Report of Staff Time Devoted to Personal Services Performed for the President/Chancellor

I hereby certify that for the _____ - month period ended _____, 20____, I devoted _____ percent of my work time in performing the following personal services for the President/Chancellor:

| | <u>Percent Personal</u> |
|---|-----------------------------|
| Running personal errands | _____ |
| Driving President/Chancellor or family members on personal business | _____ |
| Wardrobe-related laundry/dry cleaning/ironing | _____ |
| Caring for pets | _____ |
| Handling private mail and telephone calls | _____ |
| Other _____ | _____ |
| Total | _____ |

Signature _____

Signature _____

Title of Staff Person _____

Supervisor _____

Acknowledgement

I acknowledge that I have been provided with a copy of this report.

Signature _____

Title: (President/Chancellor)

(Office Letterhead)

Date_____

ACCOUNTING OFFICE

Subject: Officer's Report of Personal Use of University-owned Equipment

I hereby certify that for the _____ - month period ended _____, 20____, I used the following University-owned equipment for personal purposes at the percentage time indicated below:

| | <u>Percent Personal</u> |
|---------------------|-----------------------------|
| Cable T.V. | _____ |
| Internet connection | _____ |
| Telephone | _____ |
| Fax | _____ |
| Other_____ | _____ |

Signature _____

Title: _____
(President/Chancellor)

**TAX GUIDELINES GOVERNING EXPENSES OF
AN ASSOCIATE OF THE PRESIDENT/CHANCELLOR**

Issued November 1, 2007

These Guidelines summarize the tax requirements governing official travel, entertainment, and other business expenses incurred by an Associate of the President or an Associate of the Chancellor. The Guidelines include advice provided by the University's outside tax counsel on the taxability of such expenses. In accordance with University policy applicable to these business expenses, an expense may not be reimbursed or paid by the University if the expense would create additional taxable income to the Associate.

The Regents Policy on the Associate of the President or the Associate of the Chancellor, approved on July 19, 2007, reiterated the longstanding policy on the appointment of the Associate position:

Appointment as the Associate of the President (or Chancellor) is intended to reflect and recognize the contributions and services of those individuals who are called upon to serve as ambassadors for the University and/or the President (or Chancellor). The Associate will represent the University in association with the President (or Chancellor) or independently at the campuses, National Laboratories and at national and international functions. The Associate will be expected to accompany the President (or Chancellor) in settings where this will enhance the University's relationships with students, alumni, faculty, staff, donors, friends, public officials, private sector officials, and representatives of foreign governments. Intended significant involvement in activities and functions such as described above is required in order to be granted the appointment as Associate. This appointment is without salary. (Emphasis added).

The Regents stated that the Associates are to undertake certain types of activities for the benefit of the University and, importantly, also stated that there must be "significant involvement" by the Associates in these activities. Therefore, not only will the Internal Revenue Service (IRS) require that the Associate be significantly involved in an activity in order to treat it as a bona fide business activity, but The Regents also set forth the same "significantly involved" standard in order for the spouse or domestic partner to be appointed to the Associate position.

Under the "significantly involved" standard required by both The Regents and the IRS, the following requirements will apply to expenses incurred by an Associate in the following general categories: activities and events where (i) the Associate attends by himself or herself, and (ii) the Associate accompanies the President/Chancellor.

Events Where the Associate Represents the University Without the Presence of the President/Chancellor

In those instances where the Associate attends an event or function by himself or herself in a representative capacity for the University, the Associate is engaged in a bona fide business function and any related travel or other expenses may be reimbursed.

Events Where the Associate Attends Together with the President/Chancellor

Even though there is a business purpose for the President/Chancellor to attend an event, a similar presumption can not be made about the accompanying Associate because the IRS carefully scrutinizes those situations where an employee's spouse accompanies the employee at a business event. Nevertheless, depending on the nature of the event and the Associate's activities at the event, the Associate may be able to demonstrate that his or her attendance and participation at the event served a bona fide business purpose so that his or her expenses may be reimbursed.

1. Fundraising Events.

An Associate's participation in a bona fide fundraising activity is a legitimate business activity for the Associate, but only if the Associate can demonstrate that he or she was "significantly involved" in the fundraising event. An event that is not predominately a fundraising event, such as a Bowl Game, may also be treated as a bona fide fundraising event if significant fundraising activities are conducted at the event, such as entertaining previous and prospective donors.

Regardless of the nature of the particular fundraising event, it is not sufficient for the Associate to simply state that he or she attended the event. Instead, the Associate should provide the University with contemporaneous records reflecting the following donor development information:

- The names of potential donors who were at the event.
- The specific actions that the Associate took at the event to further the event's fundraising purpose, for example, made a presentation to the group; spoke with different potential donors (specify approximate number) to promote University fundraising; or other specific activities that demonstrate efforts to promote the fundraising purpose of the event.
- The length of time of the event and the approximate amount of time that the Associate spent at the event involved in fundraising-related activities. At least 50% of the Associate's time spent at the event should be devoted to fundraising. In this regard, if at least 50% of the Associate's time is spent interacting with past or potential donors, the Associate's participation in the event will meet the "significantly involved" test, even if the discussion is not about fundraising per se.

2. Recruitment Events

An Associate's participation in a dinner or other event where the purpose is the recruitment of one or more potential University employees is a legitimate business activity for which related expenses may be reimbursed, provided that the "significantly involved" standard is met. As with fundraising events, an event may be a bona fide "recruitment" event if recruitment is not the event's primary purpose, so long as significant recruitment activities are conducted at the event.

But, again, it is not sufficient to simply attend the event. Rather, the Associate should provide contemporaneous written records showing:

- The name(s) of the persons being recruited
- A description of the manner in which the Associate participated in the recruitment of the person(s)
- The length of time of the event and the approximate amount of time that the Associate spent at the event on specific recruitment discussions. At least 50% of the Associate's time should be devoted to such discussions.

3. Conferences

Associates often attend professional conferences (ACE, AAU, NASULGC, etc.) together with the President/Chancellor. Simply attending the conference for the purpose of "networking" with other university president spouses or partners is not sufficient to create a business purpose for the Associate's attendance.

Some of these conferences, however, have special educational programs directed at spouses and partners of university presidents or other senior executives. Where the conference has such spousal or partner programs, the Associate's attendance at the conference should be treated as a bona fide business activity, provided that the Associate provides evidence that he or she registered for these programs.

If, however, the conference does not have any special spousal or partner programs, there is a strong presumption by the IRS that the Associate's attendance did not serve a bona fide business purpose. This presumption can be overcome, however, if the Associate is able to demonstrate that he or she engaged in substantial business activities at the conference. In this connection, the Associate must describe these business activities in detail and provide an estimate of the amount of time spent on such activities at the conference.

4. Regents Meetings

On some occasions, the Associates are invited to attend the Regents' meetings and the following dinners, and on others they attend the dinners only. Under IRS regulations, no substantial business purpose would be achieved from merely attending the dinners. Therefore, any travel expenses related to the Associate's attendance at the dinner only may not be reimbursed by the University.

Also, as a general rule, an Associate's attendance at the Regents meetings does not serve a bona fide business purpose. If, however, the Associate is able to show a business purpose in attending the meeting (for example, if the Associate was asked by the Regents to discuss an Associate-related agenda item or to participate in an educational program offered by the Regents for the Associates), his or her travel expenses would be reimbursable. In such cases, expenses related to the Associate's attendance at the dinner may also be paid by the University.

5. Community Events

If the Associate attends a community event together with the President/Chancellor, the IRS presumption is that the Associate's attendance did not serve a

bona fide business purpose. In order to overcome this presumption, the Associate must provide contemporaneous written records showing:

- The nature of the community event.
- The specific activities in which the Associate engaged in at the event to promote the University.
- The length of time of the event and the approximate amount of time that the Associate spent at the event on specific University-related business activities.

6. Award Presentations

The President/Chancellors often receive awards and are required to travel to out-of-town locations where the award is presented. In these situations, the IRS presumption is that there is not a significant business purpose for the Associate to travel to the presentation with the President/Chancellor; therefore, any travel expense may not be reimbursed by the University.

7. Dual Purpose Trips

It is possible that, in conjunction with a trip to attend a community event, and award presentation, or some other function where the Associate would not normally engage in University business activities, the Associate, either alone or together with the President/Chancellor, could be involved in fundraising or recruitment activities. If so, and if the Associate is able to demonstrate his or her significant involvement in these activities in the manner described above, the Associate's travel expenses may be reimbursed.

8. Trips Funded by Outside Organizations

Occasionally, the Associate may attend a professional conference or other event with the President/Chancellor where the cost of the attendance is funded by an outside organization, such as a higher education association. If the reimbursements are made directly by the organization to the Chancellor, and not the University, then the University does not have a tax reporting or withholding obligation with respect to these payments. However, if any portion of the reimbursement is funded by the University, the amount would be subject to the rules applicable to conferences (item 3 above).

9. Personal Travel Expenses

If, in connection with any fundraising, recruitment, or other trip where the Associate is serving a bona fide business function, the Associate incurs personal travel expenses (for example, days when he or she is not engaged in University-related business activities), the travel expenses related to the personal days shall not be charged to the University.