



Compliance guidelines

Work from home expense reimbursement



Supporting remote work needs

With the growing demand for flexible work, many employers are reimbursing employees for various work from home expenses. What's more, several states and local jurisdictions in the US have introduced laws requiring employers to cover certain business expenditures incurred by employees working remotely.

Beyond legal considerations, it is important to account for tax regulations applicable to both your company and its workforce to maximize savings. Failing to comply with state work expense reimbursement rules can lead to potential risks for employers depending on the state, including employee wage and hour lawsuits, damage penalties, and other sanctions.

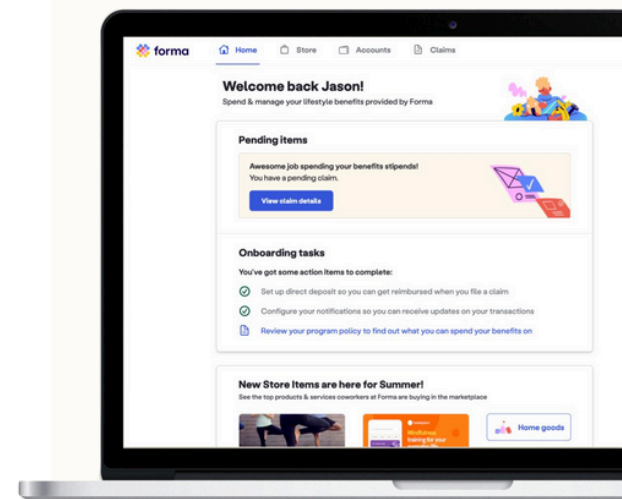
Lower compliance risk while maximizing tax savings

In the US, states and local jurisdictions have laws impacting reimbursement of employees' business expenses. Generally speaking, these laws require businesses to reimburse employees for certain expenses that are necessary for them to carry out their work duties in settings outside of the workplace (e.g., WiFi and cell phone costs). Your TPA can provide issues to consider with your tax and legal counsel given where your employees operate.

Reimbursement of some remote work expenses may be eligible for tax-favored treatment as business expenses if the employer uses an accountable plan or the expense qualifies as a working condition fringe. Employers hoping to reimburse eligible expenses on a tax-free basis must satisfy additional IRS requirements.

States and localities with business expense mandates

- + California
- + District of Columbia
- + Illinois
- + Iowa
- + Massachusetts
- + Minnesota
- + Montana
- + New Hampshire
- + New York
- + North Dakota
- + South Dakota
- + Seattle



Work from home requirement FAQ

Must employers reimburse business expenditures of remote employees who have the choice to work in the office?

While rules differ by jurisdiction, a business expense incurred by an employee who voluntarily chooses to work remotely is not likely necessary to perform the employee's duties. Employers are generally not required to reimburse such expenses, although they may voluntarily do so.

How are reimbursement of necessary business expenses taxed?

Expense reimbursements are subject to both state and federal tax laws. While state laws may differ, federal law allows tax-exempt reimbursement of ordinary and necessary business expenses under Section 162 of the Internal Revenue Code, including internet service and cell phone costs. To qualify for tax-exempt treatment, employers must follow certain guidelines to ensure reimbursement is limited to business expenses, including proper documentation and substantiation procedures.

When the employee uses personal equipment or services for both personal and business purposes, how much must be reimbursed?

While rules differ by jurisdiction, when an employee uses personal equipment for both personal and business purposes, generally a reasonable amount must be reimbursed by the employer.

If a reasonable amount is not set by law, employers often determine a reasonable amount for reimbursement and ask employees for notification if the amount is insufficient.

What business expenditures may need to be reimbursed?

While it depends on the specific job duties, in addition to internet service and cell phone costs, business expenditures that may need to be reimbursed if incurred by employees include computers, monitors, keyboards, telephone headsets, webcam, printer, and other equipment and accessories if necessary to perform the duties of one's job.

How Forma can help

The flexible benefits platform works hard so you don't have to!

1 Quickly customize and set up spending accounts

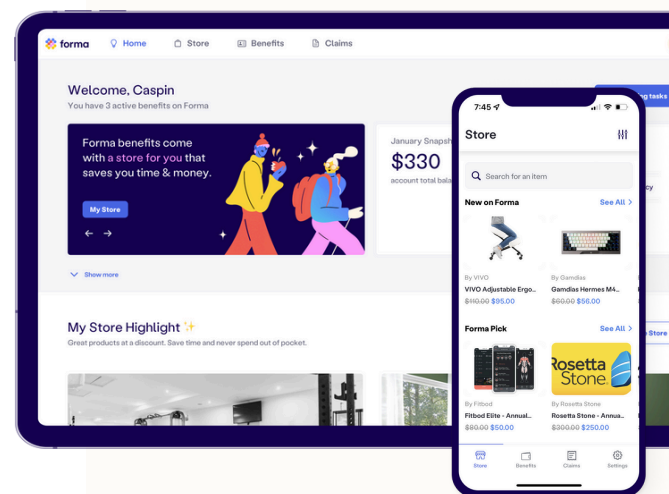
Forma works with you to define account types and eligibility requirements.

2 Employees choose what works for them

Your workforce selects benefits and uses funds based on their personal preferences.

3 Forma takes care of the rest

We help take care of it all—so you can take a break and reap the benefits of Forma!



An exceptional experience
on a global scale

98%
member
satisfaction

97%
customer
retention

300+
customers

1M
active
members

110+
countries