



7.6 Business Expenses and Company Credit Card Usage

1. Scope and Purpose - It is the Company's intent to reimburse employees for bona fide business-related expenses incurred while conducting Company business. The purpose of this policy is to clarify when it is appropriate to use the Company's corporate credit cards to incur, and seek reimbursement for, employee business expenses.

Company-paid expenses that are not excludable from the employee's taxable income (as determined under the federal tax code and IRS rules) must be reimbursed through Payroll and included as taxable income on the employee's Form W-2, subject to applicable withholding for income and employment taxes.

2. Business Expenses - The Company reimburses expenses incurred by employees that qualify as "working condition" fringe benefits, as determined by federal income tax rules. This refers to "any property or service provided to an employee to the extent that, if the employee paid for such property or service, such payment would be allowable as a deduction by the employee under the federal tax code.

It is important to note that management may decide to reimburse or otherwise pay for certain personal expenses as a cost of doing business. However, reimbursement of expenses that do not meet the IRS definition of "business expense" (as determined under the working condition fringe benefit rules) must be treated as taxable income to the employee.

- Tax Home - A key factor in determining the eligibility of a travel-related reimbursement as a non-taxable business expense is the employee's "tax home," as defined in IRS rules. Generally, an employee's tax home is his/her regular work location (regardless of where he/she maintains a family home). If the employee does not have a regular work location, then his/her tax home may be the place he/she regularly lives. If the employee does not have a regular work location or a place where he/she regularly lives, then the tax home is wherever the employee works.

Additionally, if an employee is on a temporary assignment away from his/her tax home, and the assignment is expected to last one year or less, related travel expenses (as defined by the IRS) may be treated as non-

taxable business expense. However, if an employee is on a temporary assignment away from his/her prior tax home, and the assignment is expected to exceed (and/or in fact does exceed) one year, the assignment location becomes the new tax home and all reimbursements (or other allowances) must be processed through Payroll as taxable income to the employee.

- Reasonable and Necessary - All business expenses are subject to a standard of reasonableness. Expenses incurred that are not reasonable and necessary (as determined by the Company) may not be treated as non-taxable, and the Company reserves the right to decline to reimburse expenses that are unreasonable or unnecessary.
3. Proper uses for Company Credit Card - The following list provides examples of expenses that may be processed through a Company credit card, subject to applicable supervisory approval and the standard of reasonableness. Supportive documentation is required for certain expenditures. Travel-related expenses must be the result of business travel away from the employee's tax home, the duration of which does not exceed (or is not expected to exceed) one year. This list is not all-inclusive.

Travel-related expenses for business trips away from the employee's regular work location (tax home):

Transportation by air, train, bus or car; Taxi, shuttle, limousine, rental car; personal car mileage; lodging and meals; business entertainment; certain incidental expenses; telephone; tips/gratuities. Travel arrangements should be made through Direct Travel/Concur, the Company's preferred vendor for this purpose. See detailed procedures for Direct Travel/Concur in Lesson 1.

Other expenses:

approved professional subscriptions and periodicals; approved business-related professional conferences and seminars; approved professional society or trade organization memberships; meals provided during business meetings or activities; local business entertainment; packaging/shipping of business materials; purchase of certain reward and recognition gifts, awards and prizes that are furnished to employees and are properly reported (such expenses may be deemed taxable to the recipient);

4. Taxable Reimbursements - Management may choose to pay certain reasonable and necessary expenses that are not eligible to be excluded from an employee's income as non-taxable business expense. Such payments will be processed through Payroll and included as taxable income on the employee's Form W-2, subject to applicable income and employment tax withholding. Management

may or may not include an additional reimbursement amount for estimated tax make-up. The following are examples of such expenses:

- Travel-related expenses (e.g., transportation, meals, lodging, incidentals and/or related allowances) for a temporary assignment that lasts or is expected to last more than one year
- Approved travel-related expenses for a spouse
- Commuting expenses between an employee's home and regular place of work
- Relocation-related expenses, unless specifically identifiable as excludable from wages

5. Cash Advances and Personal Use of Company Credit Cards:

a. Personal Use of a Company Credit Card - Company credit cards are issued as a means of processing business expenses. Because of potential liability for the Company, the cards are not intended for, and should not be used for, personal use. However, there may be limited occasions when an employee might reasonably incur a personal expense on a card in conjunction with a business expense. The following are examples of acceptable personal expenses:

- Movie rental or other personal charges incurred during a hotel stay on a business trip
- Additional nights at a hotel for personal reasons when incurred in tandem with a business-related hotel stay
- Personal use rental car cost when incurred in tandem with a business trip during which a rental car was necessary for the business portion
- Non-business-related meals when they are part of a bill that includes business-related meals

When such personal expenses are incurred, the employee is responsible for reimbursing the company for those expenses. Refer to local requirements for reimbursing the Company for personal expenses.

Other than the limited exceptions set forth above, it is inappropriate for an employee to use a Company card for personal expenses. Intentionally using a Company card for unapproved personal expenses may result in disciplinary action up to and including revocation of the card and/or termination of employment, even when the employee has reimbursed the card issuer or the Company for the personal expenses.

b. Use of a Personal Credit Card for Business Expenses - Except in instances where the Company credit card is not accepted by a vendor, an employee may not use a personal credit card to pay for business expenses. Habitually using a personal credit card for business expenses may result in disciplinary

action up to and including non-reimbursement of those expenses, revocation of the Company card, and/or termination of employment.

- c. Timely Submission of Expenses Employees are required to complete and submit an expense report for all credit card expenses in a timely manner. Failure to submit an expense report in a timely manner may result in disciplinary action up to and including revocation of the card and/or termination of employment.
- d. Revocation of a Corporate Credit Card - If a Company credit or purchasing card is revoked for any reason, including as the result of termination of employment, the employee is still responsible for payment or reimbursement of outstanding personal expenses.