MBO Partners Business Expense Reimbursement Policy and Process

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INTRODUCTION

Welcome to the MBO Partners (MBO) Business Expense Reimbursement Policy.

Proper administration of business expenses is a critical part of any independent professional's career. It's important that you read this policy carefully and keep it handy for future reference. As always, if you have any questions, contact your MBO Business Manager.

This document covers all aspects of MBO's business expense administration, including:

- the expenses that qualify for reimbursement;
- the program's terms and limitations;
- how to submit expenses using your MBO Business Center;
- how MBO processes your reimbursement; and
- special features, options, and more.

If you're accustomed to administering your expenses as a "1099" independent, we expect you'll find the MBO process to be a time-saving improvement.

Disclaimer

MBO does not provide tax, legal, or accounting advice. The application of laws and regulations varies widely based on the specific facts involved. MBO uses its best efforts based on the information available to process expenses that meet IRS and other regulations. MBO's expense processing should not be used as a substitute for consultation with professional tax, legal, or accounting advisors.

By reimbursing expenses under this accountable plan, MBO does not make any representation or warranty about whether the reimbursement would be treated as taxable income by the IRS or other tax authorities.

Example: You submit expenses for a two-week business trip. MBO may process the expense reimbursement as a non-taxable reimbursement. The IRS, however, may determine that it was a personal vacation and may consider the reimbursement as taxable income.

1. BUSINESS EXPENSE REIMBURSEMENT PROCESS

You may submit Business Expenses for reimbursement. Billable Business Expenses—those a client reimburses to you—must comply with MBO's Billable Business Expense Reimbursement Policy. Corporate Services and Business Services Associates may also submit Non-Billable Business Expenses that comply with the Non-Billable Business Expense Reimbursement Policy.

Some MBO Associates initiate an expense reimbursement by using MBO's online expense entry process, located within their MBO Business Centers, and submitting all necessary receipts to MBO as explained below. Others may be directed to use a client-specific submission tool, such as a Vendor Management System and later "finalize" submissions using their MBO Business Centers.

MBO (and, in some cases, your client) must confirm that the expenses adhere to all legal and client-specific expense policies prior to reimbursement.

Expense submissions are considered "pending" once you submit them. MBO releases pending expenses for reimbursement upon approval by your client or client designee (i.e., MBO).

1.1 SUBMITTING EXPENSES

Unless you have been instructed otherwise, follow the instructions below to submit expenses. Logging in to your Business Center and submitting your expenses through the website constitutes your agreement that your expenses are appropriate and correct.

Again, depending on your client, you may be given submission instructions different than those below.

1. Log into your MBO Business Center and click on the "Business Center" tab.
2. In the top menu bar, click on the "Expenses" link. The "Enter Expense" page appears.
3. Click on the "Add a New Expense" button.
4. Select the appropriate radio button indicating if your expense is billable to your client or non-billable.
    a. If the expense is "billable" (see Billable Business Expense Reimbursement Policy), select the work order against which the expense is charged in the "Work order" drop-down box.

       Note: You are responsible for adhering to your clients' policies for billable expenses, which may be more or less restrictive than MBO's Billable Business Expense Reimbursement Policy.. Please be aware that not all billable expenses qualify as reimbursed expenses under MBO's Business Expense Reimbursement Policy.

    b. **For Business Services Associates only**. If the expense is non-billable (see Non-Billable Business Expenses), select the Expense Reimbursement Allowance work order from the drop-down box.
5. In the "Type" drop-down box, select the expense category that describes the expense. Additional fields appear based on the selected category.
6. Complete the required fields (those marked by a * notation). Where called for, also enter a clear description of the expense and a specific business purpose (e.g., "Met with Frank Smith (VP of Operations at ABC Company) over lunch to discuss new contract").
7. Click on the "Save" button when finished. The entry is added to your list of open or pending expense items.
8. Submit appropriate receipts as detailed in the "Sending Receipts to MBO" section below. You may upload a receipt prior to saving the entry.
9. Repeat this process as necessary until you have entered all your expenses.

Be sure to fully Substantiated each expense as you submit it, as MBO assesses each submission for compliance against the Billable Business Expense Reimbursement Policy or the Non-Billable Business Expense Reimbursement Policy. MBO rejects expenses that do not comply with these policies.

Please note: Submit expenses using the receipt or statement/bill date (when only a date range is provided use the end date of the date range). For airfare, hotel, and conference expenses, submit the expense when the expense is attended/used.

1.2 EXPENSE STATUS

The following colors identify expenses' status:

- **Black** – The expense is in an "Open" status. You have provided some information, but you have not completed all the fields required to move the expense to "Pending" status.
- **Blue** – The expense is in "Pending - Needs Receipt" status. You have completed all required fields and the expense is pending, but the expense requires a receipt for processing. See "Sending Receipts to MBO."
- **Green** – The expense is in "Pending" status. You have provided all required information and the expense is queued for submission to the MBO Expense Compliance Team for processing.
- **Red** – The expense is in "Held" status. MBO requires more information to process the expense or the documentation you have submitted is incorrect, incomplete, or illegible. Expenses remain in "Held" status until the expense issue is resolved and you have resubmitted it by clicking on the "Save" button.

Please note that receipts faxed or emailed to doc@mbopartners.com may take up to one business day.

1.3 SENDING RECEIPTS TO MBO

Most expenses, billable and non-billable, require you to submit associated receipts. You must either fax copies of receipts to us or email a scanned image of the receipts as described below. In all cases, the fax or image must contain complete information from the original receipt. Failure to submit receipts as instructed may result in processing delays.

To Upload Receipts:

1. Once you've entered the required information for an expense that requires a receipt, click on the "Upload Receipt" button at the bottom of the expense entry form. An "Upload" window appears.
2. Click on the "Browse…" button and locate the image file. The file type must be PDF, JPEG, JPG, TIFF, TIF, PNG, or GIF.
3. Click on the "Upload" button.
4. Save the expense by clicking on the "Save" button.

To Fax Receipts:

1. Once you have entered all expenses for a given period, click on the "Expense Report" link in the left-side navigation. The Expense Report page appears.
2. Use the fields on this page to define the expenses with which you'd like to populate your report.
3. Click on the "View" button. A list of expenses meeting your criteria appears.
4. Click on the "Create Expense Report" button. A PDF "Expense Reimbursement Summary" appears.
5. Print a hardcopy of the Summary to your printer.

6. Assemble your receipts one per page and oriented at the top of the page. Add these pages to the Summary page.
7. With the Summary page on top, fax all pages to 1-800-944-4318 or 214-922-0286 (from outside the U.S.).

To Email Receipts:

1. Follow steps 1 through 3 from the "To Fax Receipts" section above.
2. Save the Summary PDF file to your computer.
3. Create clear scanned images of your receipts (one receipt per image). MBO can accept PDF, JPEG, JPG, TIFF, TIF, PNG, or GIF image files. **Note**: The MBO system cannot read receipts embedded in an email. All receipts must be attachments to an email.
4. Send an email to doc@mbopartners.com which includes the Summary PDF file and all receipt image files as attachments. Be sure to cc: your Business Manager on this email.

File Image Creation:

If your scanner software cannot produce the image types specified in the MBO expense receipt submission process above, you may use one of the following alternative methods.

- PDF Online™ (http://www.pdfonline.com) is a free service that enables users to upload many different types of files, then receive an email that contains a PDF version of the file. Anyone who has local files and internet access can use this tool. No registration is required and the program is free.
- CutePDF™ Writer (http://www.cutepdf.com/Products/CutePDF/writer.asp) is a free utility that that installs on Windows and becomes an additional printer option. Be aware that the free version has file size limitations.
- Microsoft® Office® (2003 and above) includes the Microsoft Document Image Writer that can be set to generate MDI or TIFF files. When using this method, set the printer options to generate a TIFF file (MBO does not support MDI files at this time).
- Adobe® Acrobat® (http://www.adobe.com/products/acrobatpro/) is the standard tool for creating PDFs.
- Adobe also provides an online (http://createpdf.adobe.com/) subscription service for converting files to PDFs.

1.4 EXPENSE APPROVAL

Once you submit your expenses, the expense approval process begins.

1. The MBO Expense Compliance Team reviews your expense submissions through MBO's online system. Submission review is contingent upon delivery of receipts where required. (In some instances, a client representative must also approve billable expenses in the MBO system.)
2. If the Expense Compliance Team finds an issue with an expense item, your Business Manager will email you to explain the issue.
3. If there are no issues, the Expense Compliance Team approves the expense items and the items' status changes to "Approved." The MBO system sends a notification email to you (if you have requested to receive these notifications).
4. MBO queues all approved billable expenses for invoicing to your client based on your client's billing schedule.

1.5 REIMBURSEMENT SCHEDULE AND DEADLINES

Approved Billable Business Expense. MBO generally processes approved expenses for billings within one business day of receipt. MBO must receive our billable expenses by 5:00 p.m. ET Monday through Friday to be processed the following business day. MBO includes approved expenses on the next applicable client invoice. MBO reimburses approved Billable Business Expenses after the client pays MBO for the approved expenses on the next regularly scheduled weekly payment.

Non-Billable Business Expenses. MBO must receive your fully substantiated Non-Billable Business Expenses, including all required receipts, by 5:00 p.m. ET each Friday for reimbursement in the following week's regularly scheduled payment batch. Reimbursement of Non-Billable Expenses is subject to the availability of funds in your Business Center.

2. BILLABLE BUSINESS EXPENSE REIMBURSEMENT POLICY

MBO operates an Accountable Plan and reimburses Associates for Approved Billable Business Expense. MBO reimburses Associates for Approved Billable Business Expense after the Associate's client has paid MBO for the expense.

2.1 REQUIREMENTS

MBO only reimburses Approved Billable Business Expenses that meet the following requirements.

- They must comply to this policy and the client's policy. In the event of a conflict, MBO complies first with this policy and then with the client's policy.
- They must have a Business Connection.
- They must have adequate Substantiated. Substantiation requires itemized receipts showing the nature of the expense, the amount, the time, place, and business connection of the expense.
- They must be submitted and substantiated within sixty (60) days of the expense being incurred.

MBO does not accept credit card statements as receipts for transactions. **Exception**: If this is a foreign expense or you have no other receipts, MBO may, at its sole discretion, accept a credit card statement if it has sufficient information to adequately document the nature of the expense and its amount, time, place, and business connection.

MBO requires copies of all documents and itemized receipts even if you have provided receipts to your client.

Unless required by your client, itemized receipts are **not** required for:

- meal expenses under $75.00;
- travel expenses (except hotel expenses) under $75.00 (all hotel expenses require itemized receipts);
- mileage; and
- per diems (which require appropriate per diem documentation).

2.2 INTEGRITY

MBO is committed to processing expenses with honesty, integrity, and accuracy. MBO reserves the right to suspend or revoke your ability to process expenses through MBO if MBO, at its sole discretion, determines that you have submitted fraudulent expenses, falsified receipts, or otherwise engaged in any act of deceit or fraud.

MBO, at its sole discretion, reserves the right to decline to process or reimburse any expense for any reason or for no reason.

2.3 POLICIES FOR SPECIFIC EXPENSES

MBO Services Fee

While not reimbursable, your MBO Service Fee qualifies as a pre-tax expense. MBO automatically deducts the fee from your Business Center revenue. You do not need to enter this expense.

Expenses Incurred Overseas

- MBO reimburses receipts in a foreign currency in U.S. dollars.
- If a currency exchange rate is detailed on the receipt, MBO reimburses based on the exchange rate on the receipt.

- MBO reimburses the amount your credit card company charges if you paid the expense by credit card. Provide a copy of your credit card statement.
- If you paid the expense in cash, MBO reimburses at the exchange rate listed for that day on the historical lookup found at http://www.oanda.com/currency/converter/. Provide conversion based on the exchange rate on the day you incurred the expense.

Expenses for Services

- MBO reimburses for services provided by a corporation with the submission of a W-9 for that corporation, along with the receipt or invoice and Proof of Payment. Additional documentation requirements may be imposed for S corporations to ensure independent contractor compliance.
- MBO does not reimburse for services provided by an individual/Sole Proprietor or Partnership due to independent contractor compliance concerns and IRS reporting requirements.

Travel – General

- Unless required by your client, MBO does not require receipts for travel-related expenses under $75.00. You must provide receipts for travel related expenses $75.00 or above. You must provide itemized receipts for all hotel expenses, regardless of cost or payment method.
- You may submit travel expenses only when you are Temporarily Traveling Away from Home for Business.
- MBO reimburses business-related tolls, parking, taxi and/or ride-sharing services (such as Uber, Lyft, etc.), shuttle, and public transportation expenses when you are Temporarily Traveling Away from Home for Business. In addition, MBO reimburses transportation expenses to client sites via taxi or train from your Qualified Home Office (including metro/subway) if you have executed a Qualified Home Office Declaration. MBO does not process expense reimbursements for parking violations.

Travel – Airfare

MBO reimburses reasonable airfare (and applicable incidental costs, such as luggage fees) if your documentation shows the flight date, flight details, and a receipt showing Proof of Payment.

Travel - Auto Rental

- MBO reimburses auto rental expenses if you are Temporarily Traveling Away from Home for Business.
- MBO reimburses fuel for rental cars. MBO requires the rental car receipt as substantiation for the fuel reimbursement.

Travel – Mileage

- MBO reimburses mileage that has a Business Connection at the IRS mileage rate in effect at the time the miles were driven.
- If you are Temporarily Traveling Away from Home for Business, MBO reimburses you for mileage or auto rental plus fuel, but not both.
- If you have a Qualified Home Office and you have submitted a Qualified Home Office Declaration, MBO reimburses you for mileage from your Qualified Home Office to your client site.
- MBO reimburses mileage from your regular work location to a Temporary Work Location.
- MBO reimburses mileage submissions for up to one calendar month of travel for travel to/from the same Temporary Work Location.

- MBO reimburses mileage based on a Google Maps link that supports the reasonableness of the mileage. Unless you provide a mileage log, you may not submit mileage to multiple destinations in one entry; instead, submit entries from one origin and to one destination (this may include round trips).

Travel – Taxis, Tolls and Tips

You may combine expenses relating to taxis, ride-sharing services (such as Uber, Lyft, etc.), tolls, and tips by expense type as a single expense if:

- they occur on the same date,
- if they have a common reason and description, and
- the total is under $75.00.

You may submit specific business-related charges detailed on an automated toll collection service (e.g., E-Z Pass).

Travel – Meals

MBO reimburses reasonable travel meal expenses you incur while Temporarily Traveling Away from Home for Business.

Travel – Hotel/Lodging

MBO reimburses your expenses for lodging when you are Temporarily Traveling Away from Home for Business according to the following guidelines:

- Reimbursement requires detailed receipts for all hotel stays. Each hotel expense must include the hotel receipt with an explanation of all charges.
- MBO does not reimburse personal expenses that appear on your hotel bill. These include items such as in-room movies or incidental purchases made during your stay.
- You must separate expenses such as meals that are included on the hotel bill and enter them as a separate expense lines in the appropriate expense category.

Per Diems (Lodging and Meals)

MBO reimburses per diem expenses according to the following guidelines:

- You must be Temporarily Traveling Away from Home for Business and you must be away from home for one year or less. An interruption of four months or more in a per diem assignment location results in a restart of the one year “clock” at a specific per diem location.
- You must provide the date, place, and business purpose of the expense when submitting a per diem expense.
- MBO reimburses 100% of the portion of your per diem allocated to lodging.
- MBO uses the Federal Government per diem rates and rules.

Communications – Mobile

MBO reimburses business-related mobile phone expenses.

- MBO reimburses up to 75% of business mobile phones. If you claim more than 75% of the business mobile phone charge is be used for business, a call log (marked to indicate which calls are business-related) must accompany the expense submission.
- MBO reimburses prepaid phones up to 75%. Your receipt must list the phone number and include details of how many minutes you added.

- When expensing a business mobile phone bill, include a copy of the summary page, showing business phone(s) marked with all business-related charges.

Communications – Other

MBO reimburses all business-related communications expenses. These include installation and monthly fees for internet and land lines that are separate from your personal installations and fees.

When entering your expenses, use the "Communications" category and the bill date of your statement as the expense date. When only a date range is available, use the end date of the date range.

- Pay for business-related land line telephone and internet lines installed in home offices and submit these expenses to MBO.
- When expensing a business land line phone where you have charges for several lines on the same bill, include the summary page showing charges for the business land line. You may only expense the business portion of your bill.
- In the notes section of the expense, include the calculation used to determine the business line total.
- When expensing internet connections, include the summary page of the bill (unless the payment page states all charges were strictly for internet). Do not expense television or cable even if included in a package with the internet service.

Gifts

MBO does not reimburse the purchase of gifts on behalf of your client.

Vendor Fees

MBO reimburses the cost of services corporations render to you with the submission of a W-9 for that corporation, along with the receipt or invoice and Proof of Payment. MBO may impose additional documentation requirements for S corporations to ensure independent contractor compliance.

Non-Reimbursable Expense Items

MBO does not process reimbursements for the expenses listed below. Some of these expenses may be tax-deductible. MBO encourages you to consult with a qualified tax professional about the tax-deductibility of these expenses. Examples include but are not limited to:

- Business expenses for individuals with no relation to MBO
- Business expenses directly related to projects outside of MBO
- Grooming, nail, or hair salon expenses
- Headphones on airlines
- Incentive trips
- Laundry (unless out of town three nights or more)
- Medical expenses
- In-room movies
- Personal bar bills
- Personal books or magazines
- Personal travel expenses during business trip
- Personal losses
- Pet hotel stays or pet transportation
- Political or charitable contributions
- Expenses for travel companion accompanying you on trip
- Toiletries
- Traffic citations (including parking tickets or fines)
- Charitable event tickets

- Client entertainment
- Clothing or apparel not used exclusively for work
- Membership/club dues (including airline clubs)
- Home office expenses
- Leased/purchased vehicle expenses

3. NON-BILLABLE BUSINESS EXPENSE REIMBURSEMENT POLICY

This section applies to Associates engaged through **Business Services and Corporate Services only**.

3.1 GENERAL INFORMATION

MBO processes Non-Billable Business Expenses only for Associates engaged through Business Services or Corporate Services.

Business Services Associates must establish a Non-Billable Business Expense Reimbursement Plan each year that indicates their intention to process Non-Billable Business Expenses.

Corporate Services Associates must adopt this MBO policy as their Accountable Plan to submit Non-Billable Business Expenses without establishing a Non-Billable Business Expense Reimbursement Plan.

All Associates may incur, track, and deduct non-billable business expenses that MBO does not process. For more information about business expenses or unreimbursed employee expenses, see IRS Publication 529 Miscellaneous Deductions.

Non-Billable Business Expenses must comply with all parts of the Billable Business Expense Reimbursement Policy.

3.2 SPECIFIC NON-BILLABLE EXPENSES

Office Equipment

MBO reimburses office equipment purchases up to $2,500 per item for Associates engaged through either Business Services or Corporate Services. Items that qualify for reimbursement include office furniture, computer equipment and peripherals, software, and office electronics such as copiers and fax machines. Use the “Office Equipment” category when entering these expenses.

You must use equipment purchased under this plan exclusively for business related to your work with MBO. Before MBO can approve the equipment purchase, you must provide a specific description of the need and use of the equipment in the “Purpose” section of the expense entry form.

For Business Services Associates, if for any reason you discontinue your association with MBO within six months of an office equipment purchase, MBO may be required to reclassify this expense as income to you.

MBO also reimburses expenses associated with leasing office equipment for non-home office space.

Property Rental

- Business Services - MBO reimburses monthly rental for office space you lease outside of your home and paid to a real estate agent or property manager. When submitting an office rental expense, use the “Property Rental” category and include a Proof of Payment for the current month’s rent. You must also provide a copy of the completed lease agreement with the first “Property Rental” submission along with a W-9.
- Corporate Services - MBO reimburses monthly rental for office space you lease outside of your home. When submitting an office rental expense, use the “Property Rental” category and include a Proof of Payment for the current month’s rent. You must provide a copy of the completed lease agreement with the first “Property Rental” submission along with a W-9 for MBO to keep on file to determine if a 1099 is required.

Marketing

MBO reimburses all costs related to marketing yourself or your business. These expenses include résumé development, brochure production, public relations expenses, and the design and production of promotional materials, including business cards and web sites.

Gifts

MBO reimburses gifts for business contacts up to $25.00 per person per year. For more information on this limitation, review the IRS guidelines on gifts at IRS Publication 463 Travel, Entertainment, Gift, and Car Expenses. If you submit gifts for multiple recipients, you must itemize the expense reimbursement request separately for each gift recipient. **MBO does not reimburse the purchase of gifts on behalf of your client**.

Training

MBO reimburses costs associated with college-level courses, professional training, and seminars directly related to your business. This includes books and manuals required as part of such training.

MBO does not reimburse student loan repayments; however, proof of tuition paid with a student loan is acceptable.

Health Reimbursement Arrangement (Corporate Services Associates only)

Corporate Services Associates are eligible to enroll in a Health Reimbursement Arrangement (HRA) through which you may be able to deduct medical expenses. For more details, please visit Corporate Services Benefits: Health Reimbursement Arrangement.

Leased or Purchased Vehicles

MBO does not reimburse for leased or purchased vehicles. Please consult your tax advisor for handling these outside of MBO.

Home Office Expenses

MBO does not reimburse for home office expenses. Please consult your tax advisor for handling these outside of MBO.

Life Insurance and Long-term Disability

MBO may reimburse for Life Insurance and Long-term Disability Insurance if these expenses meet IRS requirements. Please review criteria on the Life Insurance Certification and Long-term Disability Insurance Certification links here.

3.3 REIMBURSABLE EXPENSE ITEMS AND PERTINENT INFORMATION

Below is a list of reimbursable items grouped by the associated Business Center category you use when entering these expenses in your Business Center.

Communications

- Business-related phone calls/faxes
- Dedicated business land line phone and/or data line monthly fees
- Business-related internet connection and monthly fees

Office Equipment

- Office computer equipment and peripherals (limitations apply)
- Projectors
- Test equipment
- Software

- Business-related mobile phone monthly charges

Training

- Certification training and exam fees
- Professional seminars and related training
- Textbooks and training manuals

Meals*

- Business meals
- Meals while traveling

Marketing / Advertising

- Advertising
- Business stationery (business cards, brochures, marketing material, etc.)
- Presentation materials
- Public relations expenses to promote business
- Resume production to market skills to clients
- Web site development related to client work

Office Expenses

- Business-related publications
- Conference room rental for business meetings
- Copying and printing and services
- Office space (rent or lease; actual or pro-rata value of dedicated office outside the home used predominantly by the Associate for client work)
- Office supplies
- Paper, envelopes, general office supplies
- Postage and express delivery
- Printer cartridges
- Repairs and maintenance

Vendor Fees

- Agent services for identifying new clients
- Legal fees directly related to client work
- Services performed for your business by a corporation

*Meals (including per-diem meals) are reimbursed at 100% for Corporate Services Associates. Per the "Meals" section of IRS Publication 463 you may generally deduct only 50% of the unreimbursed cost of your meals. Additional corporate taxes may apply on the remaining 50%. Please consult your tax advisor for further guidance.

4. NON-BILLABLE BUSINESS EXPENSE REIMBURSEMENT PLAN

This section applies to eligible Associates engaged through Business Services only.

Associates often incur Non-Billable Business Expenses, or business expenses not directly reimbursed by their clients. To help offset these non-billable costs, MBO offers a Non-Billable Business Expense Reimbursement Plan that lets Associates take advantage of the potential tax savings associated with these business expenses.

4.1 ELIGIBILITY

To participate in the Non-Billable Business Expense Reimbursement Plan you must be:

- an active Associate engaged through Business Services,
- in good standing with MBO, and
- able to demonstrate your ability to meet a billing threshold equivalent of $130,000 annually (based on billing history, forecasts, and credible project opportunities).

4.2 HOW IT WORKS

Eligible Associates who wish to participate must request a "Non-Billable Business Expense Reimbursement Program Form" from their Business Manager, sign it, and return it to MBO. You must do so during open enrollment or within 30 days of your hire date.

When MBO receives payment for your services as you work, we apply the expense fee to the payment and set aside that amount as an expense reimbursement allowance until you have reached your annual cap. The expense fee you select for the calendar year is recorded in your MBO Business Center.

MBO sets up a designated Expense Reimbursement Work Order in your Business Center through which you must submit and substantiate your expenses in a timely manner. Once MBO approves your expense, it reimburses you in the next weekly expense payment (subject to the availability of funds in the allowance). MBO does not reimburse you if you do not have sufficient funds in the allowance.

Please be aware that the Non-Billable Business Expense Reimbursement Program is an annual program that you must renew each year and MBO reimburses all expenses pursuant to this Policy. You may only submit the expenses you incur in a calendar year against the allowance for that year. If you leave MBO during the calendar year without using your full expense allowance, or if you do not incur enough non-billable business expenses to submit against the full balance, you forfeit the remaining funds.

4.3 LIMITATIONS

MBO limits reimbursement of certain expenses. These include:

- meals (including per diem meals), which MBO reimburses at 50% of cost;
- office equipment, which is limited to $2,500 per item for Associates engaged through Business Services; and
- gifts to business contacts, limited to $25.00 per gift recipient, per year.

Associates may incur and deduct expenses greater than these limits on personal returns. Please consult qualified professionals for advice on appropriate expense reporting.

5. GLOSSARY

As used in this MBO Partners Business Expense Reimbursement Policy and Process, these terms have the following meanings:

Accountable Plan

The term "**Accountable Plan**" means a plan that meets the Internal Revenue Service (IRS) requirement including 26 CFR 162-2 (See IRS Publication 15). An Accountable Plan only reimburses actual expenses that:

- have a Business Connection,
- are adequately Substantiated, and
- are substantiated within a reasonable period of time.

Companies that do not maintain an Accountable Plan report all expense reimbursements as supplemental wages and subject to income tax to the recipient (see Non-accountable Plan).

Approved Billable Business Expense

The term "**Approved Billable Business Expense**" means a Business Expense that has been approved by a client or client designee (i.e., MBO).

Associate

The term "**Associate**" means a worker who has engaged with MBO through one of MBO's services: Payroll Services, Corporate Services, Vendor Services, or Business Services. The term "Associate" includes contractors, vendors, and employees.

Business Expense

The term "**Business Expense**" means an expense that has a business connection and has been adequately substantiated within sixty (60) days of being incurred.

Billable Business Expense

The term "**Billable Business Expense**" means a Business Expense incurred in the process of performing work for a client and for which the client is willing to provide reimbursement (e.g., your client requests that you travel to a remote workplace). Many clients require approval of expenses in advance. Once you submit Billable Business Expenses through your MBO Business Center, MBO adds the amount to the invoice MBO sends to your client.

If a client does not reimburse MBO for Billable Business Expenses, these expenses may be Non-Billable Business Expenses.

Business Connection

The term "**Business Connection**" means that an expense is connected to a business, is common and accepted in the industry, and is helpful and appropriate for the business. (See IRS Publication 535: Business Expenses.)

Non-Billable Business Expenses

The term "**Non-Billable Business Expenses**" means Business Expenses that cannot be billed to a client. Non-Billable Business Expenses include items like business cards, office expenses, marketing costs, etc.

Qualified Home Office

The term "**Qualified Home Office**" means a home office that meets IRS requirements for a home office. See IRS Publication 587, Business Use of Your Home.

Qualified Home Office Declaration

The term "**Qualified Home Office Declaration**" is a signed declaration stating you meet the requirements for having a Qualified Home Office.

Proof of Payment

The term "**Proof of Payment**" means a copy of the cancelled check (front and back image), credit card statement, or provider's statement clearly indicating a payment.

Substantiated

The term "**Substantiated**" means an expense with appropriate documentation that shows the amount, time, place, and business connection of an expense. Substantiation requires you to list each expense separately and include documentary evidence that shows the nature of the expense and its amount, time, place, and business connection. You must provide Substantiation within sixty (60) days of the date the expense is incurred.

Temporarily Traveling Away from Home for Business

The term "**Temporarily Traveling Away from Home for Business**" means being temporarily away from home for business purposes, as broken down below:

- "**Temporarily**." The term "**Temporarily**" means your time away from home is reasonably expected to last for one year or less (see IRS Publication 463 Travel, Entertainment, Gift, and Car Expenses). If you expect to be away from home for less than one year but your expectation changes and you expect to be away from home for more than one year, you are no longer Temporarily Traveling Away from Home for Business. When you expect to be away from home for more than one year, the IRS treats your work location as your home for tax purposes.
- "**Traveling Away from Home**." The term "**Traveling Away From Home**" means being away from the general area of your tax home substantially longer than an ordinary day's work because of business obligations (see IRS Publication 463 Travel, Entertainment, Gift, and Car Expenses).
- "**Tax home**." The term "**Tax Home**" means your regular place of business, including the entire city or general area (see IRS Publication 463 Travel, Entertainment, Gift, and Car Expenses).

Temporary Work Location

The Term "**Temporary Work Location**" means a work location that is realistically expected to last (and does in fact last) for one year or less, unless other facts and circumstances indicate otherwise. If your work at a work location is initially and realistically expected to last for one year or less, but at some later date the work is realistically expected to last more than one year, that work location is temporary (unless there are facts and circumstances that would indicate otherwise) until your expectation changes. Once you determine that the location will last more than one year, it is no longer treated as a temporary location.