**AGREEMENT TO ADOPT AN ACCOUNTABLE PLAN**

This Agreement is made and entered into as of [Insert Date], by and between [Employer Name], a [State] corporation/organization (hereinafter referred to as the "Employer"), and its employees (hereinafter referred to as the "Employees").

**RECITALS**

WHEREAS, the Employer desires to establish an accountable plan in accordance with the requirements of the Internal Revenue Code (IRC) and applicable Treasury Regulations, specifically Treas. Reg. § 1.62-2, to reimburse Employees for business expenses incurred in the performance of their duties; and

WHEREAS, the Employer intends for this plan to meet the requirements of an accountable plan so that reimbursements are not treated as taxable income to the Employees.

NOW, THEREFORE, the Employer adopts the following terms and conditions for its accountable plan:

**1. Business Connection Requirement**

The plan shall reimburse Employees only for expenses that have a direct business connection. Such expenses must be:

* Ordinary and necessary business expenses incurred while performing services as an employee of the Employer.
* Examples include, but are not limited to, travel expenses, meals, lodging, and other expenses directly related to the Employer's business.

**2. Substantiation Requirement**

Employees must adequately account for all reimbursed expenses by providing the following within a reasonable period of time:

* Receipts, invoices, or other documentation that clearly identifies the amount, date, place, and business purpose of the expense.
* A written statement or expense report detailing the nature of the expense.

**3. Return of Excess Reimbursements**

Employees must return any excess reimbursements or advances to the Employer within a reasonable period of time. Excess reimbursements are defined as amounts paid to the Employee that exceed the substantiated expenses.

**4. Reasonable Period of Time**

For purposes of this plan, a "reasonable period of time" is defined as:

* Submitting expense reports and documentation within 60 days of incurring the expense.
* Returning excess reimbursements within 120 days of receiving the advance or reimbursement.

**5. Non-Taxable Treatment**

Reimbursements made under this plan that meet the requirements of an accountable plan shall not be included in the Employee's gross income, shall not be reported on Form W-2, and shall not be subject to income tax withholding, FICA, or FUTA taxes.

**6. Plan Administration**

The Employer shall administer this plan in compliance with all applicable laws and regulations. The Employer reserves the right to amend or terminate this plan at any time, provided that such amendments or termination comply with applicable laws.

**7. Acknowledgment**

By signing below, the Employee acknowledges receipt of this plan and agrees to comply with its terms and conditions.

**Employer:**  
[Employer Name]  
By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Employee:**  
By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

This sample agreement can be customized to fit the specific needs of the employer and employees. It ensures compliance with IRS requirements for accountable plans, as outlined in Treas. Reg. § 1.62-2.