

CITY OF HAMILTON, OHIO

No. 337

ADMINISTRATIVE DIRECTIVE

Effective Date: 11-30-15

Approved by: Joshua A. Smith,
City Manager

SUBJECT: Purchase of Lunch Meals or Food Items

References: IRS Publication 15-B Cat. No. 29744N, Employer's Tax Guide to Fringe Benefits for use in 2015

PURPOSE: The purpose of this policy is to establish guidelines for determining the appropriate time for the City to purchase lunch and/or food items periodically for employee training, planning meetings, and business lunches.

1. Scope.

- a. Whether or not the value of a meal is excludable from wages is determined by the Internal Revenue Code (IRC):
 - i. **De minimis meals** are defined as "infrequent and of minimal value". Examples include coffee, donuts, soft drinks, an employee picnic, and occasional pizza or meal money provided for employees to work overtime.
 - ii. **Meals for the convenience of the employer:** If the employer requires employee to be immediately accessible the value of the meal would be excludable. *IRC 1.119-1(c)*
 - iii. **Meals while traveling:** Please see the Tax Guide for Fringe Benefits Travel & Commuting Guideline. If the employee can pass the 'away from tax home' and 'substantial rest' tests, the value of the meal would be excludable.
 - iv. **Meals included in the price of a conference, trade, or professional associations** are excludable.
 - v. **Meals with clients, other employees, or peers** are excludable if they meet the "directly-related" test. *Reg 1.274-2(c) and (d)* a. Directly Related Test applies if:
 1. The main purpose of the combined business and meal is the active conduct of business, in which case the business discussion must be substantial in relation to the meal; and
 2. Business is actually conducted during the meal period; and
 3. There is more than a general expectation of deriving some specific business benefit at some future time.

2. Guidelines.

- a. If you pay for a meal for yourself and others, whether City employee, or outsider (such as a consultant), the meal must meet all of the following criteria:
 - i. Was City related business involved? (Examples, recruitment lunch interview, consultant business discussion, etc.)
 - ii. If asked by members of the public, would it meet general consensus of benefiting the public?
 - iii. Is the cost reasonable? A normal cost of lunch may be \$10 –\$12 per person in the City of Hamilton, whereas in New York City, the cost may be higher. If a meal is higher than the per diem meals in the City where the meal is purchased it shall be deemed excessive and not reimbursable.
- b. Additionally, meals that meet these criteria are appropriate as long as “there is not a practice which appears to be abusive to the public trust.” (Meaning – not a repetitive, consistent pattern of taking employees, vendors, etc. to lunch).
- c. “Day Meals” will not be covered. The meal may not be for an individual employee, dining alone, unless it is in conjunction with approved travel covered by a travel request and meets the requirements above under Section 1, Paragraph a, subparagraph iii. - Meals while traveling.
 - i. Example of a “Day Meal”: John Doe leaves in the morning to attend a conference/meeting within driving distance (Columbus) and returns that evening. The lunch purchased by Mr. Doe will not be covered for reimbursement as this does not meet IRS guidelines.
- d. If the meal is attended only by City of Hamilton employees, it **must** be pre-approved by the employee’s Appointing Authority.
- e. When requesting a business meal reimbursement the employee must document the name of each person paid for, their business affiliation and the purpose of the meeting.
- f. **Any meals charged to a City Credit Card and not approved by the Appointing Authority can be recouped by the City via payroll deduction.**

3. Submittal Steps.

- a. Directors must evaluate employee requests for reimbursement to determine whether or not the value of the meal is a taxable fringe benefit.
- b. Requests for reimbursement for meals must include:
 - i. A detailed receipt showing each item purchased
 - ii. A list of the individuals who participated in the meal
 - iii. A description of the business purpose
- c. It is the employee’s responsibility to assure that the business was actually conducted and meets the directly related test.
- d. Finance Director will examine and initial all reimbursements and determine the TFB effect.