

Church Accountable Reimbursement Policy

Internal Revenue Code now requires certain procedures to ensure that reimbursements to church ministers and staff members are not income to them. We are asking _____

(Church name) at _____ (Address/State/Zip) follow these procedures during the taxable year of (Year) _____, and the church should have these procedures written down for the current year. The church needs to make it clear that the church intends all reimbursements paid by it to qualify as reimbursements paid according to an adequate accounting to an employer under an accountable reimbursement plan, so that they do not have to be reported as income by ministers and church staff receiving the reimbursements.

RESOLVED, that the following be and it is hereby adopted as and for the official reimbursement policy of the church until amended or rescinded:

1. The church may reimburse church ministers and staff for expenses incurred on church business, for items purchased for church use, for all ordinary and necessary expenses required for the exercise of their ministry and work within and on behalf of the church, and for the carrying out of other nonprofit religious purposes of the church. However, only expenses properly substantiated according to this policy will be reimbursed.

2. Expenses that are considered by the church to be ordinary and necessary for the performance of ministry include, but are not limited to, the following: (1) On-the-job transportation; out of town travel to church conferences, assemblies, and continuing education; where auto expenses are involved, the staff member may elect reimbursement for actual expenses, or at the standard mileage rate currently allowed by the IRS: for 2017 this rate is 54 cents per mile, or at any higher rate allowed by law; (2) other professional continuing education by correspondence and locally; (3) professional materials (books, magazines, journals, papers, tapes, films, videos, office supplies, etc.); (4) business meals, business entertainment, and business gifts for conducting church business and developing pastoral relationships; (5) expenses for meals, cleaning, and supplies in connection with church functions held at a minister's home or parsonage, including expenses connected with the housing of guest evangelists to save hotel costs; (6) professional dues and fees for memberships in religious and civic organizations; (7) business telephone; (8) professional equipment (communion, office, library, audio-visual, music, etc.); (9) the purchase and cleaning of clergy vestments used in church worship services; (10) child and dependent care expenses, when incurred to enable both minister and spouse to attend church functions for which the presence of the spouse is important to the continuing ministry of the church; when provided gratis by an on-premise church daycare facility; or when equal to or less than the lesser of \$5,000 per year, earned income, or spousal earned income.

The church, at its discretion, may elect to pay any expenses under this policy by direct billing upon receiving receipts and vouchers from the minister.

The church recognizes the professional nature of ministry and recognizes the right of the minister to use professional judgment when incurring expenses. The church has the right to limit the amount of ministry expense reimbursements on the basis of reasonableness in amount. A minister or staff member may deduct the amount of any unreimbursed expense(s) as allowed by law.

3. To receive reimbursement, a church minister or staff member must account to the church treasurer by filing expense reports for reimbursable expenses no less often than monthly, and in no event more than 60 days after any particular expense is incurred. These reports shall provide "adequate accounting" to the church, as that term is used in the Code, which means that they must provide the same kind of proof as would be necessary to substantiate a deduction taken for the same expenses on the minister or staff member's own income tax return.

Accounting for expenses to be reimbursed must be made with substantiating records, receipts, and/or contemporaneous personal statements of expense such as an account book or diary, showing date, amount, place, business purpose, and business relationship.

4. Reimbursement shall be made only for the amount actually incurred. In no event shall a reimbursement be for an amount greater than the actual expense incurred. In the event that reimbursement shall inadvertently be made for any amount greater than expenses accounted for, the person receiving such overpayment shall promptly return it to the church within 90 days of the date the associated expense was incurred, or within 30 days of the overpayment, whichever is sooner.

5. The church minister or staff member receiving a reimbursement under this policy shall maintain adequate receipts and records covering the reimbursement for at least 4 years from the date of the reimbursement, and shall provide copies of the same to the church treasurer upon request.

6. No expense reimbursed according to this accountable reimbursement policy shall be reported as income on any Form W-2 or Form 1099 wage statement issued to any minister or church staff member receiving such reimbursement(s).

7. In the event any question arises about the amount of any expense to be reimbursed in any instance, the decision of the church treasurer shall be final.