

ACCOUNTABLE EXPENSE REIMBURSEMENT POLICY FOR ORDAINED MINISTERS*

**NOTE: A similar policy could be adopted for non-ordained staff and church volunteers.*

The following resolution was duly adopted by the Personnel Department of Session of _____ at its regularly scheduled meeting held on _____, a quorum being present and by the Session of _____ at its regularly scheduled meeting held on _____, a quorum being present. Whereas, income tax regulations §1.162-17 and §1.274-5T provide that an employee "need not report on his/her tax return" expenses paid or incurred by him/her solely for the benefit of his/her employer for which he/she is required to account and does account to his/her employer and which are charged directly or indirectly to the employer; and

Whereas, income tax regulation §1.274-5T further provides that "an adequate accounting means the submission to the employer of an account book, diary, statement of expense, or similar record maintained by the employee in which the information as to each element of expenditure (amount, date and place, business purpose, and business relationship) is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner which conforms to all the "adequate records requirements" set forth in the regulation; and

Whereas, the Church desires to establish a reimbursement policy pursuant to the regulations mentioned above for our ordained ministers; be it therefore:

Resolved, that the Church hereby adopts a reimbursement policy pursuant to income tax regulations §1.162-17 and §1.274-5T, upon the following terms and conditions:

1. The "nonaccountable" reimbursement policy whereby ministers receive monthly cash allowances to cover their expenses is terminated effective _____ and is replaced with this accountable expense reimbursement policy. The cash allowances received prior to _____ were determined by dividing annual allowances, if any, outlined in a minister's "Terms of Call", if any, by twelve (12). In addition, the "nonaccountable" reimbursement policy for study leave expenses and consulting expenses, and any other expenses reimbursable by the Church, is terminated effective _____ and is replaced with this accountable expense reimbursement policy.
2. Any minister on _____ or hereafter employed by the Church shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the Church, if the following conditions are satisfied: (1) the expenses are reasonable in amount; (2) the minister documents the amount, date, place, business purpose (and in the case of entertainment expenses, the business relationship of the person or persons entertained) of each such expense with the same kind of documentary evidence as would be required to support a deduction of the expense on the minister's federal tax return; and (3) the minister documents such expenses by providing the Director of Administration with an accounting of such expenses no less frequently than monthly. Properly substantiated expenses included on an Expense Reimbursement Request Form received by the 20th of each month (or the next regular business day) will be reimbursed on the last day of the same month. In no event will an expense be reimbursed prior to substantiation or if substantiated more than 60 days after the expense is paid or incurred by a minister.
3. Expenses in excess of said minister's budgeted expenses (by category, as outlined in the Church's fiscal year budget) shall not be reimbursed without the express approval of the Personal Department of Session. Further, if by 60 days after the end of a calendar year a minister does not substantiate expenses at least equal to the minister's budgeted expenses (by category, as outlined in the Church's fiscal year budget) he/she shall not be reimbursed any shortfall.
4. The Church will not reimburse cellular phone or personal computer expenses of a minister who is treated as an employee for federal income tax reporting purposes unless the minister's use of a cellular phone and personal computer meets the following two tests:
 - (1) Convenience of the employer. Use of the cellular phone or computer is "for the convenience of the employer." This means that the minister cannot perform his/her job without the cellular phone or computer. The fact that the phone enables him/her to perform his/her work more easily and efficiently is not enough. Further, it must be demonstrated that the phones and computers available at the Church are insufficient to enable the minister to properly perform his/her job.

- (2) Condition of employment. Use of the cellular phone or computer must be required as a "condition of employment." It is not necessary that the Church specifically requires use of cellular phones or computers. On the other hand, it is not enough that the Church merely states that use of a cellular phone or computer is a condition of employment.
5. Reimbursements shall be paid out of Church funds, and not by reducing pay checks by the amount of business expense reimbursements.
 6. Reimbursable business and professional expenses (subject to approval by the Personnel Department) include local and out-of-town transportation, overnight travel (including lodging and meals), entertainment (hospitality), books and subscriptions, education, conference and seminars, vestments, and professional dues. The aforementioned list is not meant to be all inclusive. Mileage incurred between a minister's home and the Church is personal commuting mileage and is not reimbursable by the Church. Receipts/mileage logs will be required for all expenses claimed on the Expense Reimbursement Request Form in order to obtain reimbursement for said expenses.
 7. The Church shall not include in a minister's annual IRS Form W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy, and the minister should not report the amount of any such reimbursement as income on his/her or her annual IRS Form 1040.
 8. Any Church reimbursement that exceeds the amount of business or professional expenses properly accounted for by a minister pursuant to this reimbursement policy (e.g., received under an expense advance policy) must be returned to the Church within 120 days after the associated expenses are paid or incurred by the minister, and shall not be retained by the minister.
 9. If, for any reason, the Church's reimbursements are less than the amount of business and professional expenses properly substantiated by a minister, the Church will report no part of the reimbursements on the minister's annual IRS Form W-2, and the minister may deduct the unreimbursed expenses as allowed by law on their annual IRS Form 2106. 10.
 10. Under no circumstances will the Church reimburse a minister for business or professional expenses incurred on behalf of the Church that are not properly substantiated according to this policy. The ministers understand that this requirement is necessary to prevent our reimbursement plan from being classified as a non-accountable plan.
 11. All receipts and other documentary evidence used by a minister to substantiate the business nature and amount of his/her business and professional expenses reimbursed under this policy shall be retained by the Church. The minister may, at his/her election, retain their own copies of such evidence.

Attestations:

Personnel Department

Attested the ___ day of _____ by:

Chair, Personnel Department

Head of Staff

Session

Attested the ___ day of _____ by:

Clerk of Session

Copy to: _____