

Accountable Reimbursement Policy

The following resolution was adopted by the _____ Church, (_____), in its (Voters' Assembly/Board) meeting held on _____.

It is hereby resolved, that the _____ Church adopt an Accountable Plan Reimbursement Policy which is in accordance with income tax regulations 1.162-17 and 1.274-5T(f), as described in the following terms and conditions:

1. Any minister or other employee who is employed now or hereafter shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the Church only if the following conditions are satisfied: (1) The expenses are reasonable in amount; (2) The employee documents the amount, time and place, business purpose and business relationship of each expense with the same kinds of documentary evidence as would be required to support a deduction of the expense on the person's federal income tax return; and (3) the employee documents such expenses by providing the Church treasurer with an accounting of such expenses no less frequently than monthly. In no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by the employee or bona fide volunteer (including a director or officer).

It is understood that the above conditions are in large part taken from income tax regulation 1.274-5T(f), which 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, time 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.”

2. Reimbursements shall not be paid by increasing paychecks by the amount of business expense reimbursements. Rather all such reimbursements shall be separately paid out of church funds.

3. Reimbursable business and professional expenses include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, vestments and professional dues.

4. The church shall not include on the employee's Form W-2 the amount of any business or professional expense properly substantiated and reimbursed according to the preceding paragraphs. The employee should not report the amount of any such reimbursement as income on his/her Form 1040.

5. Any church reimbursement that exceeds the amount of business or professional expenses properly accounted for by an employee according to the terms of this reimbursement policy must be returned to the church within 120 days after the associated expenses are paid or incurred and shall not be retained by the employee.

6. If, for any reason, the church's reimbursements are less than the amount of business and professional expenses properly substantiated by an employee, the church will report no part of the reimbursements on the employee's Form W-2, and the person may deduct the unreimbursed expenses as may be allowed by law.

7. Under no circumstances will the church reimburse an employee for business or professional expenses incurred on behalf of the church which are not properly substantiated according to this policy. The church and staff understand that this requirement is necessary to prevent this reimbursement plan from being classified as a “non-accountable” plan, which would then require the reporting of all such reimbursements as taxable income on Form W-2.

8. All original receipts and other documentary evidence used by an employee to substantiate the business nature and amount of his/her business and professional expenses incurred on behalf of the church shall be retained by the employee. The church may, at its election, make copies of such evidence.