

SAMPLE ACCOUNTABLE REIMBURSEMENT POLICY

The following resolution was duly adopted by the Church Council of
(congregation name)

(hereafter called "the Congregation") at a regularly scheduled meeting held on
(date), a quorum being present:

Whereas, income tax regulations 1.162-17 and 1.274-5(e) provide that employees need not report on their tax returns expenses paid or incurred by them solely for the benefit of their employer for which they are required to account and do account to their employer and which are charged directly or indirectly to the employer; and

Whereas, income tax regulation 1.274-5(3) 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, 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 set forth in the regulation"; be it therefore

Resolved, that the Congregation hereby adopts an accountable expense reimbursement policy upon the following terms and conditions:

1. Adequate accounting for reimbursed expenses. Any pastor now or hereafter employed by the Congregation shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the congregation, if the following conditions are satisfied:

- 1) The expenses are reasonable in amount;
- 2) The pastor 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 kinds of documentary evidence as would be required to support a deduction of the expense on the pastor's federal income tax return; and
- 3) The pastor documents such expenses by providing the congregational treasurer with an accounting of such expenses on a monthly basis. In no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by a pastor.

2. Reimbursable expenses. Reimbursable business and professional expenses include, but are not limited to, local business mileage, overnight travel (including lodging and meals), business meals and entertainment, books and subscriptions, continuing education, vestments and vestment cleaning, professional dues, long distance telephone calls, youth activities, religious supplies, and business proportion of cellular phone expenses (documented with required log).

3. Automobile reimbursement rate. The pastor's business use of his/her automobile will be reimbursed at the standard mileage rate allowed by the Internal Revenue Service. (Effective July 1, 2011, the standard mileage rate is 55.5 cents per mile.)

4. Excess reimbursements. Any Congregation advance reimbursement that exceeds the amount of business or professional expenses properly accounted for by a pastor pursuant to this policy must be returned to the Congregation within 120 days after the associated expenses are paid or incurred by the pastor, and shall not be retained by the pastor.

5. Reimbursements not funded out of salary reductions. Reimbursements shall be paid out of Congregation funds, and not by reducing pay checks by the amount of business expense reimbursements.

6. Tax reporting. The Congregation shall not include in a pastor's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy, and the pastor should not report the amount of any such reimbursement as income on Form 1040.

7. Maximum annual reimbursement. Substantiated business expenses in excess of the budget for expense reimbursement will not be reimbursed.

8. Unused budget. Any portion of the annual budget for professional expense reimbursement that is not reimbursed based on the submission of documentary evidence as provided under this policy shall remain in the Congregation treasury and not be distributed to the pastor.

9. Retention of records. All receipts and other documentary evidence used by a pastor to substantiate business and professional expenses reimbursed under this policy shall be retained by the Congregation.

Under no circumstances will the congregation reimburse a pastor for business or professional expenses incurred on behalf of the Congregation that are not properly substantiated according to this policy. The Church Council and staff understand that adherence to the requirements of this reimbursement policy is necessary to prevent the plan from being classified as a "nonaccountable" plan.

Church Council Secretary