



MINISTER'S REIMBURSED EXPENSE RULES

A minister should NEVER be paid an expense allowance. If an expense allowance is paid, it must be included on Form W-2.

The church should establish a not-to-exceed budget amount to cover the minister's expenses.

All expenses should be reimbursed under the IRS accountable plan rules.

Accountable plan rules are as follow:

1. The employee must have incurred and paid deductible expenses while performing services as an employee.
2. Adequately account to your employer for the expenses to be reimbursed within a reasonable period time.
3. Return any excess portion of the reimbursement or expense advance/allowance within a reasonable period of time.

Employees, including ministers, should be reimbursed for mileage expenses at the federal standard mileage rate, which changes from time to time.

An expense advance can be made by the employer; but it should be a reasonable amount, and adequate accounting and return of any excess should be timely.

Reasonable time means within 30 days of the time the employee incurs the expense.

The employee is to furnish receipts or documents stating the amount, date, and purpose of expense and any information that supports it as a business expense. The church is to retain such receipts and/or documents.

An "accountable reimbursement plan" is to be formally adopted by the church board or whatever group is authorized to adopt such plans. The written plan can state the above listed rules and state that it is agreed to reimburse up to \$ _____ for the minister/pastor. If other employees are included in the plan, the dollar amount is to be listed for each individual if different than the others.

This information is of general nature as to tax laws. Consult with tax and/or legal advisers for specifics as to your situation.