

## Accountable reimbursement plan, 04/13/2016

In accordance with IRS regulations 1.162-17 and 1.274-5T(f), the First Christian Church of Duncanville, Texas, hereby establishes an accountable reimbursement plan for all ministers, employees and ministry chairs for whom a reimbursement amount is budgeted, or any individual purchasing something on behalf of the FCC, with the following terms and conditions:

1. The church will reimburse only reasonable ministry-related business expenses incurred by a minister or employee. Subject to budget limitations, such expenses will include:

- Business use of automobile, up to the current IRS standard mileage rate (must be accompanied by a mileage record);
- Business travel away from home: transportation, lodging and meals on overnight trips;
- Convention conference and workshop expenses;
- Continuing education expenses;
- Subscriptions, books and other media, if related to ministry or employment;
- Entertainment/hospitality expenses, if ministry-related business connection requirement is met.

2. The minister or employee will account for each allowable expense in writing within 60 days of incurring the expense. Documentation will include the amount, date, place, and business purpose. A receipt will accompany the documentation. Entertainment/hospitality expense shall specify the purpose and persons involved. **When privacy is a concern, the purpose of the visit will be acceptable.**

3. An advance may be requested for expenses within 30 days of an approved activity with written explanation and supporting documentation.

4. The minister or employee will return advances that exceed actual business expenses within 60 days.

5. Use of a church debit or credit card shall require a monthly expense report **and** include receipts in order to be considered accountable reimbursement payment. The debit card statement is not sufficient documentation.

6. Any expense reimbursement request not clearly in a category listed above will require review and approval by the appropriate ministry chair (should be done in advance to expedite payment).

7. Reimbursements will not exceed the budgeted amount without prior Board approval. However, the minister or employee may deduct unreimbursed ministry expenses on their personal tax return as a non-accountable expense.

8. If the minister or employee does not use the entire budget line item designated for reimbursement, she or he cannot receive the overage. (An accountable plan is a church expense, not personal income to the minister or employee.)

9. Documentation for reimbursements shall be filed with the church's fiscal year financial records.

10. Under this accountable arrangement, the church will not report reimbursed amounts as taxable income on the minister's or employee's Form W-2. The minister or employee should not report reimbursed amounts as income on Form 1040.

To avoid delays in reimbursements, prior approval of requests will not be a requirement except as otherwise noted above. However, review of the documentation provided will be randomly checked by a Trustee to assure compliance.

### **Accountable Reimbursement Tips:**

- Get supporting documents such as receipts and mileage logs!
- Properly file them!
- Appoint someone to be in charge of administrating the accountable reimbursement plan.

Make sure ministers or employees know what an appropriate business expense is and what is not and the time limit for obtaining the supporting documents.

The IRS requires the employer to keep good accounting records. Every reimbursed expense must include the following information (the 4Ws):

- Who was reimbursed and if for a business meal...whom were they with....and where were they?
- When were they reimbursed?
- What were they reimbursed for and ... for how much did it cost?
- Why were they reimbursed (was it a legitimate “business” expense)?

### **Mileage Dos and Do Nots:**

- Do Not reimburse your minister for travel back and forth from his home to the church (it is considered commuting miles)
- Do reimburse them for trips to hospitals, nursing homes, member’s homes, etc.
- Do Not fill up a staff's gas tank for church business. The IRS frowns on this practice. Their view is that if you fill up their personal vehicle's gas tank than they will have to prove that they used every drop of that gas for church business or they want the value of the personal miles on that tank of gas added to their income...nit picking I know...but it is the IRS and they are famous for it:)
- Do use a mileage reimbursement form. A better way to handle reimbursing staff for using their own vehicle for church business is for them to use a mileage log and/or a mileage reimbursement form and turn in to the church for reimbursement at the mileage rate stated in your policy.

### **Do Not Ever...**

...give the left over funds in your accountable reimbursement plan to any staff person including the minister at the end of the year. It would null and void your whole policy and you would have to include all reimbursements for the year on a W-2 as income.

Last but still very important...include wording in your accountable reimbursement arrangement that would allow your minister/staff to claim unreimbursed expenses on their personal taxes IF the church could not afford to reimburse those expenses.