

Church Expense *Policy*

A clear, written expense policy is one of the most important documents your church can have. It protects your tax position, defends against audits, and removes friction for your team.

WATCH + LISTEN



Church Expense Policies Explained (YouTube)



Episode 23: Expense Management Policies (ChurchBiz Podcast)

Why *Church Expense Policy* Matters

A documented expense policy is not just paperwork. It protects your staff, your tax position, and your trust with the congregation.

01

Tax Protection

Without a written accountable plan, the IRS treats reimbursements as taxable income to your staff. A policy protects every dollar you give back to employees.

02

Audit Defense

Churches are not exempt from IRS scrutiny. Documentation that shows clear rules, receipts, and approvals defends every expense your ministry makes.

03

Team Clarity

Staff and volunteers should never have to guess what is reimbursable. A clear policy removes awkward conversations and keeps everyone on the same page.

In This *Guide*

The full text of every ChurchBiz article included in this guide. Visit each link to view on the web.

ARTICLE 1 OF 2 · CHURCH FINANCE · 6 MIN READ

Does Your Church Have a Clear Expense Policy?

The full breakdown of what an expense policy should include, how to balance accountability with practicality, and a sample policy you can adapt.

Does your ministry have adequate documentation for reimbursements and expenses? If so, now is the perfect time to remind your staff of your policies. If not, we highly recommend establishing a clear policy.

The key is finding that balance: ensuring you have enough documentation for accountability while remaining realistic about your staff's day-to-day workload. To help you get started, we've developed a sample policy that serves as a solid baseline for any ministry or nonprofit.

SAMPLE POLICY

Sample Ministry Expense & Reimbursement Policy

Policy Overview

To honor the resources entrusted to us and maintain clear financial accountability, please follow these guidelines for all ministry-related spending.

1

Documentation Requirements

- **Receipts** A digital or physical receipt is required for all transactions over \$[Amount, e.g. \$25 or \$50]. Capture a photo of the receipt immediately to avoid loss.
- **Purpose & Notes** Every expense must include a brief description of the ministry purpose. Example: "Supplies for Vacation Bible School" or "Coffee with volunteer leaders."
- **Categorization** Assign each expense to the appropriate department or ministry category (e.g., Youth, Outreach, Facilities). If you are unsure of the correct category, contact [Admin Name].

2

Submission Deadlines

- All receipts and reimbursement requests should be submitted within **[Number, e.g. 30] days** of the purchase. Timely submission ensures our monthly financial reports remain accurate and up-to-date.

3

Sales Tax Exemption

- As a 501(c)(3) organization, your ministry is exempt from sales tax on most purchases. Please use the ministry's **Tax Exempt Certificate** whenever possible. You can request a copy from the office before making a purchase.

4

Prohibited Expenses

- Ministry funds or reimbursements may not be used for personal items, even if purchased alongside ministry supplies.

Note on Gift Cards: Gift cards for staff or volunteers may have specific tax implications. Please clear these purchases with [Admin Name] before buying.

Why This Matters

Maintaining these records is a simple way to honor God with your ministry's finances. It ensures every dollar is tracked in alignment with your mission and provides a vital safeguard for both your staff and the ministry in the event of an internal or external audit.

CHECKLIST

Stewardship Health Check

Use this checklist to quickly identify gaps in your current process. See if your existing policy provides enough protection for your ministry and your team.



Documentation Checklist

Click each item to mark it complete

- ✓ **Threshold Clarity** Do you have a clear dollar amount where a receipt becomes mandatory?
- ✓ **The "Why" Requirement** Does your policy require a written ministry purpose for every transaction to satisfy IRS Accountable Plan rules?
- ✓ **Sales Tax Strategy** Do your staff members have easy, mobile access to your Tax Exempt Certificate to save your ministry money?
- ✓ **Submission Deadlines** Is there a firm cutoff (e.g., 30 or 60 days) after which an expense is no longer eligible for reimbursement?
- ✓ **Digital Accessibility** Are you using a tool (like Bill Spend & Expense or a shared folder) that allows staff to upload receipt photos immediately?
- ✓ **Audit Trail** If asked to see documentation from six months ago, could you produce the receipt and the "why" in under five minutes?
- ✓ **Approval Workflow** Is it clear who has the authority to approve an expense, especially if it is over budget or an unusual request?

0 of 7 complete

Read on the web → <https://www.churchbiz.com/blog/church-expense-policy>

3 Solutions for Expense Reporting

A practical look at three tools and approaches churches use to manage expense reporting, from simple spreadsheets to software-based workflows.

Whether you are a church planter or a well-established church, your leadership team will need some way to pay for ministry expenses. Whatever means by which money goes out, it is crucial that every organization account for how that money is spent. Every church needs some sort of expense reporting process, and ideally one that can grow with the organization and does not overload the team with paperwork.

There are three tools and approaches worth considering. One size does not fit all, so the right choice depends on your church's size, staff, and current systems.

Option 1: Excel Spreadsheets

For churches that want to stay with reimbursements rather than issuing church cards, a well-designed spreadsheet can work well. Each month, employees submit a spreadsheet with expenses grouped under various budget headings. Once approved, reimbursements can be processed through a tool like Bill.com, with expenses coded to the correct budget categories.

Advantages: High level of spending control. Free, since most churches already have a Microsoft Office license or can use Google Sheets. **Disadvantages:** Puts more work on staff. Can become messy without a clear template and a defined approval process.

Option 2: Expensify

Expensify allows users or administrators to create digital expense reports by importing charges or manually entering them. Users can upload receipts from a mobile app, categorize charges, and submit expense reports for approval. Reports can sync automatically with accounting software.

Advantages: Significantly reduces paperwork while maintaining spending controls. Good mobile app. Flexible and customizable. **Disadvantages:** Expensify has regularly increased its pricing (currently \$18/month per user). The administrative interface has a steep learning curve. Most credit or debit cards require manual import of charges.

Option 3: Divvy (now BILL Spend and Expense)

Divvy is a Visa card with built-in expense reporting software. When a user makes a purchase, they are immediately prompted on their phone to code the purchase and capture a receipt photo. Administrators can view and approve charges from a web dashboard, and approved charges sync automatically with most accounting software.

Advantages: Simple for both users and administrators. Strong customer support including an onboarding specialist. Divvy is free (it makes revenue through Visa transaction fees). Also accrues rewards. **Disadvantages:** Can be harder to get sufficient credit lines approved for brand-new church plants. The reimbursement feature is less developed compared to the card-based workflow.

For most growing churches, Divvy is the strongest option for card-based expense management, while Excel spreadsheets remain a solid and free option for churches that operate entirely on reimbursements.

Read on the web → <https://hub.churchbiz.com/c/blog/3-solutions-for-expense-reporting>

Hub Courses

When your team is ready for full training, these ChurchBiz Hub courses go deeper on every topic in this guide.

HUB COURSE

\$197

Finance Team 101

The complete church finance training for treasurers, board members, and finance leaders.

EXPENSE POLICY COVERAGE

- ✓ Accountable plan requirements and templates
- ✓ Reimbursement workflows and approvals
- ✓ Internal controls and policy enforcement

[View Course →](#)

HUB COURSE

\$97

Church Plant Finance

For church planters and brand-new churches. Includes setting up an expense policy from your first month.

EXPENSE POLICY COVERAGE

- ✓ Day-one expense policy setup
- ✓ Reimbursement processes for small staffs
- ✓ Templates and resources to launch with

[View Course →](#)

Quick Reference

The most common questions we hear from churches on this topic.

What is an accountable plan and why does our church need one?

An accountable plan is an IRS-recognized framework for reimbursing employee business expenses without those reimbursements becoming taxable wages. Three rules apply: the expense must have a business connection, the employee must substantiate it within a reasonable time, and any excess advance must be returned. Without a documented accountable plan, every reimbursement should technically be added to the employee's W-2 as taxable wages.

What should our church expense policy include?

At minimum: what expenses are reimbursable, what documentation is required (receipts, business purpose, approver), spending limits, the approval workflow, the timeline for submitting expenses, and consequences for noncompliance. It should also address credit card use, mileage reimbursement, meal limits, and per diem rates.

Do staff need to submit a receipt for every expense?

The IRS requires receipts for any single expense over \$75 and for all lodging. Best practice for churches is to require a receipt for every reimbursable expense. The administrative cost is small, and it dramatically simplifies audit defense. The only common exception is mileage, which uses a logged distance instead.

Can our pastor have a discretionary fund?

Yes, but it must be set up correctly. A fund administered by the church (with the pastor recommending uses but the church approving and disbursing) can work for benevolence and ministry expenses. A lump sum handed to the pastor without ongoing accountability becomes taxable income and creates employment tax and donor deductibility issues.

How often should we review our expense policy?

Review it every year as part of your budget process. The IRS standard mileage rate changes annually, per diem rates shift, and ministry needs evolve. Document the review in your board minutes even if no changes are made. This shows ongoing diligence if your records are ever examined.

NEED PERSONAL HELP?

Need Help Building Your Expense Policy?

Our CPAs work with hundreds of ministries on expense policies, accountable plans, and reimbursement workflows every year. We can help you build one that fits your church and stands up to scrutiny.

Contact Our Team

Bookkeeping Services