

## ACCOUNTABLE REIMBURSEMENT POLICIES Q&As

The following questions and answers are intended to assist local churches and organizations in establishing and maintaining accountable reimbursement policies for their clergy and staff. Also, at the end of this document, there are some examples of proper and improper expense reimbursements.

**1. What is an accountable reimbursement policy and why should we have one?**

For business and tax reasons, in most instances, it is in the best interests of the church and its staff to have in place an accountable reimbursement policy to pay for the business expenses that are necessary to do the ministry of the church. These policies are simply a method for claiming and reimbursing professional or business expenses rather than providing an expense allowance. It's as simple as this: A church sets up a budget for the pastor's professional and business expenses, such as travel, continuing education, subscriptions, etc. When the pastor incurs a professional or business expense, s/he submits a claim with backup substantiation. The church either pays the expense directly or reimburses the pastor.

**2. Are accountable reimbursement policies only for clergy?**

No. The church can set up the policy to cover the business expenses for all staff. When answers or examples refer to pastors, it is for illustration purposes and not meant to exclude other staff.

**3. What are the advantages of an accountable reimbursement policy?**

There are several advantages to using an accountable reimbursement policy. (a) Convenience: Staff reports the business expenses to the church and not to the IRS - this means that none of the expenses are reported on Forms W-2 and there is no need to worry about IRS forms or calculating deductions. (b) Data: It gives the church an accurate account of the "cost" of ministry and allows members to understand the financial support necessary for staff to do their work well. (c) No complex rules: the Deason rule does not apply (it otherwise requires clergy to reduce the deduction for business expenses proportionately if they have a tax exempt housing allowance). (d) Fewer limits: Certain limits on business meals are avoided. (e) Tax savings: It takes the place of Schedule C and may save on taxes.

**4. What are the disadvantages of an accountable reimbursement policy?**

There are two minor disadvantages: The clergy person's work expenditures are subject to more review by church members and some

privacy may be lost. Also, the funds in the accountable reimbursement budget belong to the church and may not be given outright to the pastor at year-end if there is money left unspent.

**5. What needs to go in an accountable reimbursement policy?**

It's as easy as this. All you need is a written policy, which can be as simple as a short paragraph in the form of a resolution or a detailed plan, depending on the church's own needs and structure. This tax packet includes easy to implement sample policies (short and long). Most churches will want to have a budget amount which will "cap" the allowed amount for each staff person. It can be helpful (but it is not required) for the pastor, SPR committee, and finance committee to develop the budget together, with an idea of the types of expenses that can be expected.

**6. When should the policy be set up?**

The policy should be set up and funded when the church is doing the budget for the upcoming year. Once a written policy is in place, the church only needs to examine the budget funding for the accountable reimbursement policy each year.

**7. How should the policy be funded?**

Out of the church's budget, just like other expenses of running the church. The church needs to look at its budget and determine what amounts are necessary to pay for reasonable business expenses that fulfill the mission of the church, together with what it can reasonably afford. It is important for the church to realize that business expenses are properly church expenses and not something that the staff must cover from their own personal funds. It is important to review past expenditures (and future needs) carefully to arrive at an amount adequate to pay for the business expenses and at the same time within budget constraints.

**8. Can the church "reduce" or "restructure" the pastor's salary to fund the accountable reimbursement policy?**

The IRS has stated that it is currently reviewing some aspects of this issue. But until further notice from the IRS, churches should avoid these types of arrangements.

**9. Can monies budgeted in the past for a travel allowance be used instead to fund an accountable policy?**

Yes. For example, when the church is setting up its budget, it may reallocate the pastor's travel allowance (or other allowances other than a housing allowance) into an accountable reimbursement policy. By doing so, the church does not have to report the new travel reimbursement as part of W-2 income.

**10. Can the church and the pastor negotiate compensation at the beginning of a new appointment that includes funding of an accountable reimbursement policy?**

A pastor coming into a new appointment has the ability to create a salary/compensation/benefit package that includes an adequately funded accountable reimbursement policy. The best approach is to budget for the policy out of church funds because these expenditures are for professional expenses which staff need to do their job.

**11. What expenses/categories/items should be part of the policy?**

Attached to the sample "long-form" policy included in this tax packet is a worksheet designed to help churches determine an acceptable budget for an accountable policy. The worksheet lists examples of appropriate business expenses that may be included (e.g., business automobile expenses, parking, tolls, office supplies, business postage, office equipment, business-use computers, software, professional books/subscriptions, professional dues, religious materials, vestments, business gifts, continuing education, business entertainment, travel, etc.) There may be other business expenses that are appropriate to include, depending on the unique mission of your church. It is important to note that the categories on the worksheet are suggestions for budgeting, not rigid expense categories; the staff person, in consultation with the SPR chair and/or treasurer, or finance committee chair, may shift expenses during the year from one category to another. *Also see the examples at the end of these Q&As for suggestions about proper and improper reimbursements.*

**12. Should the church reimburse the staff member or pay for their business expenses directly?**

Either approach is acceptable. The staff person may submit a bill and ask that the church pay it. Alternately, s/he can substantiate the expense and ask that the church reimburse him/her. This tax packet includes a sample voucher form that can be used to submit requests for payment or reimbursement. Some churches provide certain members of their staff with business credit cards or long distance phone cards (restricted to business use) to make substantiation and bill payment easier. However, a credit card statement alone is not sufficient substantiation.

**13. How should expenses be substantiated?**

The IRS requires an adequate accounting by the employee and maintenance of good records by the employer. The IRS requires actual receipts for any expense over \$75.00. The church may use this figure or set a lower limit. (e.g., GCFA requires receipts for all expenses over \$25.00.) The documentation should show (or be listed on the receipt itself): the purchase, amount, date, place, and the business nature of the expense. For example, if the pastor purchased a \$10.25 notebook, the substantiation would not require a receipt, but at the very least should state, "Purchased Notebook for \$10.25 on 1/5/01 for keeping accountable reimbursement records for church." A meal expense might state, "\$5.90 lunch on 1/5/01, in Centerville while meeting with district superintendent." Another example is \$150 expenditure for a continuing education seminar where the staff can submit the invoice for payment by the church to the vendor. Or, if

the staff person paid personally, an acknowledgment of payment by way of a receipt for the seminar or the invoice with a front and back copy of a canceled check would be adequate to substantiate the reimbursement to the staff person.

**14. When must substantiation/receipts be provided to the church?**

The IRS requires that all substantiation of expenses occur within a reasonable time (within 60 days will be deemed reasonable) of the expense being paid or incurred. Using the above example of a notebook purchased on 1/5/01, the expense substantiation should be submitted no later than 3/4/01, to qualify as an accountable reimbursement. It is a good practice to turn in receipts at least every two weeks, to prevent forgetting about expenses or losing back-up receipts.

**15. Can the church make advance payments? When must the staff substantiate the expenses?**

Yes, it is appropriate to allow advances, if the church wishes to do so and has an adequate accounting system to track the substantiation for or reimbursement of advances. If an advance is given and exceeds the amount of business expense substantiated, the staff person must return the excess within a reasonable time (within 120 days will be deemed reasonable) of the date incurred or paid.

**16. Who gets original receipts and documentation?**

The church should be given the originals of receipts and written documentation and the staff person should keep a copy. It is unlikely that the staff person would ever need the copies unless s/he needed to substantiate expenses in excess of the amounts reimbursed.

**17. Can the church give to the pastor at the end of the year any monies in the accountable policy not spent during the year?**

No. The funds budgeted should not be shifted to a bonus or any other type of payment. This could jeopardize the entire accountable reimbursement policy. The monies can be used by the church for other types of expenses (e.g., for mission, to reserves, or as a carry over to the accountable reimbursement budget line for next year).

**18. Can the church increase the funding of the accountable reimbursement policy during the year?**

Yes. If the church has additional funds or wants to shift budgeted funds from one account to another, it may do so. (No shifting is allowed from salary to an accountable policy).

**19. Which church officer should be responsible for reviewing the propriety of the items submitted and which officer should be responsible for paying the expenses?**

There is no single correct way to handle this responsibility. One method is to have the chair of the SPRC (in consultation with the committee) review and approve the submitted expenses and for the treasurer to handle payment. This avoids conflicts that may arise concerning the appropriateness of a given expense if all of the responsibility is on the treasurer. Under any arrangement, it is important for someone, with credibility and respect to carefully review all of the submitted requests for reimbursement to ensure their appropriateness. Also, someone needs to be in charge of monitoring all expenses to ensure budget compliance, timely reporting, return of any advances and the like.

**20. How should confidential items be handled in terms of substantiation and reporting?**

When the pastor makes confidential visits to parishioners, s/he may want to write "private" or "confidential visit with church member" on a travel log. The pastor should at least be able to answer any questions or share information about these entries in confidence with the chair of the SPRC.

**21. What does the IRS consider to be a properly reimbursable business expense and is it different for a church than a for-profit oriented business?**

A business expense is one that is directly related to the purposes and goals of the organization and is reasonably necessary to fulfill those goals. The basic idea applies to all organizations, from the smallest widget manufacturer to the largest business corporations in the U.S., from the smallest rural church to the mega churches, even though the goals of a church are different from the goals of a business. It is necessary that expenses relate to the church's unique mission and that they not be personal expenses of the pastor.

For example, it would not be proper for a minister to claim a travel reimbursement for the expense of visiting a sick relative who is not a member of the church and who lives 100 miles away, even if part of the purpose of the trip was to give spiritual comfort. The primary reason for the trip is to visit a relative. If a pastor went on a two-week vacation with his/her family and also preached at two churches during the trip, reimbursement for the travel vacation expenses would not be proper. Some of the expenses related to the preaching would be appropriate if the pastor's church encouraged such preaching arrangements during vacations, the pastor obtained approval for this, and the pastor incurred additional expenses on the trip for going to those church locations. If the personal nature of the expense is the primary consideration, it is not a business expense. Also see the sample list of proper and improper reimbursement items at the end of these Q & As.

**22. May a church tell a pastor not to spend funds even if the expense may be a proper business expense?**

Yes. The question suggests a conflict between the pastor and the treasurer's or the SPR committee's view of necessary or authorized expenses as they relate to the mission of the church. The best way to resolve most conflicts is to try to understand them, discuss them, and come to some agreement.

For example, it is hoped that most churches would agree that annual conference related committee work and travel are part of each church and pastor's commitment to the connectional system (these would be legitimate business expenses). If a conflict over such conference expenses exists, the DS may be able to facilitate some meeting of minds (or pocketbooks). A difficult problem may arise when the church and the pastor view their mission differently. If the church does not approve of the clergy's involvement in an international mission project and finds it to be outside of the church's mission, the pastor should not submit travel or related expenses for such an activity. These issues should be explored ahead of time with the SPRC to avoid misunderstandings.

**23. What happens if a new pastor is appointed in June and the previous pastor has already spent all of the funds in the accountable reimbursement policy account for that calendar year?**

The best answer is that this type of situation should not arise in the first place, because the departing pastor, SPRC chair, and treasurer should make sure that it does not occur. These individuals all need to monitor the expenses and make sure that the accounts, absent unusual circumstances, are spent proportionally throughout the year. However, if this scenario should occur, it is possible to add to the accountable reimbursement policy for the new pastor, if funds are available elsewhere in the budget.

**24. Who owns the equipment and other items purchased under the accountable reimbursement policies?**

The church. If a church has paid for items through an accountable reimbursement policy, the equipment or other property belongs to the church, unless there is some other agreement. This issue of ownership usually does not come up until a pastor receives a new appointment and wishes to take equipment with him/her. It is not an issue in relation to travel, continuing education, professional dues, or entertainment expenses, which are not "tangible" things. Likewise, it would not often be a problem for office supplies, postage, periodicals or personal religious supplies, such as robes. These items are used up or are so personal that they have limited or no value to the church.

A computer is the most common item that raises this question. In this day and age it is important for the church to supply staff with a computer. However, if the pastor needs a computer, and the church has not budgeted for this purchase, the pastor may want to use accountable funds to make this purchase. While the pastor is at the church, the pastor uses the computer for business purposes.

What happens when the pastor, Rev. Dos, who purchased a computer with accountable reimbursement funds, leaves?

Rev. Dos decides she likes her computer and wants to take it to her new appointment. She approaches the chair of the SPRC and offers to personally purchase the computer for current fair market value (a purchase, at fair market value, would not be a taxable event). The SPRC decides to give the computer to Rev. Dos. The gift is a taxable event and the value of the gift for income tax purposes is the current fair market value.

**25. Do accountable reimbursement policies include the housing allowance?**

No. These are totally separate and need to be established and maintained separately. Accountable reimbursement policies are for business expenses, are available to all church staff, and can be used by any business or organization. Housing allowances relate only to clergy, as ministers of the gospel, and are authorized specifically by Internal Revenue Code § 107.

**26. Do accountable policies include a cafeteria plan (flexible spending plan) for medical reimbursements?**

No. However it is possible to set up cafeteria or flexible spending plans that may allow church staff to have medical reimbursements, dependent care reimbursements, and life insurance coverage, without income tax consequences. *All of the above arrangements need to be set up properly in a separate resolution or plan, with the assistance of a tax and benefits advisor, and must conform to the applicable Internal Revenue Code provisions.*

**27. Are there any pension concerns when using an accountable reimbursement policy?**

No. Amounts that are paid as accountable reimbursements are not part of "includible compensation" for certain pension contribution limitations established by IRS rules.

**28. What are the implications of an accountable reimbursement policy for local church/conference reporting information?**

GCFA's Local Church Report to the Annual Conference and Local Church and Pastor Compensation and Expense Worksheet forms have been changed to show the distinction between **reimbursements** established for the pastor and **allowances** paid to the pastor. In the Report, line 66 is for reimbursements and line 67 is for allowances (other than the housing allowance that is put on line 65).

**29. How should "ticketless" airline expenses be substantiated?**

It is necessary that the documentation show the date, place, amount and business reason for the trip. The IRS has suggested that the itinerary from a travel agency and/or the airline receipt, along with an explanation of the reason for the travel, should be sufficient.

*These Q & As are provided to give suggestions for establishing an accountable reimbursement policy. It is important to examine each situation closely to determine the correct result, because each church setting, ministry, budget and pastor are unique. The General Council on Finance and Administration is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice.*

## Examples of Proper Reimbursement Items\*

Reasonable travel and related expenses for attending meetings (e.g., annual conferences, United Methodist meetings, etc.)\*\*

Church-approved trips to preach at another church

Trips to meet with the district superintendent, bishop or director of connectional ministries

Trips to visit members at hospitals, nursing homes, or parishioner's homes

Lunch meetings with officers of the church to discuss church business

Supplies for the church office (e.g., paper, pens, forms, notebooks, etc.)

Church-related continuing education

A computer required for church work

Vestments worn for worship

Church-related books and periodicals

Office furnishings and equipment (e.g., desk, chairs, telephone, etc.)

Spouse's travel expenses where the spouse accompanies the pastor **but only if the spouse was required by the church to be present for a business purpose** (e.g., the spouse is an elected delegate to the church meeting or group in charge of registration at the meeting and making a speech to the business meeting, etc.)

Business-related automobile operating expenses (if standard mileage rate was not used)

Long distance telephone calls to church when on vacation

Church-related telephone calls from the parsonage (most telephone expenses are covered under the housing allowance)

Many business related (non-personal) expenses allowable on Schedule C of the IRS tax return

*\*The items listed are, in most cases, proper. There may be some circumstances in which the church has specifically prohibited purchases. Each individual church must, in consultation with staff, make its own decision about what expenses are "professional and business" expenses and whether it will cover those items.*

*\*\*If the conference pays a pastor 15 cents per mile for attending a conference meeting, it is proper for the church to reimburse the difference between the church's rate and the 15 cents. For example, if the church reimburses staff travel at 31 cents per mile, in this case, the conference would pay 15 cents per mile and the church would pay 16 cents per mile for mileage.*

## Examples of Improper Reimbursement Items\*\*\*

Mileage to church from home for daily work (considered personal) - Mileage to home and back to church for lunch break

Meals with friends at which church matters are discussed

Spouse's travel under most circumstances (see example of proper reimbursement in limited circumstances above)

Vacations (including trip to Holy Land)

Books to plan vacation to Holy Land

Trips to visit sick relative

Trips to funeral home where that pastor is personally paid an honorarium for service (may be deducted on a Schedule C)

Tickets to attend the play "Joseph and His Amazing Technicolor Dream Coat"

Expenditures (e.g., travel, books, phone calls) to research a book or article

Continuing education primarily for personal improvement

A computer used primarily by family

Everyday clothing, including business suits

Alcohol, even as an item on a receipt for a business meal

Medical expenses (may be part of a cafeteria or flexible spending accountable reimbursement policy)

Child care/dependent expenses (may be part of a cafeteria or flexible spending reimbursement plan)

Life or disability insurance premiums

Medical insurance premiums (may be part of a cafeteria or flexible spending plan)

Charitable contributions, tickets to charity functions

Expenditures related to a private business or generating income from a non-church source

Housing related expenses (e.g., utilities, furniture, upkeep (these are part of the housing allowance)) except to the extent they relate to an office

Subscriptions to a national news magazine for the pastor's personal use

*\*\*\*The items listed, in most cases, are improper. There may be some circumstances, particularly where the church has directed the staff person to make the expenditure for church mission, when these items may be proper. Each individual church must, in consultation with staff, make its own decision about what expenses are "professional and business" expenses and whether it will cover those items.*

(SAMPLE)  
SHORT FORM

ACCOUNTABLE REIMBURSEMENT POLICY

The following resolution is hereby adopted by the church council of \_\_\_\_\_  
\_\_\_\_\_. It will be effective for the calendar year \_\_\_\_\_ and all future years  
unless specifically revoked or superseded.

The church pastor (or other employee(s)) will be reimbursed for ordinary and  
necessary business expenses incurred in the performance of his or her responsibilities  
when he/she substantiates the amount, business purpose, date, and place of the  
expense.

This substantiation must be provided to the chair of the pastor parish relations  
committee (or church treasurer) within sixty (60) days of incurring the expense. The  
individual must return to the church any amounts received in excess of the  
substantiated expenses within one hundred twenty (120) days of receipt.

The church will not report any properly substantiated reimbursement payments  
as income on any Form W-2.

\_\_\_\_\_  
Chair, Church Council

\_\_\_\_\_  
Committee on SPR/PPR Chairperson

\_\_\_\_\_  
Treasurer

\_\_\_\_\_  
Pastor/Staff Person

\_\_\_\_\_  
Secretary

(The church may wish to designate certain items which it elects to have covered by this  
policy, such as travel, continuing education, attendance at annual conference, books,  
subscriptions, work supplies, vestments, etc. There may be a cap or dollar amount on  
the total reimbursable business expenses that will be paid, for example: "The  
reimbursement amount shall be no more than \_\_\_\_\_." The church may also want  
to require pre-approvals by the treasurer or SPR/PPR chair of business expenses in  
excess of \$ 500 (or any other amount deemed appropriate). These additional  
requirements should be included in the policy.)

*This is a sample of an accountable reimbursement policy. The specifics of each policy should be  
reviewed by each church and minister considering their specific concerns. If legal or tax advice is  
required, the services of a competent professional advisor should be sought.*

**(SAMPLE)**  
**LONG FORM**

**ACCOUNTABLE REIMBURSEMENT POLICY**

The \_\_\_\_\_ United Methodist Church ("Church") recognizes that certain expenses of ministry paid by the pastor/staff person are part of the ordinary and necessary costs of ministry in this Church/charge. Accordingly, we hereby establish an accountable reimbursement policy to defray them directly. The reimbursement account shall be an annual line item in the Church budget. It shall be in addition to the pastor's annual salary and housing. The reimbursement account for 20\_\_ shall be \$ \_\_\_\_\_. (*Amount may be determined by using the attached suggested worksheet.*)

The following requirements for the policy are binding upon the Church and upon \_\_\_\_\_, its pastor/staff person.

Accordingly, the Church hereby establishes an accountable reimbursement policy, pursuant to IRS regulations and upon the following terms and conditions:

1. The pastor/staff person shall be reimbursed from the reimbursement account for his/her ordinary, necessary, and reasonable business expenses incurred in the conduct of the ministry for, and on behalf of, the Church. The following expenses are budgeted in this accountable reimbursement policy, as suggested for the work needs of the pastor/staff person.
2. The committee on SPR/PPR chairperson, Church payroll person, or treasurer, (as designated by the Church) must be given an adequate accounting within 60 days after the expense is paid or incurred. The adequate accounting shall include, but not be limited to, a statement of expense, account-book diary or other similar record showing the amount, date, place, business purpose, and business relationship involved. Such documentation shall include receipts for all items of \$75 or more (*a church may set a lower amount*). Appropriate documents, cash receipts, canceled checks, credit card sales slips, and contemporaneous records (for those non-receipt expenses less than \$75), must be attached to each expense report. A log of total miles per day and enumeration of their general purpose shall suffice to substantiate automobile mileage, but under no circumstances will commuting mileage between the pastor's home and Church office be reimbursed. Copies of the documentary evidence and expense report shall be retained by both the pastor/staff person and the Church.

The committee on SPR chairperson (or treasurer) shall be responsible for approving the expense. The committee on SPR chairperson (or treasurer) shall exercise his/her discretion regarding the adequacy of the substantiation and the appropriateness of any reimbursement. Questions arising in these areas will be resolved by the SPR chairperson (or treasurer), subject to the review and approval of the committee on SPR/committee on finance.

3. It is the intention of this policy that reimbursements will be paid after the expense has been incurred by the pastor/staff person. However, should circumstances require payment of an advance for any particular anticipated expense, the pastor/staff person must account for the expense as described above and return any excess reimbursement within 120 days after the expense is paid or incurred. Any excess advance must be returned to the Church before any additional advances are provided to the pastor/staff person.

4. Budgeted amounts not spent must not be paid as a salary bonus or other personal compensation. If such payments are made, the entire amount of the accountable reimbursement policy account will be taxable income to the pastor/staff person. The Church will be required by law to report that amount as part of the pastor's/staff person's compensation. Disposition of any unspent balances remains at the discretion of the committee on finance/the council/charge conference in building the budget for the next Church year.
5. It is understood by the various parties that all elements of this resolution must be carefully followed to prevent the Church from being required by regulation to include all reimbursements as income on the pastor's/staff person's Form W-2. The primary responsibility in this regard is on the pastor/staff person to report and adequately account for his or her expenses to the committee on SPR chairperson, church payroll person, and/or treasurer.

Adopted on \_\_\_\_\_, 20\_\_\_\_, by the Church Council [Charge Conference] of  
the \_\_\_\_\_ United Methodist Church.

\_\_\_\_\_  
Chair, Church Council

\_\_\_\_\_  
SPR/PPR Chairperson/Church Treasurer

\_\_\_\_\_  
Pastor/Staff Person

\_\_\_\_\_  
Secretary

*This is a sample of an accountable reimbursement policy. The specifics of each policy should be reviewed by each church and minister considering their specific concerns. If legal or tax advice is required, the services of a competent professional advisor should be sought.*

## WORKSHEET FOR SETTING A BUDGET FOR AN ACCOUNTABLE REIMBURSEMENT POLICY

The following are suggested items for inclusion in this accountable reimbursement policy. It is only the total listed in Item K which is to be put in the policy itself. This worksheet is for budgeting purposes only and it is permissible for the reimbursed individual to shift items from one area to another.

A.	Automobile (standard federal mileage rate), parking and tolls	\$ _____
B.	Office supplies and postage	\$ _____
C.	Office equipment, computer and software	\$ _____
D.	Books, subscriptions and periodicals such as professional journals	\$ _____
E.	Professional dues	\$ _____
F.	Religious materials, vestments and business gifts	\$ _____
G.	Continuing education and seminars (as approved by the committee on SPR and/or the committee on finance)	\$ _____
H.	Entertainment required for Church business	\$ _____
I.	Travel fares, lodging and meals while on business for the Church	\$ _____
J.	Other	\$ _____
K.	<b>Total*</b>	\$ _____

*\*The total listed in Item K must be the same as the total reimbursement amount set forth in the first paragraph of the policy. Church council action is required for an increase to Item "K" (Total). To allow for the pastor/staff person's spending discretion, only Item "K" is necessary to be reported as a line item in the charge conference approved budget and in the policy document. Circumstances dictate that the above expenses will vary from church to church and from time to time.*

*The General Council on Finance and Administration is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice.*

(Sample)

## Expense Voucher Form

Set forth below is a sample voucher form that can be used to record information relating to business purchases for the church. The form can be used to request payment or reimbursement for church-related items bought by a member of the church, such as paper plates for the church kitchen, cleaning supplies, or a new electrical switch for the parsonage. The form can also be used by a staff person to request payment or reimbursement of expenses pursuant to an accountable reimbursement plan.

**Direct Payment Example:** The choir director may be requesting direct payment of some continuing education expense that is part of his/her accountable reimbursement plan. The director would complete the form, attach the invoice or bill, preferably the original, obtain the necessary authorization (i.e., signature of person authorized to approve the expense), and submit the completed form to the treasurer for payment. The choir director should keep a copy.

**Reimbursement Example:** The pastor purchases and pays for a new robe. He/she would complete the form, asking that reimbursement be made to him/her for purchase of vestments and would attach the original or a copy of the receipt. The necessary authorization signature is obtained and the completed form is submitted to the treasurer for payment. The treasurer would remit the amount to the pastor. The pastor should keep a copy.

In each case, it will simplify the treasurer's job if the person submitting the voucher notes the account number or budget line item number.

<b>"CHURCH NAME"</b> <b>Expense Voucher</b>	
Date: _____	Amount: \$ _____
Pay To: Name _____	
Address _____	
Description of Expense: _____	
Business Purpose of Expense: _____	
Receipt/Bill: <input type="checkbox"/> Attached <input type="checkbox"/> No	
Account Number or Budget Line Item Number: _____	
Person Requesting Payment: _____	
Approved By: _____	
Special Instructions: _____	



## Q & A

### LOCAL TRANSPORTATION EXPENSES

The following questions and answers provide information on church local transportation expenses for clergy and staff. The Q&As assume a local church situation where the staff person's principal place of business is at the church (**not at home**) and the staff person is given a reimbursement rather than deducting the expenses on his/her tax return. At the end of these Q&As, there is a separate discussion dealing with transportation expenses for pastors serving multiple-point charges.

In general, the rules for reimbursable local transportation expenses can be complex and unusual fact situations cannot be dealt with here. (See IRS Publication 463 - Travel, Entertainment, Gift, and Car Expenses, for additional information) As always, you should consult with your own tax advisor when making tax related decisions.

- 1. What are the general rules for distinguishing between commuter mileage/personal mileage, which is not reimbursable, and business mileage for local transportation, which may be reimbursed to a church staff person?**

Business related travel, including local transportation expenses incurred as part of the staff person's work, are reimbursable expenses. Commuter expenses/personal travel between the staff person's home and a regular work location or personal trips are not reimbursable. Commuter expenses occur when a staff person goes from home to the church, which is the regular work location. However, if the staff person goes from the church or home to a special meeting away from the church or on a parishioner call, this is properly a business expense.

**Examples of non-reimbursable trips starting at home or at church:** Trips to the church, a temporary office within a metropolitan area, for a personal errand, or to an evening meeting at the church.

**Examples of reimbursable trips starting at home:** A clergy person who as part of his/her job visits a parishioner at home or at the hospital, a trip to a business meeting away from the church, a meeting with the district superintendent, performing a funeral service, and the like.

- 2. Is a trip taken for an emergency evening meeting at the church by a staff member a reimbursable business expense or commuter expense? What about a trip home to pick up a draft of my sermon that I was working on at home last night?**

All trips that relate to your personal commute from your home to the church are not reimbursable. This includes travel to your regular church work site, home from work, back to the church (where you regularly work) at night, and all personal trips (home or elsewhere).

**3. Is travel to a church approved continuing education event reimbursable?**

Yes.

**4. By the way, what specific expenses are reimbursable?**

You can be reimbursed for the actual expenses of operating a vehicle or the standard mileage rate (published annually by the IRS), plus business related tolls and parking. If you receive more than the standard mileage rate, the excess is treated as income; if you receive less, the difference can be treated as a deduction.

**5. What kind of records should I be keeping for my transportation expenses?**

You should keep a travel log showing the date, place, mileage, and business purpose of all trips.

**6. Are there special rules for staff with part-time appointments who have another job?**

Yes. If you work at two workplaces in one day, whether or not for the same employer, you can be reimbursed (if the same employer) or deduct the expense of getting from one job to the other.

**7. Do these rules change if my office is in my home and this is my principal place of work?**

Yes. Be aware that the IRS is very strict about the tests used to determine if your home is indeed your principal place of business. If you are provided a place to work in the church and choose not to use it, the IRS probably will not allow you to treat your home as your principal place of business. If you meet the IRS tests, then you will have business rather than commuter expenses when you travel to other locations for the church.

**8. How are "transportation expenses" (discussed here) different from "travel expenses"?**

Basically, the IRS defines "travel expenses" as those relating to overnight travel away from home. The rules pertaining to travel expenses are also discussed in IRS Publication 463.