

ACCOUNTABLE REIMBURSEMENT POLICY – Line 21

[Does not include items on line 18 & 19 – only if additional \$]

The following resolution was duly adopted by the church council (or charge conference) of the _____ United Methodist Church at a meeting held on _____, 20__.

Under Internal Revenue Code Section 62(a) (2) (A) gross income does not include reimbursed business expenses or adequately accounted business expense allowances for employees. Internal Revenue Service regulation 1.162-17(B) provides that an employee “need not report on his tax return” expenses paid or incurred solely for the benefit of the employer for which the employee is required to account and does account to the employer and which are charged directly or indirectly to the employer. Further, IRS regulation 1.274-5 (e) (4) 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 that conforms to all the ‘adequate records’ requirements” as set forth in the regulations.

Therefore, the _____ United Methodist Church hereby establishes an accountable reimbursement policy pursuant to IRS regulations upon the following terms and conditions:

1. Subject to all of the terms of this plan, the church will reimburse designated employees for ordinary and necessary business expenses that are properly and adequately accounted for, up to the amounts established in advance from time to time, subject to approval by the church. Expenses deemed ordinary and necessary shall be made solely for the benefit of the church and shall be paid directly, whenever possible, by the _____ United Methodist Church, or indirectly and reimbursed to the person or entity who does pay the expense when supported by adequate and acceptable documentation.
2. The church treasurer must be given an adequate accounting of the expense, which means that there shall be submitted a statement of expense, account book diary, or other similar record showing the amount, date, place, business purpose, and business relationship involved. Appropriate documents, cash receipts, cancelled checks, credit card sales slips, and contemporaneous records for those nonreceipt expenses less than \$25 must be attached to a monthly expense report. Copies of the documentary evidence and expense report shall be retained by both the pastor/staff person and the church.
3. Reimbursements must be paid out of budgeted church funds and not by reducing the compensation of a pastor/staff person. Budgeted amounts not spent must not be paid as a salary bonus or other personal compensation in any fiscal year.
4. All elements of this resolution must be carefully followed so that the church salary-paying unit is not required by regulation to list the payments for the above agreements on IRS information reports (W-2/1099-MISC) as “includable compensation.” The primary responsibility of expense reporting to the church treasurer is on the pastor/staff person.

(over)

5. By previous or concurrent resolution, duly adopted by the church council (or charge conference) of the _____ United Methodist Church at a meeting held on _____, 20____, the following ordinary and necessary expenses as suggested for the employment needs of the pastor/staff person, are included in this accountable reimbursement policy from _____, 20____, to _____, 20____.

- a. Continuing education and seminars \$ _____
[\$ in addition to line 19 – Continuing Education/Annual Conference]
- b. Office equipment, computer, and software \$ _____
- c. Office supplies and postage \$ _____
- d. Books, subscriptions, and periodicals \$ _____
- e. Professional dues \$ _____
- f. Religious materials, vestments, and gifts \$ _____
- g. Entertainment related to church business \$ _____
- h. Travel fares, lodging, and meals while traveling \$ _____
(\$ in addition to line 18 – Travel vouchered at IRS rate)
- i. Miscellaneous \$ _____
- j. **TOTAL*** [Line 21 –Accountable Professional Reimbursement Plan] \$ _____

Attested to this _____ day of _____ 20____, the foregoing resolution is hereby accepted.

Chairperson

Treasurer

Pastor/Staff Person

*Church council (or charge conference) action is required for an increase to item "J" (TOTAL). To allow for the pastor/staff person's discretion, only item "J" is necessary to be reported as a line item in the church council (or charge conference) approved budget. Circumstances dictate that the above expenses will vary from church to church and from time to time. Expenses paid by the pastor/staff person in excess of TOTAL and reimbursed must be included in the reported compensation of the pastor/staff person.

This is a draft Accountable Reimbursement Plan. The specifics of each plan should be reviewed by each church and pastor/staff person considering their specific concerns. This outline is not intended to give specific legal or tax advice. The Detroit Annual Conference is not engaged in rendering legal accounting or other types of professional service. For legal or other expert assistance or advice, the services of competent legal and tax counsel should be obtained.