

Sample Draft

Here are two samples of an Accountable Reimbursement Policy and a worksheet. Each church should create such a document, customized for its own needs. Questions may be directed to the Conference Treasurer (800-244-8622), www.gcfa.org, or the district office.

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. 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 \$_____. (See *attached Worksheet to determine this amount.*)

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 condition.

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 SPRC chairperson, Church payroll person or treasurer (as designated by the Church) must be given an adequate accounting of each expense, including, but not 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 letter amount). Appropriate documents, cash receipts, cancelled 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 SPRC chairperson or church 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 SPRC chairperson's or treasurer's decision, subject to the review and approval of the SPRC/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 and return any excess reimbursement within 30 days of the issuance of the advance. 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 (item "K" on worksheet) 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. The 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 list total payments for the following items on IRS information reports (W-2/1099-MISC) as "includable compensation." The primary responsibility of expense reporting is for the pastor/staff person to the SPRC chairperson, church payroll person and/or treasurer.

Adopted on _____, 20____, by the Church Council of the _____
United Methodist Church.

Chair, Church Council

SPRC 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.]

Sample Draft

SHORT FORM ACCOUNTABLE REIMBURSEMENT POLICY

The following resolution is hereby adopted by the Church Council of _____. It will be effective for the calendar year 20_____ and all future years unless specifically revoked or superseded.

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

This substantiation must be provided to the SPRC chairperson (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

SPRC 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 stating "The reimbursement amount shall be no more than _____." The church may also want to require pre-approvals by the treasurer or SPRC chairperson of business expenses in excess of \$500 (or any other amount deemed appropriate). These additional requirements should be included in the policy.

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WORKSHEET
TO SET BUDGET FOR
ACCOUNTABLE REIMBURSEMENT POLICY

The following are suggested items for inclusion in this accountable reimbursement policy. It is only the bottom total under "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.

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

**Total in this column must be the same as 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. Nonetheless, expenses assumed by the pastor/staff person in excess of the total are not excludable from reported compensation. Expenses in excess of compensation may or may not be deductible from taxable income on the pastor/staff person's tax return..*

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.