

## **Sample Policy**

*Note: Since each church and pastor is unique in resources, history of budgeting and reporting church expenses, they need the freedom to adopt a policy that fits their unique ministry and needs. However, certain guidelines are needed to insure the policy meets essential and legal requirements. The sample policy below allows a church to meet these requirements.*

*Churches need to make decisions about the following:*

- 1) A church may decide the frequency of turning in receipts. A church may require expense reports be turned in every week, or every two weeks, monthly, but not over 60 days as required by the IRS.*
- 2) A church may decide at what certain value a receipt is required to substantiate a purchase. For example, the General Council on Finance and Administration requires receipts for all expenses over \$25. On the other hand, the IRS requires receipts for any expense over \$75, but then again, a church may require a receipt for every purchase.*
- 3) The church should decide on the length time that the staff person has to return excess reimbursements when funds were given to the employee in advance. The IRS suggests that not more than 120 days is a reasonable amount of time for an employee to return any excess funds which have been advanced to them. A church can set a shorter period of time it chooses.*

*This following page contains 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.*

## SOUTH GEORGIA ANNUAL CONFERENCE

### ACCOUNTABLE REIMBURSEMENT POLICY RESOLUTION

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 expenses listed on the budget worksheet and attached to this plan 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 \_\_\_\_\_ 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 \$\_\_\_\_\_ or more. Appropriate documents, cash receipts, canceled checks, credit card sales slips, and contemporaneous records (for those non-receipt expenses less than \$\_\_\_\_\_), 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 \_\_\_\_\_ 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 or 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

## 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<br>(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  | \$ _____        |
| <b>K. Total*</b>  | <b>\$ _____</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"