

Illustration C

SAMPLE REIMBURSEMENT POLICY

In accordance with income tax regulations 1.62-17 and 1.274-5(3) the:

Church Name _____

City _____ State _____

Hereby establishes a reimbursement policy for the pastor and staff members with the following terms and conditions:

1. The church will reimburse only ministry-related expenses incurred by a minister or staff member. Subject to budget limitations, such expenses will include:
 - a. Business use of automobile, up to the current IRS standard mileage rate;
 - b. Business travel away from home, transportation, lodging and meals;
 - c. Convention and conference registration expenses;
 - d. Education expenses, if otherwise qualified as an itemized deduction;
 - e. Subscriptions, books, and tapes, if related to ministry or employment;
 - f. Entertainment/hospitality expenses if business connection requirement is met.
2. The minister or staff member will account for each allowable expense in writing monthly. Documentation will include the amount, time and place, business purpose and relationship of each expense. A receipt will accompany the documentation.
3. The minister or staff member will return advances or reimbursements that exceed actual business expenses.
4. Under this accountable arrangement, the church will not report amounts reimbursed as taxable income on the minister or staff member's Form W-2. Neither will the minister or staff member report the reimbursed amounts as income on Form 1040 for personal tax purposes.