

Sample Accountable Expense Reimbursement Plan

(From ECFA Church Excel Resources)

Whereas, Income tax regulations provide that an arrangement between an employee and employer must meet the requirements of business connection, substantiation, and return of excess payments in order to be considered a reimbursement;

Whereas, Plans that meet the three requirements listed above are considered to be accountable plans, and the reimbursed expenses are generally excludable from an employee's gross compensation;

Whereas, Plans that do not meet all the requirements listed above are considered nonaccountable plans, and payments made under such plans are includible in an employee's gross compensation; and

Whereas, [Insert Church Name] desires to establish an accountable expense reimbursement policy in compliance with the income tax regulations;

Resolved, That [Insert Church Name] establish an accountable expense reimbursement policy, effective [Insert Date], whereby employees serving the church may receive advances for, or reimbursement of, expenses if

- A. there is a stated business purpose of the expense related to the ministry of the church and the expenses would qualify for deductions for federal income tax purposes if the expenses were not reimbursed,
- B. the employee provides adequate substantiation to the church for all expenses within a reasonable time, and
- C. the employee returns all excess reimbursements within a reasonable time.

And,

Resolved, That the following methods will meet the "reasonable time" definition:

- A. an advance is made within 30 days of when an expense is paid or incurred,
- B. an expense is substantiated to the church within 60 days after the expense is paid or incurred, or
- C. an excess amount is returned to the church within 120 days after the expense is paid or incurred.

And,

Resolved, That substantiation of business expenses will include business purpose, business relationship (including names of persons present), cost (itemized accounting), time, and place of any individual non-lodging expense of \$75 or more and for all lodging expenses. Auto mileage reimbursed must be substantiated by a daily mileage log separating business and personal miles. The church will retain the original copies related to the expenses substantiated.

Note: The above resolution includes the basic guidelines for an accountable expense reimbursement plan. If the employer desires to place a dollar limit on reimbursements to be made under the plan employee-by-employee, a separate resolution may be adopted for this purpose.