

Reimbursing Minister's Expenses

When a church operates with an Accountable Reimbursement plan it means:

IRS guidelines: To be an accountable plan, your employer's reimbursement or allowance arrangement must include all of the following rules.

1. Your expenses must have a business connection — that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.
2. You must adequately account to your employer for these expenses within a reasonable period of time.
3. You must return any excess reimbursement or allowance within a reasonable period of time.

"For expenses to be allowed as deductions, you must show that you spent the money and that you spent it for a legitimate business reason. To prove that you spent the money, you generally need to provide documentary evidence that can be confirmed by a third party. Canceled checks, credit card statements, or other receipts are an excellent starting point. To the IRS, third-party verification is important; if business expenses are paid in cash, be sure to get a receipt.

Documenting a business expense can be time-consuming. The IRS is satisfied if you note the five Ws on the back of your credit card slip or other receipt:

- Why (business purpose)
- What (description, including itemized accounting of cost)
- When (date)
- Where (location)
- Who (names of those for whom the expense was incurred; *e.g.*, meals and entertainment)

(2017 Minister's Takes Made Easy - Busby, Martin, Van Drunen)

A church should never reimburse an expense that is not submitted with this documentation! It is too easy for ministers to just submit receipts. A reimbursable expense account is a blessing and a privilege to not be taken lightly!! Legally it puts the minister at personal risk with the IRS should they ever be audited. Which in turn could put the church and other staff at risk.

The church has the right to list what they will reimburse and what they won't. It is not always financially possible to reimburse all, even legitimate, expenses. Generally the list should at least include:

- Meals as related to ministry
- Books and materials related to ministry
- Mileage for ministry work (not personal mileage to and from the church)

All other expenses requested should be approved by the finance committee and church board. Some costs often considered:

- Partial cell phone (there are strict IRS guidelines that should be considered- see *2017 Minister's Takes Made Easy - Busby, Martin, Van Drunen* pg 28)
- Educational expense
- Internet/cable expenses
- Other individual legitimate ministry related expenses

Many of these exceptions need to be substantiated as business only expense and not for personal use. The church is not obligated to reimburse every deductible expense, that is why reasonable expense account limits are set and a minister can submit what they are willing to substantiate and want reimbursement for. When their limit is met for the year, they should not necessarily expect the limit to be increased. They are then permitted to deduct unreimbursed expenses from their taxes.

In General: If the minister wants reimbursement, they need to do the work. Otherwise don't reimburse them. You set the church and the minister up for a mess if there is ever an audit. This includes credit cards provided for the minister. The 5 W's need to be noted and a receipt supplied for every charge. If this is not adhered to, the card should be returned to the church. The church board can set a minimum amount they require a receipt for per IRS guidelines.