

ACCOUNTABLE REIMBURSEMENT POLICY FOR PASTORAL EXPENSES
(Model or Suggested Policy)

INTENT: The intent of this policy is to provide for a means of reimbursing the legitimate expenses incurred by our pastor(s) on behalf of this church, in compliance with the definition of an "accountable reimbursement plan" found in the Federal Income Tax Regulations (particularly sections 1.162-17 and 1.274-5(e)).

POLICY:

1. Any minister employed by this congregation, at the present time or in the future, shall be reimbursed for appropriate business and professional expense incurred on behalf of the church, subject to the following provisions and limitations:
 - a. Reimbursable expenses under this policy include the minister's use of a personal automobile on church business (see paragraph [d] below); other means of transportation on church business, lodging and meals while traveling overnight on church business; church business entertainment; professional books and subscriptions; continuing education to increase pastoral and/or ministerial skills; professional dues, vestments, pastoral and office supplies, and church business long distance telephone calls. *Please note: Professional books, subscriptions, pastoral supplies and other materials purchased under this reimbursable expense policy become the property of the minister.*
 - b. Reimbursements shall be subject to the annual limit for each type of expense, as stated in the annual budget adopted by the Session in effect at the time the expense is incurred.
 - c. Each expense must be appropriately documented with the amount, time and place, business purpose, and business relationship. Acceptable documentation would be that necessary to support a deduction of the expense on an income tax return: "an account book, diary, statement of expense, or similar record" (Tax Regulation 1.274-5[e]), together with appropriate receipts. The Treasurer is not authorized to reimburse the minister for expenses incurred on behalf of the church unless these documentation requirements are met.
 - d. In the case of the minister's use of his or her own automobile in the conduct of church business, the minister shall report the church business actual miles driven together with applicable documentation as provided in paragraph (c) above. Automobile expenses shall be reimbursed on the basis of a per-mile rate to be established from time to time by the Session of the church.
 - e. The minister shall document expenses to the church treasurer monthly. No reimbursement shall be made if the minister fails to report an expense within 60 days after it is incurred or paid by the minister.
 - f. Reimbursements shall be made out of church funds. There shall be no salary reduction or other adjustment in the minister's paychecks related to expense reimbursement. No regular expense allowances shall be paid, but only specific reimbursement for specific expenses.
 - g. All expenses shall be reasonable in amount and purpose. The Treasurer is not authorized to pay any single expense amount in excess of \$____ unless such expense has been approved in advance by the Session, except that the Session may approve an expense retroactively if it believes that the circumstances warrant such approval.
 - h. If for any reason the minister receives church reimbursements in excess of actual expenses properly accounted for by the minister, the minister must refund such excess reimbursement to the church as soon as possible and definitely within 120 days of incurring the expense, and in no case shall the minister retain these excess reimbursements.
 - i. If for any reason the minister incurs legitimate business or professional expenses that are not reimbursed by the church, the minister may claim an appropriate tax deduction for these unreimbursed expenses as allowed by law.
 - j. The church shall not report any reimbursements made pursuant to this policy as income for tax purposes. The minister should not report any reimbursements received pursuant to this policy as income for tax purposes.
 - k. The church shall retain all reports and documentation of expenses which are reimbursed pursuant to this policy for a period of five years unless it has notice that an audit of the minister's tax returns for a specific year(s) is being conducted by the IRS and then it shall retain them until such audit is completed and all appeals exhausted. The minister is encouraged to retain copies of this documentation for personal files.
2. Continuing Education expenses of a minister are considered to be expenses incurred on behalf of the church. Such expenses shall be reimbursed subject to all the provisions of section (1) and its subsections above, and to the following special provisions:

- a. The minister may be reimbursed for legitimate expenses for Continuing Education (commonly called "Study Leave") up to the annual limit adopted by the Session. However, any unexpended balance of time or monies (calculated by subtracting the limit for reimbursement of Continuing Education expenses stated in the Terms of Call from the actual amount of such reimbursement in any single year) may accumulate according to the terms of subsections (b) and (c) below.
- b. Any unexpended balance of study leave time (calculated as described in subsection (a) above) may accumulate in any consecutive three year period and any unused continuing education funds may be accumulated in any consecutive three year period. Such accumulated funds or days shall be retained and reserved by the church for the purpose of reimbursing the minister's legitimate time or expenses for Continuing Education. Such accumulated funds or time shall be retained and reserved for accounting purposes only; they shall remain in the full custody and control of the church, and the minister shall have no vested interest or right to the use of these funds.
- c. When three years have elapsed since the Effective Date of the minister's call ("the three-year anniversary"), the accumulation from the first year of the three year cycle shall cease, whether or not the amount accumulated, retained and reserved pursuant to subsections (a) and (b) above has been spent in whole or in part. If any such funds or time remain, they shall be transferred to another use deemed appropriate by the Session and shall no longer be available for the reimbursement of that minister's expenses for Continuing Education.
- d. Upon the three-year anniversary, a new rolling cycle of accumulation shall begin of time and funds available and retained by the church for accountable reimbursement of that minister's Continuing Education expenses, subject to the limits stated in the Session's annual budget then in effect for that minister.
- e. The minister may petition the Session for an exception to the three-year rule regarding retention and reservation of funds available for the reimbursement of Continuing Education expenses.

This policy, consisting of ___ pages sequentially numbered, was adopted by the Session of _____

_____ Presbyterian Church of _____

on _____ (date).

Attest: _____

Clerk of Session

Moderator of Session