

WHAT IS AN ACCOUNTABLE PLAN FOR REIMBURSEMENT?

Definition of An Accountable Plan

An Accountable Plan is a plan for reimbursing employees for expenses such as meals, entertainment, travel, and transportation incurred for business purposes on behalf of the employer. A plan is an Accountable Plan if the employer requires the employee to adequately account for all business expenses and to return any excess reimbursements. For employees under an Accountable Plan, reimbursements aren't entered on the tax return as income and the expenses aren't deductible.

Records Required

The IRS requires that any expenditure over \$75 included in an accountable reimbursement plan must be documented by a receipt. However, the local church can require receipts for a lesser amount if they desire. The best policy is to require receipts for **ALL** expenditures except for incidental expenses such as tolls.

It is important to note that a credit card bill is not a sufficient receipt. The actual receipt from the point of transaction must be used and not the monthly statement from the credit or debit card company.

Creating an Accountable Plan

The following steps should be taken to create a valid Accountable Plan:

The church elders / Board should adopt a resolution creating an accountable reimbursement plan. The resolution could be very simple, for example:

"The Anytown Bible Church, through this action of the elders / Board, does hereby create an accountable reimbursement plan for Pastor Whomever. In addition to the compensation paid to Pastor Whomever, the church agrees to reimburse all necessary and proper business expenses incurred by him during the normal course of conducting business on behalf of the Anytown Bible Church up to an amount not to exceed \$6,000 a year. Expenses must be substantiated to the church treasurer as to the date, amount, and purpose within 30 days after they are incurred. Any excess reimbursement must be refunded to the church within 60 days after expenses are paid or incurred. This resolution shall be good and valid for the upcoming fiscal year and all years afterward unless changed by this body."

This resolution should be reviewed and examined each year. However, the last sentence of the resolution keeps the plan active in case the church fails to place a new resolution in the records.

Disbursement of the "expense" money can be made on a regular basis, either in advance or upon submission of the receipts. If expenses are paid upon submission of expense receipts, there is no problem of "excess" expenses that have to be returned at the year-end. However, many pastors would rather receive their "expense" money in advance so that they do not have to use their personal funds to "float" the expenses of the church for a month or so. Advancing expenses is perfectly fine, but the pastor must still provide receipts to the church treasurer. While the IRS regulations require that receipts must be submitted within 60 days of incurring the expense, the church can demand that receipts be submitted more often – say every 30 days (or by the first of the month). A shorter time period generally helps assure that proper receipts are presented.

The Accountable Reimbursement Plan Ministry Related Expense Form (*see below*) can be used by the minister to submit his expenses to the church treasurer, whether he is getting payment in advance or if he is receiving payment upon receipt of proper documentation.

The pastor should maintain a detailed log of all mileage traveled for business purposes. The log should be used to calculate the mileage claimed on the Accountable Reimbursement Plan Ministry Related Expense Form. In addition, the pastor should save the logs for at least seven years to respond to any inquiry that may be raised by the IRS.

The church should not use a salary reduction arrangement to pay for the pastor's business expenses. Under that type of plan, the pastor's "salary" check would be reduced weekly or monthly by the amount of expenses he submitted. However, such an arrangement is non-accountable and any "reimbursement" must be counted as income to the pastor.

Example of An Accountable Reimbursement Plan Ministry Related Expense Form

Name _____
 Year _____
 Position _____ Month Ending _____

(Please list only ministry related expenses)

- | | | |
|---|----------------------|----------|
| 1. Car Miles | _____ @ _____ cents* | \$ _____ |
| 2. Parking Fees and Tolls | | \$ _____ |
| 3. Meals and Entertainment | | \$ _____ |
| 4. Dues and Publications | | \$ _____ |
| 5. Office Expense | | \$ _____ |
| 6. Telephone Calls | | \$ _____ |
| 7. Business Gifts | | \$ _____ |
| 8. Depreciation on Equipment | | \$ _____ |
| 9. Conventions and Seminars | | \$ _____ |
| 10. Insurance on Professional Items | | \$ _____ |
| 11. Travel: Airline tickets, Motels, etc. | | \$ _____ |
| 12. Repairs to Equipment | | \$ _____ |
| 13. Audio or Video Cassettes, CDs, DVDs | | \$ _____ |
| 14. Advertising: calling cards, ads, etc. | | \$ _____ |
| 15. Interest on Business Debts | | \$ _____ |
| 16. Other | _____ | \$ _____ |

* Mileage log, receipts, etc. must be attached.

Total Ministry related expense
 For the month of _____ \$ _____

Signed by _____ Date _____



Church Office Use Only

Reimbursed by: _____ Check #: _____

Date: _____