

ACCOUNTABLE REIMBURSEMENT POLICY

Under Internal Revenue Code Section 62(a)(2)(A), gross income does not include adequately accounted reimbursed business expenses for employees. Internal Revenue Service Regulation 1.162-17(b) provides that an employee "need not report on his/her tax return" expenses paid or incurred by them solely for the benefit of the employer to which they are required to account and they do account to the employer including expenses which are charged directly or indirectly to the employer. Further, IRS Regulation 1.274-5(e)(4) provides that "an adequate accounting means the submission to the employer of an account book, diary, statement of expense, or similar record maintained by the employee in which the information as to each element of expenditure (amount, time and place, business purpose, and business relationship) is recorded at or near the time of the expenditure together with supporting documentation evidence, in a manner which conforms to all the 'adequate records' requirements" as set forth in the regulation.

Therefore, the _____ United Methodist Church, _____,
(Church Name) (City & State)

hereby establishes an Accountable Reimbursement Policy (ARP) pursuant to IRS regulations upon the following terms and conditions:

1. This policy shall apply to all clergy and lay staff persons of this United Methodist Church.
2. All staff persons of this United Methodist Church shall be reimbursed for ordinary and necessary business and professional expenses incurred on behalf of the church subject to the following conditions:
 - (a) The expenses are reasonable in amount.
 - (b) The staff person properly documents the amount, date, place, business purpose, and business relationship for such expenses.
 - (c) The staff person provides such documentation of expenses to the church on a monthly basis. Expenses of \$25 or more must include a receipt to be attached to the reimbursement document. Appropriate documentation, including receipts, cancelled checks, and credit card sales slips should also be included to substantiate the expenses. These documents should be photocopies with the originals being retained by the staff person.
3. Reimbursable business and professional expenses include:
 - Ø local transportation, parking, and tolls,
 - Ø travel expenses, (traveling while away from home overnight, including automobile or air or bus fares, taxi, or limousine, and meals and lodging),
 - Ø meals and entertainment (related to church business),
 - Ø books, subscriptions, and periodicals (related to the performance of professional duties, including professional journals),
 - Ø office supplies, postage, equipment (including computer and software),
 - Ø professional dues,
 - Ø continuing education and seminar,
 - Ø religious materials, vestments (including care and maintenance of robes), and gifts,
 - Ø long distance telephone,
 - Ø miscellaneous business and professional expenses.

4. Reimbursements shall be paid out of church funds by a check separate from payroll checks and shall not be considered a reduction of the compensation of the staff person.
5. The church may, in advance, establish annual budget limitations agreeing to reimburse the business and professional expenses only up to the budget limit.
6. The church shall not include in the clergy or lay staff person's Form W-2 the amount of any properly substantiated and reimbursed business and professional expenses as provided in this policy. It is understood by the church and the staff person that all provisions of this policy and related IRS regulations must be carefully followed and adhered to in order to avoid the possibility that such reimbursable expenses will be declared as income to the staff person.
7. It is agreed that requests for reimbursements will be made on a monthly (or frequent) basis and, in any event, no later than sixty (60) days after the date the expense is incurred. All properly submitted and authorized expenses shall be paid by the church on a timely basis.
8. The church may make an advance to the staff person of reimbursable expenses. It is agreed that such an advance shall be properly accounted for and any excess reimbursement shall be returned to the church before the next request for reimbursement is processed.
9. As required by IRS regulation, it is further understood and agreed that budgeted amounts set aside for business and professional reimbursement, not spent in any calendar year, will not be paid to the staff person as additional compensation, salary, bonus, or in any other way. Such an action on the part of the church automatically voids the entire accountable reimbursement plan, and the IRS will rule that all reimbursements will be considered taxable income to the employee and reported on the employee's income tax return.
10. The staff person shall present his/her request for reimbursement to the chairperson of the Staff Parish Relations Committee or their designee for approval prior to reimbursement being made by the local church treasurer.

This policy will remain in effect until it is modified by a subsequent action of the Administrative Council of the _____ United Methodist Church.
(Church Name)

Date of policy adoption: ____/____/_____

Secretary, Administrative Council