

PERSONAL EXPENSE REIMBURSEMENT POLICY

PURPOSE:

The purpose of this policy is to provide financial integrity through reimbursement guidelines for business expense and continuing education expense in accordance with Federal Income Tax Regulations.

PROCEDURES:

- A. **Reimbursable Business Expenses.** Business expenses are ordinary and necessary expenses that an employee pays for out of his/her own funds, are charged on a church account, or are paid for directly by the Church. Reimbursable business and professional expenses include but are not limited to transportation, business mileage on a personal vehicle, overnight travel (including lodging and meals), entertainment and professional dues. The attached Request For Expense Reimbursement Form along with associated receipts and purchase order (if applicable) are required to be submitted and approved in order to receive reimbursement.
- B. **Reimbursable Continuing Education.** Continuing education expense includes expenses for things such as tuition, books, etc. that are for the use of or attended by the employee and are intended for the purpose of developing the employee within his/her area of responsibility and/or ministry within the Church. Reimbursable employee development expenses include but are not limited to conferences, seminars, books, subscriptions, videos/DVD's, tapes/C's and other developmental materials. An employee's supervisor must approve attendance to conferences and seminars. The Church will not pay the expenses of the employee's spouse for attending a conference unless the spouse's attendance serves a legitimate business purpose or the conference is intended for couples enrichment and is approved by the employee's supervisor. Employees will not be paid or compensated in lieu of not availing themselves of the above Continuing Education opportunities.
- C. **Adequate accounting for reimbursed expenses.** Any employee shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the Church, if the following conditions are satisfied:
 1. The employee documents the amount, date, place, business purpose (and in the case of entertainment expenses, the name(s) of the person or persons entertained and their business relationship) of each such expense on the Church's "Staff Expense Form" or on the Credit Card invoice with receipts attached; and

2. The employee documents such expenses by providing Accounting with proof of expenses no less frequently than monthly (in no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by an employee).
- K. **Budget.** Each year, the budget is set for each division's expense reimbursement amount. The amount any given employee may spend will be determined by the Division Director as a part of the division budget.
 - D. **Purchase cards and accounts.** An employee's charging of business expenses to a church purchase card or account will constitute a reimbursement. Under IRS guidelines, the employee still must substantiate the amount, date, and business purpose of each expenditure with receipts or written evidence.
 - E. **Personal computers.** The Church will not reimburse or subsidize any personal computer expenses.
 - F. **Cellular phones.** The Church may assist certain staff for a part of the cost of their cell phone. The plan is intended to assist those who, by virtue of their job, need to use their cell phone frequently for church business.

The Church will pay up to \$50 per month for cell phone assistance provided that the employee's use of a cellular phone meets both of the following conditions:

1. *Convenience of the employer.* Use of the cellular phone is "for the convenience of the employer." This means that the employee cannot perform his/her job without the cellular phone. The fact that the phone enables him/her to perform his/her work more easily and efficiently is not enough. Further, it must be demonstrated that the phones available at the Church are insufficient to enable the employee to properly perform his/her job.
2. *Condition of employment.* Use of the cellular phone or computer must be required as a "condition of employment."

Staff members who believe they meet these two conditions need to fill out a request form and submit it to the accounting department.

- G. **Tax reporting.** All expenses properly approved and substantiated will be paid by the Church and are considered to be an expense to the Church, not a taxable benefit to the employee. The Church shall not include in an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy, and the employee should not report the amount of any such reimbursement as income on Form 1040.

- H. **Excess advances/reimbursements.** Any advance/reimbursement that exceeds the amount of business or professional expenses properly accounted for by an employee pursuant to this policy must be returned to the Church within 120 days after the associated expenses are paid or incurred by the employee, and shall not be retained by the employee. Excess advances/reimbursements that are not returned to the Church within this time period will be reported as additional income on the employee's W-2 form. All advances must be reconciled with the Accounting Department by turning in receipts for all expenses associated with the advance and the cash difference between the advance and expense amounts.
- I. **Expenses not fully reimbursed.** If, for any reason, the Church's reimbursements are less than the amount of business and professional expenses properly substantiated by an employee, the employee may deduct the unreimbursed expenses as allowed by law.
- J. **Inadequate substantiation.** Under no circumstances will the Church reimburse an employee for business or professional expenses incurred on behalf of the Church that are not properly substantiated according to this policy. Church and staff understand that this requirement is necessary to prevent our reimbursement plan from being classified as a non-accountable plan by the IRS.
- L. **Retention of records.** All receipts and other documentary evidence used by an employee to substantiate the business nature and amount of his/her business and professional expenses reimbursed under this policy shall be retained by the Church according to the retention policy set forth in the Human Resource Handbook.

ATTACHMENTS:

- A. Request for Expense Reimbursement

These samples are provided as input to assist you in developing procedures, but are not a substitute for considering the risks at your church and establishing your own policies and procedures to reduce those risks to acceptable levels. Transformation Ministries provides these as a convenience for its churches but directly states to you, the user that Transformation Ministries is not providing these to you as legal advice or even a substitute for legal advice. Use of these samples is at your own risk. Laws change and best practices change, sometimes rapidly. It is your church's responsibility to stay abreast of changes in laws and best practices. It is recommended you always consult with your attorney and/or CPA as part of the process of developing your policies and procedures.