

Any Church
FULL “ACCOUNTABLE” REIMBURSEMENT POLICY

The following resolution was duly adopted by the board of elders of Any Church (the “Church”) at a regularly scheduled meeting held on Tuesday, December 18, 2003, a quorum being present.

Whereas, income tax regulations 1.162-17 and 1.274-5T(f) provide that employees need not report on their tax return expenses paid or incurred by them solely for the benefit of their employer for which they are required to account and do account to their employer and which are charged directly or indirectly to the employer; and

Whereas, income tax regulation 1.274-5T(f) further 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, date and place, business purpose, and business relationship) is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner which conforms to all the “adequate records requirements” set forth in the regulation; and

Whereas, the Church has had a reimbursement policy pursuant to the regulations mentioned above and desires to continue operating under such policy; be it therefore

Resolved, that the Church hereby adopts an accountable reimbursement policy pursuant to income tax regulations 1.162-17 and 1.274-5T(f) upon the following terms and conditions:

1. **Adequate accounting for reimbursed expenses.** Any person now or hereafter employed by the Church shall be reimbursed for any properly approved ordinary and necessary business and professional expense incurred on behalf of the Church, if the following conditions are satisfied: (1) the expenses are reasonable in amount; (2) the employee documents the amount, date, place, business purpose (and in the case of entertainment expenses, the business relationship of the person or persons entertained) of each such expense with the same kind of documentary evidence as would be required to support a deduction of the expense on the employee’s federal tax return; and (3) the employee substantiates such expenses by providing the church treasurer with an accounting of such 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).
2. **Cellular phones and personal computers.** The Church will not reimburse cellular phone or personal computer expenses of an employee unless the employee’s use of a cellular phone or personal computer (each referred to below as “equipment”) meets the following two tests:
 - (1) **Convenience of the employer.** Use of the equipment must be “for the convenience of the employer.” This means that the employee cannot perform his or her job without the equipment. The fact that the equipment enables an employee to perform his or her work more easily and efficiently is not enough. Further, it must be demonstrated that computers

and telephones available at the Church are insufficient to enable the employee to properly perform his or her job.

- (2) **Condition of employment.** Use of the equipment must be required as a “condition of employment.” It is not necessary that the Church specifically requires use of the equipment. On the other hand, it is not enough that the Church merely states that use of the equipment is a condition of employment.

Charges paid by the Church for cellular phones and personal computers not meeting the requirements stated above would be treated as taxable income to the employee to which the equipment is assigned.

3. **Reimbursements not funded out of salary reductions.** Reimbursements shall be paid out of Church funds, and not by reducing pay checks by the amount of business expense reimbursements.
4. **Reimbursable business expenses.** Examples of reimbursable business expenses include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, and professional dues.
5. **Tax reporting.** 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.
6. **Excess reimbursements.** Any Church 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.
7. **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 Church will report no part of the reimbursements on the employee's W-2, and the employee may deduct the un-reimbursed expenses as allowed by law.
8. **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 the Church's reimbursement plan from being classified as a non-accountable plan.
9. **Retention of records.** All receipts and other documentary evidence used by an employee to substantiate business and professional expenses reimbursed under this policy shall be retained by the Church.

Detailed policy/procedure documents may be used in addition to this fully accountable expense reimbursement policy to provide further explanation and guidance regarding reimbursement guidelines and processes.

Attest: _____

Secretary of the Board
