

ACCOUNTABLE REIMBURSEMENT PLANS

Most ministers are employees for IRS purposes and cannot use Schedule C to deduct their business expenses. Therefore, churches should establish accountable reimbursement plans crafted and approved in the minutes of the church board. The minister must present a receipt for each expense reimbursed.

If a church reimburses

expenses for a minister without requiring receipts, that plan is not accountable and ALL AMOUNTS PAID TO THE MINISTER ARE TAXABLE INCOME. The board must determine which expenses can be reimbursed and what amount of expenses the church will reimburse. A church CANNOT reduce a minister's salary in order to fund the accountable

reimbursement plan. Many churches grant ministers an auto allowance each month without asking for substantiation of miles driven. All of this auto allowance is income. However, if the church requires substantiation of miles driven, it may reduce the amount of income which must

be reported at the federal rate (this year 34.5 cents per mile). If the minister exceeds

the allowance, he or she may claim the extra as a business expense under a formula developed by the IRS. If the minister receives more allowance than miles driven, the extra allowance received must be shown as W-2 income. If you have questions about how you reimburse your pastor, let me help you set up a proper accountable reimbursement plan.

CHURCH LAW

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