

Faith Lutheran Church (LCMS) Accountable Plan Reimbursement Policy

The following resolution was adopted by Faith Lutheran Church (hereinafter referred to as "the Church") in its Voters' Meeting held on May 22, 2007

Let it be hereby resolved, that the Church adopt the following Accountable Plan Reimbursement Policy which is in accordance with income tax regulations as described in the following terms and conditions:

1. Any current or future minister or other employee of the Church shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the Church only if the following conditions are satisfied: (1) The expenses are reasonable in amount; (2) The employee documents the amount, time and place, business purpose and business relationship of each expense with the same kinds of documentary evidence as would be required to support a deduction of the expense on the person's federal income tax return; and (3) the employee documents 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 45 days after the expense is paid or incurred by the employee.

It is understood that the above conditions are in large part taken from income tax regulation 1.274-5T(f), which 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 documentary evidence, in a manner which conforms to all the 'adequate records' requirements."

2. Reimbursements shall not be paid by increasing paychecks by the amount of business expense reimbursements. Rather all such reimbursements shall be separately paid out of church funds.
3. Reimbursable business expenses include transportation (not covered in annual vehicle allocation,) overnight travel (including lodging and meals) paid from personal financial resources. A standardized Expense Reimbursement Voucher has been created to ensure adequate documentation is provided for all reimbursement submissions.
4. The church shall not include on the employee's Form W-2 the amount of any business expense properly substantiated and reimbursed according to the preceding paragraphs. The employee should not report the amount of any such reimbursement as income on his/her Form 1040.
5. Any church reimbursement that exceeds the amount of business expenses properly accounted for by an employee according to the terms of this reimbursement policy must be returned to the church within 120 days after the associated expenses are paid or incurred and shall not be retained by the employee.
6. If, for any reason, the church's reimbursements are less than the amount of the business expenses properly substantiated by an employee, the church will report no part of the reimbursements on the employee's Form W-2, and he person may deduct the un-reimbursed expenses as may be allowed by law.
7. Under no circumstances will the church reimburse an employee for business expenses incurred on behalf of the church which are not properly substantiated according to this policy. The church and staff understand that this requirement is necessary to prevent this reimbursement plan from being classified

as a “non-accountable” plan, which would then require the reporting of all such reimbursements as taxable income on Form W-2.

8. All original receipts and other documentary evidence used by an employee to substantiate the business nature and amount of his/her business expenses incurred on behalf of the church shall be retained by the **Church**. The employee may elect to make and retain copies of such evidence.
9. Volunteers conducting business solely beneficial for the Church may be reimbursed for the business expenses incurred while performing that business or service, including their transportation expense at the Church set mileage rate. They may do so without including any portion of it in their income if the volunteers follow the same rules as employees’ reimbursements under this accountable plan. In order to receive reimbursement, they must account for their expenses the same as for employees. For mileage the time/date, purpose, and number of miles driven for each trip shall be provided.
10. Mileage reimbursement rate shall be set by the Church governing body as appropriate, but that rate shall never exceed the maximum allowable mileage rate authorized under federal tax regulations.
11. This policy should be reviewed annually for compliance with federal tax regulations. Audits of the Church’s financial records shall include compliance with this policy.

Approved/Attested:

Date

Attachment:

Expense Reimbursement Voucher

Duane Moudy
Congregation President