

All advances, allowances (including per diem allowances, allowances for meals and incidental expenses and mileage allowances), for business expenses that are allowable as deductions pursuant to Internal Revenue Service Publication 535 - Business Expenses, and that are paid or incurred by church employees or non-employees in connection with the performance of services as a church employee shall be covered by this Plan.

All **church expenses must be substantiated** to the church for reimbursement purposes in accordance with the following requirements of the Plan:

1. All expenses associated with travel, entertainment, use of a passenger automobile or other similar business expenses will meet the requirements of the Plan if documentation is provided to the church sufficient to substantiate the amount, time, place, and business purpose of the expense. Certain exceptions will be made under the Plan for the **substantiation** of a reimbursement or cash advance covering per diem or mileage allowance for travel relating to church activities away from home and related transportation expenses. This alternative method pursuant to which established amounts may be used to advance or otherwise reimburse church employees for meals and mileage while traveling away from home is in lieu of requiring substantiation for the actual cost of such meals and mileage. For these purposes, substantiation of the **purpose and period** of the expense will be treated as substantiation for plan purposes of the actual expense.
2. For any expense other than travel, entertainment, or use of a passenger automobile, information and documentation must be submitted to the church sufficient to enable the church to identify the specific nature of each expense and to conclude that the expense is attributable to the church’s business activities. Generally, this requirement means that each of the elements of an expenditure or use must be substantiated to the church and that various expenses may not be aggregated into broad categories such as “travel” or any other vague, nondescriptive term (such as “miscellaneous business expenses”). The church will establish a reasonable threshold for expenditures that are unable to be supported due to misplaced receipts or insufficient documentation based on each expense report submitted. This threshold will not be more than 10% of the total expense reimbursement (i.e. Total Employee Expense Reimbursement is $200. The employee is expected to provide support for the entire $200, but maybe permitted reimbursement for $20 worth in unfounded or lost receipts and expenses if only $180 of the total expenses are supported - $200 x 10% = $20).

With certain exceptions, described below, all employees must return to the church within a reasonable period of time any amount advance or otherwise paid under the reimbursement arrangement in excess of the expenses substantiated pursuant to the above described requirements.



Any cash advance paid to an employee pursuant to this Plan will be made based only upon a reasonable calculation by the church that the payment is designed not to exceed the amount of anticipated expenditures and all advances of money will be made on a day within a reasonable period of the day that the anticipated expenditure is to be paid or incurred. Any amount in excess of the expenses substantiated in accordance with this Plan must be returned to the church within a reasonable period of time after the advance is received. For this purpose, a “reasonable period” shall not exceed thirty (30) days subsequent to the payment by the church to the employee or, in the event the employee is notified by a written statement by the church, within thirty (30) days of the date of such statement. Any excess cash advances not returned to the church will be considered income to the recipient and they will be responsible for paying applicable taxes on this income.

**Per Diem or Mileage Allowances – Special Provisions**

**A per diem is a daily allowance or payment made to the employee.**

Plan per diem or mileage allowances for appropriate church related expenditures automatically satisfy the requirement that employees return excess amounts provided that the allowance is reasonably calculated not to exceed the church employee’s anticipated expenses and the particular church employee is required to return within a reasonable time any portion of such allowance that relates to **days or miles** of travel **not substantiated.**

The Plan provides reimbursement or expense allowance advances (in appropriate circumstances) based on a daily per diem of $40.00 for meals and $0.50 per mile for church-related business travel. Any unsubstantiated time, days or travel relating to the church advances of per diem or mileage allowance will require the employee to immediately (within thirty (30) days of the date upon which any advance was paid) repay to the church any amounts attributable to the unsubstantiated travel or expenses.

**Substantiation for Reimbursement or Expense Advances Relating to Per Diem, Mileage and Other Traveling Expenses**

Generally, adequate evidence of odometer (or other equivalent mileage readings) for auto use will be satisfactory proof to the church for mileage rate substantiation purposes. For per diem substantiation requirements, a church employee should provide evidence of the length and place of a particular trip, including documentation regarding overnight stays, full day travel, distances, plane expenses and similar items establishing reasonably the need for per diem expenses.



In the event that an employee’s receipts and documentation does not support or substantiate previously advanced mileage and per diem expenses, the church may provide periodic statements which, from time to time will inform employees of variances between previously provided per diem and/or mileage expenses and supporting documentation.

In the event that an employee receives such a statement, the employee will be required to reconcile any difference within thirty (30) days subsequent to the receipt of such statement.

In the event that no proper reconciliation is made between substantiation and payments made by the church pursuant to this Plan, amounts paid to the employee which are unsubstantiated will be deemed to be paid pursuant to a “nonaccountable plan,” subject to withholding and payment of employment taxes no later than the first payroll period following the end of the ninetieth (90th) day subsequent to the issuance of a statement. Additionally, if the church elects pursuant to this Plan to pay mileage and per diem rates exceeding current applicable federal rates, the excess portion of the allowance will be treated as paid under a “nonaccountable” plan and reported on the employee’s Form W-2, subject to withholding and payment of employment taxes (see also IRS website [www.irs.gov](http://www.irs.gov/) and their Per Diem Rates Publication 1542).

Payment pursuant to this Plan which do not exceed the amount of substantiated expenses (i.e., payment under an accountable plan), and which are not in excess of the current applicable federal per diem and mileage rates, are not wages subject to FICA, FUTA and income tax withholding. However, if both wages and the reimbursement or other expense allowance arrangements are combined into a single payment, the reimbursement or other expense allowance should be identified either by making a separate payment or by specifically identifying the reimbursement included in the wage payment.

Non-employees of the church who carry out business on behalf of the church maybe reimbursed travel and mileage based on the IRS Charitable Mileage Rates or actual expenses incurred providing that these expenses are approved in advance.



Double click inside the box to complete the form.

**Policy Summary**

All reimbursement receipts and forms must be received by the Finance Ministry or Manager. prior to the last day of the calendar year in which the expense occurred. For example, if supplies were purchased in 2005 and the date on the receipt is 4/17/05 then the receipt and reimbursement form must be received by the Finance Ministry prior to 12/31/05 or reimbursement cannot be guaranteed. The minimum amount that will be reimbursed is $10.00. There is no maximum amount that will be reimbursed.

Reimbursements are based on the current financial position of the ministry and will be evaluated on a case-by-case basis. Reimbursements will be processed as quickly as possible, but it could take up to two weeks to process. Reimbursement forms can be obtained from the Finance Ministry or Manager/Treasurer by request.

If a receipt cannot be provided an alternative document may be provided as proof of purchase (credit card statement, bank statement, price tag, returned check, etc.). Reimbursements may be made without receipts at the discretion of the Finance Committee Chair.

Remember as an alternative to reimbursement a donor or giver can also consider making their purchase a tax-deductible contribution. The ministry will provide the donor with a letter acknowledging their in-kind donation for tax purposes.

Reimbursements should always be cleared with the Finance Ministry prior to submitting Reimbursement forms and receipts. No one should spend funds and automatically expect to be reimbursed by the Church.