

# Pastor Reimbursement | Professional Expense Account Policy CY 2024

## **Purpose:**

*Why are professional expenses part of clergy compensation? The answer to this question goes back to the time when clergy were considered self-employed in all respects. Today, clergy are considered self-employed for purposes of social security taxes and employed by their local church for purposes of Federal and state income taxes. However, when clergy were considered self-employed only, it was common for churches to budget an amount separate from base salary to help the pastor with his or her out-of-pocket professional expense.*

This policy outlines the procedures for reimbursing the pastor for ministry-related expenses incurred on behalf of the church. This policy aims to ensure transparency, accountability, and compliance with IRS regulations.

The church's finance chair or designated SPRC member will review the expense report and receipts for accuracy and compliance with this policy.

## **Eligible Expenses:**

The following expenses may be eligible for reimbursement:

- *Advertising:* Costs associated with promoting church events and activities.
- *Bank Charges:* Fees associated with maintaining a ministry-related bank account.
- *Clothing:* Professional attire specifically required for ministry duties and not suitable for everyday wear.
- *Conventions:* Registration fees and travel expenses for attending ministry-related conferences and events.
- *Ministry Dues:* Membership fees for professional organizations related to ministry.
- *Education/Seminars:* Costs associated with attending seminars, workshops, and continuing education programs to enhance ministry skills. Educational expenses such as tuition, books, and supplies are professional expenses if related to one's professional status or responsibilities, or to maintain skills needed in one's work. Travel solely for entertainment cannot be treated as a professional expense. Travel in connection with educational activities, conferences, or worship services will usually be legitimate.
- *Entertainment expenses:* directly related to the mission or programs of the organization are considered professional expenses. These may include entertainment at home or in restaurants of members or potential members of the congregation.
- *Liability Insurance:* Premiums for professional liability insurance covering ministry-related activities.
- *Laundry/Cleaning:* Costs for cleaning professional attire used for ministry purposes.
- *Legal/Professional Services:* Fees for legal advice, tax preparation, or other professional services related to ministry duties.
- *Lodging:* Overnight accommodations when traveling for ministry-related purposes.
- *Office Expense:* Costs associated with maintaining a home office used for ministry work, such as rent, utilities, and internet.
- *Office Supplies:* Materials used for ministry purposes, such as paper, ink, and stationery.
- *Professional Related Gifts:* Gifts given to colleagues, associates, or other individuals for ministry-related purposes, with a maximum limit of \$50 per recipient.
- *Subscriptions/Publications/Books:* Subscriptions to magazines, journals, and books related to ministry. Bibles, hymnal books, and other religious resources used for ministry.
- *Rent and Repair on Ministry Equipment:* Rental fees for equipment used exclusively for ministry activities. Expenses incurred for repairs of equipment used for ministry purposes.
- *Technology:* Computers and related equipment costs may be treated as a business expense through a Section 179 deduction if the items are used 50% or more for professional activities. It is customary today to consider computers and peripherals as essential for the performance of one's duties.
- *Telephone:* Costs associated with a dedicated ministry phone line or ministry-related long-distance calls.
- *Travel:* Transportation expenses incurred for ministry-related travel, including airfare, car mileage, and public transportation.

- *Wages/Fees Paid:* Payment for services rendered by independent contractors or volunteers for ministry-related tasks.
- *Meals/Entertainment:* Expenses for meals with colleagues or associates for ministry-related purposes.
- *Other misc. expenses:* Any other reasonable and necessary expense incurred while performing ministry duties.

### **Ineligible Expenses:**

- Personal expenses not related to ministry duties.
- Expenses covered by the church's general budget.
- Excessive or unreasonable expenses.
- Fines and penalties.
- Expenses for the purchase or improvement of personal assets.
- Entertainment expenses not directly related to ministry activities.

### **Reimbursement Procedure:**

- IRS regulations specify that receipts should be provided for expenses over \$75, we require receipts for all expenses. One way of segregating business expenses is for the staff member to charge them to a credit card used solely for this purpose. The church then pays the credit card statement as it would any other monthly expense, although the credit card statement in and of itself may not be sufficient documentation. A binder is to be kept in the church office to maintain receipts and document expenses.
- *Expense Report:* Each month the pastor must complete an expense report detailing the date, nature, amount, and business purpose of each expense. This can be done with the credit card statement and formatted to an excel spreadsheet.
- *Submission Timeline:* Expense reports and receipts must be submitted within 30 days of the receipt of credit card statement.
- *Review and Approval:* The church's finance chair or designated SPRC member will review the expense report and receipts for accuracy and compliance with this policy.
- *Reimbursement:* Upon approval and completion of reimbursement request form, the pastor will be reimbursed for the approved expenses.
- *Confidentiality:* The **finance chair** or designated **SPRC member** will review the expense report and receipts for accuracy and compliance with this policy. Should the pastor make confidential visits to parishioners, they may want to write "private" or "confidential visit with church member" on a travel log. The pastor should at least be able to answer any questions or share information about these entries in confidence with the chair of the SPRC.

### *Accountable Plan Requirements:*

This reimbursement plan complies with the IRS's accountable plan requirements. To maintain compliance, the following conditions must be met:

- The church has adopted a written accountable plan.
- The pastor has incurred expenses deductible as business expenses while performing ministerial duties.
- The pastor adequately accounts for the expenses to the church within a reasonable period (30 days).
- Any excess reimbursements not substantiated within a reasonable period (60 days) are returned to the church.

### *Non-compliance:*

Failure to comply with this policy may result in the denial of reimbursement or disciplinary action.

### *Review and Update:*

This policy will be reviewed and updated periodically to reflect changes in IRS regulations or church needs.

Effective Date: This policy is effective immediately.

Questions: Any questions regarding this policy should be directed to the Chair of Finance and chair of Staff Parish Relations Committee