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Title:	Accountable Reimbursement Plan	Revised: 7/11/2025
Policy Owner:	Financial Stewardship Team	
Associated Documents:	GSFS – 1 Financial Stewardship Team Policy	
Last Reviewed:		

Policy

The First Unitarian Universalist Church of Rochester, MN uses and formally adopts an **accountable expense reimbursement policy** with the following terms and conditions based on definitions by the Internal Revenue Service (income tax regulations 1.162-17 and 1.2745T(f)) and recommendations on church finances by the UUA and in the 2005 Church and Clergy Tax Guide:

Any employee (for which the church must provide a W-2) now or hereafter employed by the Church shall be reimbursed for any 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 and have a business connection.
2. The employee adequately accounts to the Church for these expenses within a reasonable period of time.
 - a. Adequate accounting involves documenting the amount, date, place, business purpose (and in the case of entertainment expenses, the relationship of the person(s) entertained) of each such expense with the same documentary evidence as would be required to support a deduction of the expense on the employee's federal tax returns (receipts, account book, diary, log, statement of expenses, trip sheet or similar record); and the employee substantiates such expenses by providing the Finance Coordinator with an accounting of such expense.
 - b. Even though IRS regulations state that, "Taxpayers must have sufficient documentary evidence to substantiate the amount, date, place and business purpose of the business expenses, but they will not need a receipt for any expense of less than \$75," the church would expect receipts when at all possible, regardless of the amount being reimbursed.
3. It is recommended that expenses be turned in on a monthly basis **(but in no event will an expense be reimbursed as an accountable plan reimbursement if substantiated more than 60 days after the expense is incurred by an employee).**
 - a. Examples of reimbursable business expenses include:
 - i. local transportation
 - ii. overnight travel including lodging and meals
 - iii. entertainment
 - iv. books/subscriptions
 - v. education
 - vi. vestments and professional dues



- b. 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.
 - c. Church and staff understand that this requirement is necessary to prevent the Church's reimbursement plan from being classified as a non-accountable plan.
4. **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.
5. **Tax Reporting:** The Church shall not include in an employee's W-2 form any 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.
 - a. Advice to ministers from 2005 Church and Clergy Tax Guide: The IRS has issued audit guidelines for its agents to follow when auditing ministers. The guidelines state: "If a reimbursement arrangement meets all the requirements for an accountable plan, the amounts paid under the arrangement are excluded from the minister's gross income and are not required to be reported on his or her Form W-2. If, however, the arrangement does not meet one or more of the requirements, all payments under the arrangement are included in the minister's gross income and are reported as wages on the Form W-2, even though no withholding at the source is required."
6. **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.