

Church Administration Essentials Questions & Answers: Travel Expense Reimbursements

Q: What is an appropriate way to reimburse travel expenses to our employees?

A: In order for travel reimbursements to be non-taxable to the employee who incurred the expenses, the employee must report expenses in accordance with an accountable reimbursement plan.

An accountable reimbursement plan is a policy adopted by the church that allows employees to be reimbursed for church business expenses that they personally paid for.

To meet IRS requirements, the accountable reimbursement plan should have the following qualities:

- There must be a business connection for the expense to be reimbursed.
- The employee must make an adequate accounting of the expense (according to IRS standards) within a reasonable period of time.
- Any excess reimbursements or advances must be returned to the church and may not be retained by the employee.
- Reimbursements may not be made out of salary reductions – this means that reimbursements may not reduce the employee's taxable wages.

When reimbursing travel expenses:

- Purchases made on a church-owned credit card must be reported on and include the

submission of receipts (and additional information if for business meals).

- Business meal documentation must include the names of individuals participating in the meal, the amount, the location, and an explanation of the business purpose of the meal (i.e., why was this related to the business of the church and not simply a personal meal).



- The employee should provide a log or list of expenses incurred that are not supported by receipts, such as tips.

- If a personal auto is used by the employee for church-related travel, the employee should report the number of miles

driven for each trip, destinations, and a calculation of the reimbursement amount using miles driven times the church's reimbursement rate per mile (which should not exceed the IRS rate for business mileage). Alternatively, the employee could document actual expenses, like the actual cost of gas used.

Expenses of less than \$75 are not required to be accompanied by receipts according to the IRS; however, the church can make its reimbursement policy more stringent if it wishes.

Reimbursements that comply with an accountable reimbursement plan are not counted as taxable income to the employee. However, any reimbursed expenses that do not comply with an accountable reimbursement plan should be treated as income to the employee.