

Ohana Baptist Church

Business Expense Salary Reduction Policy

This policy provides guidelines for Pastoral staff expenses related to church ministry, whether those expenses are reimbursable or “out-of-pocket”. The IRS requires this policy to be stated by the church. This is an ongoing policy and does not require an official vote to remain in effect.

Whereas, income tax regulations provide that an arrangement between an employee and employer must meet the requirements of business connection, substantiation, and return of excess payments in order to be considered a reimbursement;

Whereas, plans that meet the three requirements listed above are considered to be accountable plans, and the reimbursed expenses are generally deductible from gross income to arrive at adjusted gross income.

Whereas, plans that do not meet all of the requirements listed above are considered nonaccountable plans, and expenses are subject to the two-percent floor imposed on certain itemized deductions; and

Whereas, Ohana Baptist Church desires to establish an accountable expense reimbursement policy in compliance with the income tax regulations;

Resolved, that Ohana Baptist Church establish an expense reimbursement policy whereby ministers serving the church may receive advances for or reimbursement of expenses if:

- A. There is a stated business purpose of the expense related to the ministry of the church,
- B. The minister provides adequate substantiation to the church for all expenses, and
- C. The minister returns all excess reimbursements within a reasonable time. And,

Resolved, that the following methods will meet the “reasonable time” definition:

- 1. An advance is made within 30 days of when an expense is paid or incurred;
- 2. An expense is substantiated to the church within 60 days after the expense is incurred or paid; or
- 3. An excess amount is returned to the church within 120 days after the expense is incurred or paid.

And, Resolved, that substantiation of business expense will include: business purpose, business relationship (including names of persons present), cost (itemized accounting), time, and place. Auto mileage reimbursement must be substantiated by a daily mileage log separating business and personal miles. The church will retain the original copies related to the expense’s substantiation, although the minister may keep copies.

*** Adapted by unanimous church vote on January 28, 1993 and renewed yearly.

All Pastoral staff will be allowed up to \$800 per month in expenses based on this resolution for the year 2022.