

# Frequently Asked Questions (FAQs) and Personnel Policies for {Church Name}

**Purpose:** To provide a consolidated and easy to understand set of frequently asked questions and approved personnel policies for the {Church Name} staff. Revisions will be issued as needed. This FAQ satisfies the IRS requirements for approved written plans in several key areas.

**Applicability:** This FAQ and its associated policies are applicable to all full-time employees (greater than 30 hours per week or as specified in an employee's contract).

**Revision and Effective Date:** Original version effective {Insert Date}.

**General Principles:** In formally documenting these FAQs and associated personnel policies, the Leadership Team values the following general principles:

- ***Honoring God:*** God builds His church and it's up to us to cooperate. Being good stewards of His resources to reach lost people is one way we show honor to God. Giving God our best through excellence is closely linked. These FAQs and personnel policies are intended to provide clearly defined expectations for all staff as they pursue God in what He is up to.
- ***Honoring One Another:*** A team functions best when it is working to commonly understood expectations and values. These FAQs are intended to provide consistency between staff in the application of our personnel expectations.
- ***Honoring Individuals:*** Ministry is a demanding lifestyle and a worthy sacrifice. Most of our staff could make significantly more in the secular workplace. We value this sacrifice. We desire to create a work environment where staff are blessed to be part of a great work of God; not because of their salaries and benefits, but because of the joy they experience in being part of God's work at {Church Name}. At the same time, we desire for salaries and benefits to be fair and to honor our staff families and their needs.
- ***Honoring the Federal Law (the IRS):*** We enjoy an unhindered tax exempt non-profit status by continuing to meet all applicable IRS administrative requirements. Our personnel policies must meet these requirements.
- ***Empowered Staff (Long Tethers):*** Flexibility without legalism within the bounds of clearly defined expectations is essential to releasing the power of passion, innovation, and ownership. The expectations defined within these FAQs are intended to provide a common framework within which our entire staff excels within their assigned areas.

These FAQs and personnel policies were duly adopted by the Leadership Team ("The Board") of {Church Name} on September 8, 2001, a quorum being present.

Table of Contents: The following questions, policies and forms are included in this FAQ:

The Basics: .....	3
Tax Benefits: .....	3
Ordination: .....	4
Housing Allowance: .....	5
Social Security: .....	7
Insurance/Medical Allowance: .....	8
Salary Package: .....	11
Reimbursable Expenses: .....	12
Travel Expenses: .....	12
Business Expenses: .....	16
Professional Development: .....	17
Work Hours: .....	17
Vacation/Sick Time: .....	18
Other Expectations: .....	20
Policies and Forms: .....	23
Housing, Medical, and Transportation Allowance Designation For Ministers ...	24
Mid-Year Amendment of Housing Allowance Designation For Ministers ....	27
Mid-Year Amendment of Medical Allowance Designation For Ministers .....	28
Written Medical Plan (Policy) for Ministers .....	29
Travel Reimbursement Plan (Policy) .....	31
Travel/Vacation Request Form .....	33
Travel Reimbursement Form .....	34
Transportation Reimbursement Plan .....	35
Transportation Record Book/Log .....	37
Written Accountable Reimbursement Plan .....	38
Expense Reimbursement Form .....	40

Revisions:

Original.....{Insert Date}

# The Basics:

## Tax Benefits:

**Who is a minister for federal tax purposes?** A minister must be ordained, commissioned, or licensed and meet the following tests:

- Administer (or have authority to administer) sacraments (e.g. marriage, funerals, baptisms, communion).
- Be considered a religious leader by the church.
- Conduct (or have the authority to conduct) religious worship.
- Have management responsibility in the “control, conduct, and maintenance” of the church.

A balancing test is applied by the IRS for these 4 items. Ministers do not necessarily have to do all 4 items at any given time. The tax court has deemed individuals a minister with only 2 of the 4 criteria applying at a given time. The IRS adopted this “balancing test” in their 1995 audit guidelines for ministers.

Throughout this FAQ, the word “minister” means a person who meets the IRS definition above. Where the word “employee” is used, this refers to “ministers” and “non-minister.” Employment contracts for each individual will specifically designate whether the position is a “minister” position.

### **What are the major tax benefits of being a minister?**

- Exclusion of a housing allowance from taxable wages (federal and state but not for social security).
- Under very limited circumstances, eligibility to exempt out of social security.
- Exemption from mandatory income tax withholding. Eligibility for “voluntary withholding.” Ministers are exempt from federal tax withholding, whether they report their income taxes as employees or as self-employed. If they report their taxes as an employee, they may elect “voluntary withholding” of income taxes and self-employment contributions act (SECA). At {Church Name}, employees are encouraged to participate in “voluntary withholding.”
- Double deduction of mortgage interest and real estate taxes for ministers who own a home.
- Medical insurance premiums excluded from wages for income tax purposes (including social security).
- Automobile allowance excluded from wages for income tax purposes (including social security).

### **Are ministers employees or self-employed?**

Ministers are almost always employees for tax purposes. The IRS applies 4 different stringent tests: Common law test from tax regulations, 20 factor test issued by the IRS in 1987, 7 factor test issued by the tax court in 1994 and a 12 factor test issued by the Supreme Court in 1997. {Church Name} considers all staff personnel employees unless specifically designated otherwise in their contract. Ministers are always considered self-employed with respect to social security (paid under Self-Employment Contributions Act (SECA) rather than Federal Insurance Contributions Act (FICA)) even if they are considered employees.

Most ministers are better off reporting taxes as an employee (e.g. health premiums not taxable, lower audit risk, etc.). Very few ministers can meet the IRS requirements for self-employed status. The advantage to self-employed status is better deduction of business expenses. However, at {Church Name}, we use an accountable reimbursement process that allows reimbursement of business expenses with no tax liability. As a result, there is no benefit to being “self-employed.”

## Ordination:

What matters is not what you have hanging on the wall in your office, but what has happened in your heart. Your calling into the ministry happened whether you are ordained or not. The ordination doesn't make you a minister; how you faithfully cooperate with God and follow His leading does.

Although ordination is of man (“man made”), it is analogous to the marriage ceremony and the associated marriage certificate. Like the bride or groom, your decision to enter full-time ministry is based on love, commitment and a desire to give the best of yourself to another person for a lifetime. As a minister, your call is a similar commitment between you, the church, and God. Through ordination, the local church affirms your call and celebrates your commitment to full-time ministry in the gospel of Jesus Christ.

Your ordination is under the terms that God has called you into the ministry, that the local church affirms the work that God is doing in your life, and that you will adhere to the Biblical Doctrines and teachings of the Gospel of Jesus Christ. Your ordination into the Christian ministry is by your word and bond as a brother in Christ; that you confess and believe that you will uphold the standards expected of a Christian minister; that you will abide by what is recorded in the word of God; that you will obey the laws of the state in which you live; that you will abide by the laws of the United States or the country in which you live; and that you will abide by the those requirements set forth by your local church.

Legally, ordination is a contract (similar to the marriage certificate) that is recognized by the IRS to distinguish you as a minister. Through ordination, ministers obtain the legal credentials needed to carry out routine services normally performed by ministers. Although the law only requires ordination for weddings, the IRS only recognizes ministers who have been “ordained, certified, or licensed.” Without ordination, you are not eligible for the significant tax-exempt benefits available to ministers (e.g. housing allowance).

**As a minister should I become ordained?** As stated above, to receive the tax benefits of being a minister you are required to be ordained. It is recommended that ministers pursue ordination.

**How do I become ordained?** We encourage ministers to be ordained by their home church. If {Church Name} is considered your home church, you should begin the process by talking with the senior minister or a member of the Leadership Team. For most new ministers, ordination will occur after being hired.

**How are “non-ministers” different than “ministers” regarding taxes, allowances, and exclusions?** “Non-ministers” are not eligible for the benefits listed above. “Non-ministers” are

covered under FICA (i.e. employers pay ½ of social security deduction) for social security purposes. Non-ministers are subject to tax withholding (social security, federal tax and state taxes).

NOTE: When developing annual budgets, {Church Name} includes the church's portion of social security in the total "salary" of non-minister employees. This is done for simplicity in budgeting. For these employees, total compensation package = salary + church portion of social security. These employees are not taxed on the church's portion of social security.

**What are "exclusions" from gross income? What types apply to ministers?** Some income is not taxable and is not included in an employee's taxable wages. Most are claimed by {Church Name} not reporting the amounts on your W2 form. When you prepare your annual tax return (e.g. 1040), exclusions never show up on the return. From the IRS's perspective, it is as if you never received the wages. Exclusions are good because they directly reduce your taxes. At {Church Name}, ministers are eligible for two significant exclusions. These include the housing allowance and medical premiums. (NOTE: Self-employed personnel are not eligible to exclude medical premiums – one reason ministers are better off being treated as employees rather than self-employed).

**What are "adjustments to gross income?" What types apply to ministers?** Unlike exclusions from gross income, adjustments are included in an employee's taxable wages. Adjustments are included on your W2 and your 1040 tax form. However, adjustments are deducted from your taxable wages on your 1040 tax form. The primary adjustment for ministers is their ability to deduct one-half their self-employment tax (SECA tax) as an adjustment to gross income (because ministers are considered self-employed for social security purposes and pay the entire 15.3% rather than only 7.65% as non-minister employees do).

**What does it mean for a minister to have "dual reporting" status for tax purposes?** While most ministers are employees for federal income tax reporting purposes (in lieu of self-employed), all ministers are considered self-employed for social security purposes with respect to services performed in the exercise of ministry (ministers have a "dual tax status").

## Housing Allowance:

**What is a housing allowance for ministers?** The IRS allows ministers to designate a portion of their compensation package as a housing allowance. This is the most significant tax advantage that exists for ministers. For ministers who own a home, a double deduction is allowed (i.e. housing allowance plus you can claim interest as a deduction if you itemize on your federal return). Specific highlights include:

- It is not taxable for federal or state income tax purposes (it is subject to social security)
- The church must officially designate the allowance. At {Church Name}, the Leadership Team approves the allowance (typically as part of the annual budget approval)
- The allowance must be designated in advance. Changes can be made only on a go forward basis. It is better to over estimate than to under estimate.
- Ministers must be able to document (or show evidence) that they actually spent the full housing allowance (receipts). At the end of the year, ministers are responsible to verify that

they spent the entire allowance. If not, they must claim the additional income on their federal tax return (form 1040).

For example: A minister has a total compensation package of \$42,000. The minister has opted out of social security and has no medical premiums. The minister owns a home with a total yearly mortgage (taxes and interest) of \$10,000. Actual expenses for maintaining and operating the home are expected to be \$15,000 per year. In this case the minister is allowed a \$15,000 housing allowance. In addition, the minister can deduct \$10,000 if he itemizes his deductions on Schedule A. In this case, the minister's taxable income for federal and state income tax purposes is \$17,000 (\$42,000 - \$15,000 - \$10,000). If the minister were subject to social security, taxable wages for social security purposes would be \$42,000 (housing allowance and itemized deductions are both subject to social security).

**How much can we designate for a housing allowance?** The lowest of:

- Fair rental value of a furnished home plus utilities
- Actual expenses
- Amount properly designated by the church

If the designated allowance exceeds the lowest of the 3 factors above, the excess is reported as additional income on your 1040 tax return.

**What items can be included in the housing allowance?** The housing allowance essentially includes all costs associated with owning or renting a home. Specifically:

- Down payment on a home
- Mortgage payments on a loan to purchase or improve your home (include principle and interest)
- Real estate taxes
- Property insurance
- Utilities (e.g. electricity, gas, water, trash pickup, local phone charges, etc.)
- Furnishings and appliances (purchase and repair)
- Structural repairs and remodeling
- Yard maintenance and improvements
- Maintenance items (e.g. household cleansers, light bulbs, pest controls, etc.)
- Homeowners association fees

NOTE: It is possible to have actual expenses that exceed the fair rental value of a furnished comparable home.

**How do we designate a housing allowance?** Housing allowances should be (1) adopted by the church board (Leadership Team), (2) in writing, and (3) in advance of the calendar year. Prior to December 15<sup>th</sup> of each year, {Church Name} ministers are to submit their housing allowance for the following year. The form for submitting the housing allowance is attached to this FAQ. The new allowance can not take effect until approved in writing by the Leadership Team (IRS requirement). Submitting changes by December 15<sup>th</sup> allows time for administrative processing prior to January 1<sup>st</sup>.

**Can a housing allowance be changed during the year?** Yes, but only on a go forward basis. Under no circumstances can a minister exclude any portion of an allowance retroactively designated. Churches can amend an allowance during the year if the original proves to be too low. However, the amended allowance will only operate prospectively (go forward). For example, assume you have designated a housing allowance of \$1500 per month. In May, you realize that your actual expenses have averaged \$2000 per month since January. You can only change your housing allowance to the higher amount for future months (i.e. can not go back and change January through May).

The Leadership Team must approve any changes to your housing allowance before they can take affect. Any ministers desiring to change their housing allowance should identify the need at least one month prior to the desired effective date. Changes should be submitted in the form of a signed letter that identifies your old housing allowance, your new housing allowance, and the effective date you desire the change to take effect. A sample letter is attached to this FAQ. This sample letter can be photocopied and used to change your housing allowance. A statement is included in the letter that specifically states that the new allowance will apply to the remainder of the current year and all future years until changed by separate actions.

**What should I do if my entire housing allowance is not used?** If your actual expenses are less than your specified housing allowance, you are required to claim the difference as taxable income on line 21 of form 1040 when you file your taxes.

## Social Security:

### **How does social security work for {Church Name} employees?**

*Non-ministers:* Non-ministers are covered under the Federal Insurance Contributions Act (FICA). Non-ministers pay 7.65% of their taxable income to social security and medicare. The church also pays an additional 7.65%. FICA for non-minister employees at {Church Name} is treated no differently than if these employees worked at a private company. {Church Name} withholds the employees 7.65% and pays it to the Federal government monthly. FICA applies to your entire salary (no exclusions). For simplicity in budgeting, staff salaries in the church budget include the entire 15.3% of FICA.

*Ministers:* Ministers are considered self-employed for social security purposes and are covered under the Self-Employment Contributions Act (SECA). Under SECA, ministers pay the entire 15.3% tax from their taxable wages. When filing your 1040 and SE tax returns each year, 7.65% is reduced from your taxable wages as an “adjustment.” This adjustment ensures that ministers (or self-employed people) are not penalized compared with other employees. SECA applies to your housing allowance, but not to medical premiums (i.e. medical premiums are exempt from SECA, but not housing allowances). As discussed below, ministers are eligible to exclude themselves from SECA under very limited circumstances. When developing compensation packages for new employees, {Church Name} does not base the dollar amount on whether or not a minister plans to opt out of SECA.

**How does the social security administration know how much money I paid in SECA or FICA taxes?** At the end of each calendar year, {Church Name} forwards copies of all W2s to the social security administration. The cover form identifies each employee by social security

number and how much they paid in taxes. It is the employee's responsibility to periodically check the social security administrations records for accuracy. Every Spring, the social security administration sends each citizen with a valid social security number a statement with their year-by-year contributions to social security and medicare. Often these statements are 1 year behind (i.e. Spring 2001 statement includes 1999 taxes but not 2000 taxes).

**As a minister, can I opt out of social security?** Yes, under very limited circumstances. All ministers are automatically covered by social security (SECA) for services performed in the exercise of ministry, unless an exemption has been received based on the filing with and approval by the IRS (Form 4361). You must certify that you oppose, either conscientiously or because of religious principles, the acceptance of any public insurance, including social security coverage. Either opposition must be based on religious belief. This includes opposition that helps pay for or provide services for medical care (such as Medicare) and social security benefits. Neither economic nor any other nonreligious reason is a valid basis for the exemption. Many ministers are improperly counseled to opt out of social security because it may not be a good investment. Your view of the soundness of the system has absolutely no relationship to the application for exemption. Your first and primary consideration is your ability to sign form 4361 with a clear conscience. To claim an exemption, you must:

- File Form 4361 (and receive approval)
- Be conscientiously opposed to public insurance because of your individual religious consideration (not because of your general conscience), or because of the principles of your religious denomination
- File for other than economic reasons
- Inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to public insurance
- Establish that the religious organization that ordained, commissioned, or licensed you is tax-exempt
- Sign and return the statement the IRS mails to you to verify that you are requesting an exemption based on the grounds listed on the statement.

The deadline for filing for an exemption is the due date of your tax return for the second year in which you had net income of \$400 or more in the conduct of ministerial duties. These do not have to be consecutive tax years.

If you opt out of social security, you should strongly consider investing 10% of your income annually for retirement.

## **Insurance/Medical Allowance:**

**Are ministers allowed to have a medical allowance?** Yes. The exclusion of employer-paid medical insurance premiums is a significant tax-free benefit for ministers who report their income taxes as employees. In fact, it is one of the major reasons why ministers generally are better off reporting their income taxes as employees rather than as self-employed. Ministers who report their federal income taxes as self-employed (using Form 1040, Schedule C) are not eligible for this exclusion. For ministers to obtain the benefit of this exclusion, the church must adopt a written plan. Section 106 of the tax code does not define this term ("plan"), but it is defined by several court decisions interpreting the tax code. Generally, these decisions indicate

that a “plan” includes any commitment by an organization’s board that is recorded in the board’s (Leadership Team at {Church Name}) minutes. A copy of the approved {Church Name} “plan” is attached to this FAQ. At {Church Name}, all ministers are eligible to designate a portion of their salary as a medical allowance.

**Can I get a cash equivalent payment that I may or may not put toward medical insurance instead of submitting receipts or having the church pay my premiums?** No. If a church provides employees with cash in lieu of paying their health insurance premiums, the exclusion does not apply and the amount of cash distributed to the employee is fully taxable. The tax code rules are very clear. For the exclusion to apply, one of the following must occur:

- A minister’s health insurance premiums paid directly to the insurer by the church are excludable from the employee’s gross income for federal tax purposes;
- A minister’s health insurance premiums paid directly to the employee are excludable from the employee’s gross income for federal tax reporting purposes if the church requires proof that the employees in fact paid the premiums themselves. In other words, the church must treat the arrangement like all other “accountable” business expenses (see later question), including only reimbursing those expenses for which it receives adequate substantiation (documentation and receipt).

At {Church Name}, either option can be used. Reimbursements directly to employees will not be made without a receipt for the insurance from the employee (to comply with IRS requirements). A receipt for your medical premium must be submitted in order to be reimbursed for the medical payment.

**Why wouldn’t I specify a medical allowance?** If your spouse already has medical insurance through their employer, there may be no need for you to specify a medical allowance.

**Does {Church Name} offer/sponsor a specific medical plan?** No. {Church Name} does not offer or sponsor a medical plan. Ministers purchase their own individual family medical plans just as they purchase private automobile or life insurance. To date, most families have chosen Blue Cross Blue Shield Trigon or Kaiser HMO. {Church Name}’s role in medical issues is limited to maintaining a medical reimbursement plan that provides ministers with the benefit of designating a tax-exempt medical allowance. This is purely an administrative function.

{Church Name} is a member of the Washington Council of Non-Profit Organizations (WCA). As a member, {Church Name}’s ministers are eligible to join a group plan through WCA. With over 3,000 members, the group rate is guaranteed regardless of age or preexisting conditions. This group plan is purely optional for {Church Name} ministers ({Church Name} is making this option available, but is not sponsoring the plan). Currently, if you or any member of your family has a preexisting medical condition, or if you are over 40 years old, you may find the WCA group plan (a Kaiser plan) advantageous over other individual plans. Open season for the WCA group plan is during July of every year.

**Why do some people have medical plans and others do not?** Every staff person at {Church Name} has a different financial situation. Some are single with very inexpensive health

coverage, some are married with very expensive health coverage, some opt out of social security, some have pre-existing medical conditions, some already have medical insurance that is covered by their spouses employer, some have little experience, others have significant experience, some have notable debt, and some have a housing allowance that gives significant tax advantages compared with the private sector. Each family's need is unique. If a family desires to have medical insurance, they determine how much to spend and which plan to purchase. Like automobile insurance or life insurance, medical insurance is a personal choice. You may choose to have it or not.

{Church Name}'s medical plan allows any minister to specify a tax-exempt medical allowance within their total compensation package. Like the housing allowance, the size of the medical allowance is at the discretion of the minister and does not change the size of the overall compensation package. The size of your total compensation package will not change whether you specify a medical allowance or not. A medical allowance will simply affect what your bring-home pay is. This is no different than your discretion to purchase automobile or life insurance within your total compensation package (except medical insurance is tax exempt).

**How do I specify/designate a medical allowance?** Medical allowances are administered per the church's official approved medical allowance plan (copy attached). The plan has been adopted/approved by the church board (Leadership Team). Prior to December 15<sup>th</sup> of each year, {Church Name} ministers are to submit their medical allowance for the following year. The form for submitting the medical allowance is attached to this FAQ. The new allowance can not take effect until approved in writing by the Leadership Team (IRS requirement). Submitting changes by December 15<sup>th</sup> allows time for administrative processing prior to January 1<sup>st</sup>.

**Can my medical allowance be changed during the year?** Yes, but only on a prospective basis (go forward basis). Under no circumstances can a minister exclude any portion of an allowance retroactively designated. Churches can amend an allowance during the year if the original proves to be too low. However, the amended allowance will only operate prospectively (go forward). For example, assume you have designated a medical allowance of \$500 per month. In May, you realize that your premium increased to \$550 per month in April. You can only change your medical allowance to the higher amount for future months (i.e. can not go back and change April).

The Leadership Team must approve any changes to your medical allowance before than can take affect. Any ministers desiring to change their medical allowance should identify the need at least one month prior to the desired effective date. Changes should be submitted in the form of a signed letter that identifies your old medical allowance, your new medical allowance, and the effective date you desire the change to take effect. A sample letter is attached to this FAQ. This sample letter can be photocopied and used to change your medical allowance. A statement is included in the letter that specifically states that the new allowance will apply to the remainder of the current year and all future years until changed by separate actions.

You should try to anticipate what your total medical premium will be, including any increases in premium amounts. Consider contacting your insurance provider in December to see if they know what the rate increases will be. For example: Your medical premium is \$500 per month. In December, your provider informs you that the premium will increase to \$550 effective April 1<sup>st</sup>. You should specify an allowance of \$6,450 (3 months x \$500 + 9 months x \$550).

**Does {Church Name} automatically cover increases in medical premiums?** Increases in medical premiums are similar to annual increases in auto insurance, life insurance, food, housing, etc. {Church Name} strives to give all employees a cost of living increase each year that is greater than or equal to inflation. As a result, expected increases in medical premiums are factored into each employee's yearly salary increase. Separate increases in salary to cover increases in medical premiums are generally not made.

When the status of a family changes (e.g. marriage, having children), the Leadership Team will consider whether to cover the increase in premiums on a case basis.

## **Salary Package:**

**What are the basic components of a salary package?**

*Non-ministers:* Salary and the church's portion of social security are the only components of a salary package. Total compensation package (total cost to the church) is the sum of salary and the church's portion of social security taxes.

*Ministers:* Components could (but do not necessarily) include a housing allowance, a medical allowance, social security, and salary. As noted elsewhere in this FAQ, the employee determines whether to specify a portion of their salary package as medical and housing allowances, and whether to opt out of social security. The total size of the salary package will be the same regardless of these personal choices by the employee (i.e. two equally qualified people with similar family situations applying for the same position would have the same total salary package independent of the size of the housing allowance, medical allowance (if applicable), and social security).

**How is the size of the salary package determined?** We do not have a simple formula or pre-determined pay scale. We make our best attempt to provide a fair and reasonable total compensation package (to which we are on the high end of the scale) and to take care of each family's particular needs (to a point of reasonableness). Based on all the differences between families, trying to make comparisons of financial packages is very difficult, but a responsibility the Leadership Team takes very seriously. The sizes of salary packages are always based on the responsibilities/demands of the position and the experience of the applicant. The Leadership Team does not desire for any family who is living a modest lifestyle to have a negative cash flow. Specific family needs are considered on a case basis.

**What would my equivalent pay be in the private sector (or how much would I have to make in the private sector to have the same take-home pay that I have now)?** In summary, the minister in this example would have to earn 35-40% more in the private sector to have the same bring home pay if he opts out of social security and approximately 12% more if he does not opt out of social security. The tax advantages are significant!! A separate sheet is available showing the details of this comparison.

## **Reimbursable Expenses:**

### **Travel Expenses:**

**Are my travel expenses reimbursable?** Authorized travel expenses that are properly administered in accordance with {Church Name}'s travel reimbursement policy (copy attached to this FAQ) are reimbursable. Highlights of the policy include:

- Travel must be covered within the approved annual budget (i.e. budgeted funds must be available).
- Travel must be consistent with the vision and goals of the applicable ministry and provide a value added consistent with the expense. Travel expenses will be charged to the ministry sponsoring the trip. Travel for reasons other than {Church Name} sponsored events will not be reimbursed.
- Travel outside the {Church Location} Metropolitan area will be minimized and limited to opportunities that can not be experienced at home (i.e. travel to a conference in San Diego that is also offered in Baltimore will not be reimbursed).
- Travel within the {Church Location} Metropolitan area will be handled the same for staff as it is for volunteers. Specifically, staff may be reimbursed for the cost of seminars/events, parking and tolls, but not for other transportation costs (e.g. mileage, gas, etc.) or food. Most travel within the area does not require an overnight stay or multiple day participation. However, if an overnight stay is required, the cost of lodging will be covered. Multiple day seminars will be handled on a case basis. As such, the only items that are normally authorized to be put on the church charge card are conference/seminar fees, parking fees, and tolls. In summary, staff travel within the {Church Location} Metropolitan area is infrequent and will be handled consistent with our volunteers.
- Travel outside the {Church Location} Metropolitan area will be approved prior to making non-refundable reservations (at least one month prior to desired travel to ensure lowest possible fares are obtained). Travel approval is obtained using the {Church Name} Vacation/Travel Request Form (copy attached to this FAQ).
- Use of a privately owned vehicle (POV) outside the {Church Location} Metropolitan area will be reimbursed as follows:
  - Actual cost of gasoline will be covered (Prior to leaving home, fill your tank with your own money. All subsequent fills should be charged to the church credit card, including a final fill of your tank immediately upon return to the {Church Location} Metropolitan area. This process ensures the church pays for all gas associated with your trip).
  - A \$15 per day allowance for wear and tear. This allowance applies to days where significant miles are being placed on your car and not days where the car is idle or being used only for routine transportation.

- Actual costs of tolls and parking. When possible, put these costs on the church charge card.
- When traveling outside the {Church Location} Metropolitan area, staff will receive per diem at a rate of \$20 per day to cover food and miscellaneous expenses. For partial days (day of departure and day of return), per diem is \$15 per day since at least one meal can be eaten from home (or taken from home). Receipts are not required for per diem. **Food should not be put on the church charge card since is covered by per-diem and will not be reimbursed separately.**
- To the maximum extent possible, travel expenses (other than food which are covered by per-diem) are to be put on the church charge card to facilitate reimbursement.
- When traveling outside the {Church Location} Metropolitan area, staff should make reasonable attempts to stay with friends or family rather than in a hotel. Small gifts of appreciation (\$30 or less) may be given to the host family (e.g. buy the family a dinner during your stay).
- Expenses while on travel should be minimized. Staff should treat the Church's financial provisions more conservatively than their own (i.e. stay with family or friends rather than in a hotel, cheapest hotels and airfare, early-bird registration for conferences, etc.)
- With the exception of the daily wear-and-tear allowance on a POV and the daily per-diem allowance, staff are required to keep all receipts. At the completion of travel, a travel reimbursement form should be submitted as soon as possible (copy of the form is attached to this FAQ).
- Expenses that are not consistent with the approved church travel policy will not be reimbursed.

In all of the following examples, assume that the travel is covered in the annual budget and that the person taking the trip follows the {Church Name} Travel Policy (e.g. submit a travel request form prior to making reservations, submit a travel reimbursement form promptly after returning from the trip, etc.).

**Example 1:** Travel for a 1 day conference in Baltimore (with use of a POV). Registration is \$125 and you incur a \$10 parking fee: The only covered expenses are the registration fee and parking (\$135). If possible, these expenses should be put on the church charge card. Within the {Church Location} Metropolitan Area, no other charges or reimbursements are authorized.

**Example 2:** Travel for a 1 day conference in Richmond or Norfolk (with use of POV). Registration cost is \$125, you incur a \$10 parking fee, two \$2 tolls, and one tank of gas (\$15):

The following costs are reimbursable:

- The cost of the seminar (\$125). Registration should be put on the church charge card if possible.

- The cost of gas (\$15). Gas should always be put on the church charge card (fill up your tank with your own money before leaving. All subsequent fills including immediately after return to your home should be put on the church charge card).
- Parking and tolls (\$14).
- Per diem (\$15 for one day).
- POV Allowance (\$15 for one day)

Assuming the cost of the seminar and gas were put on the church charge card, you would be reimbursed \$44 (\$14 for tolls/parking, \$15 for per diem, and \$15 for POV use) after submitting a travel reimbursement form.

**Example 3:** Travel to Cincinnati Bible College for a 3 day, 2 night intern search (use of a POV – On day 1 you drive to Cincinnati, on day 2 you stay in Cincinnati on campus, on day 3 you return to Washington). You do not know anyone in Cincinnati so you stay in a hotel for 2 nights at \$45 per night. You have \$36 in gas, \$10 in tolls, and you put significant miles on your POV 2 of the 3 days you are on travel. You eat 3 meals with potential interns that cost \$15 each time (assume \$7.50 for you and \$7.50 for the intern):

The following costs are reimbursable:

- The cost of the hotel (\$90). The hotel should be put on the church charge card. Any calls home should be put on the church calling card and not billed to the hotel room. Hotel costs are only authorized if there are no {Church Name} acquaintances in the area.
- The cost of gas (\$36). Gas should always be put on the church charge card.
- Tolls (\$10)
- Per diem (\$50 for 3 days - \$15 for days 1 and 3, \$20 for day 2).
- POV allowance (\$30 for the two days of significant use - \$15 per day x 2 days)
- Intern meals (\$22.50 – 3 meals at \$7.50 each). Your meals are reimbursable through per-diem only. Do not charge your own meals to the church credit card.

Assuming the hotel, gas, and intern meals are put on the church charge card, you would receive a reimbursement of \$90 (\$10 in tolls, \$50 in per-diem, and \$30 for POV use) after submitting a travel reimbursement form.

**Example 4:** Travel to Chicago for a Willow Creek Conference (travel by air with use of a rental car in Chicago). Travel to Chicago on day 1, attend conference days 2-4, return home on day 5. Airfare is \$200, seminar registration is \$395, rental car is \$150, you stay with friends while in Chicago and buy them dinner one night to show our appreciation for \$45, tolls are \$10, and rental car gas is \$15:

The following costs are reimbursable:

- The cost of airfare (\$200). Airfare should be purchased at least 4 weeks early to get the lowest possible rates and should be put on the church charge card.
- The cost of the seminar (\$395). Registration should be put on the church charge card if possible and we should take advantage of “early bird registration” savings.
- The cost of gas (\$15). Gas should always be put on the church charge card. Avoid taking the option from the rental car company to pay them to fill up the car.
- Tolls (\$10).

- Per diem (\$80 for five days - \$15 for days 1 and 5, \$20 for days 2-4).
- The cost of the rental car (\$150). Do not pay for extra insurance from the rental car company as we are covered by our church insurance policy. Rental car costs should always be put on the church charge card.
- The \$45 dinner to show appreciation to your hosts. This should also be put on the church charge card if possible.

Assuming the airfare, seminar, rental car, rental car gas, and appreciation dinner were put on the church charge card, you would be reimbursed \$90 (\$10 for tolls and \$80 for per-diem) after submitting a travel reimbursement form.

**How do I get reimbursed for travel expenses?** By submitting a travel reimbursement form

**Can I designate a portion of my compensation package for business related transportation costs (similar to a housing allowance)?** Yes. A minister can designate a portion of their compensation package to cover business related transportation costs. These costs are limited to costs associated with operating a privately owned vehicle. Costs are reimbursed at the IRS standard mileage rate. Employees may designate a transportation allowance using the form attached to this FAQ. The allowance is administered the same as a medical allowance (i.e. must be designated in writing, must be designated in advance of expenditures, must be accounted for (documentation of specific mileage/trips), and unused funds are not distributed to the minister at the end of the year). For example, a minister designated \$2,000 of their compensation package for transportation costs. The minister only used \$1,800 through the end of the year. The balance of \$200 would not be paid to the minister. {Church Name}'s approved transportation reimbursement policy is attached to this FAQ.

**Why would I designate a transportation allowance and is it really worth the trouble?** Like a medical allowance, transportation allowances are not taxable income (federal, state or social security). For a person in the 15% tax bracket, every \$1,000 in transportation allowance saves \$150 in taxes. To receive the allowance, an individual must keep a detailed record/log book showing the date, purpose, and miles traveled for each trip (recommended form is attached). The effort involved in keeping the log may outweigh the tax benefit for many people. If a person has opted out of social security and does not typically pay federal taxes, a transportation allowance provides no real benefit.

**What types of trips are allowable by IRS requirements?** Normal commuting (trips from home to the office or normal place of work) are not reimbursable. Only business trips to/from other places are reimbursable. Multiple trips to/from home are not reimbursable regardless of the purpose. For example, a minister goes into the office and returns home for dinner. After dinner, the minister returns to the office for a board meeting. Neither trip to/from the office is reimbursable. If a minister travels to/from a hospital from home or the office on official business, the trip is reimbursable (provided it is properly logged in your travel log/book).

**Does the transportation allowance increase my total compensation package?** No. Consistent with the medical and housing allowances, the transportation allowance is designated within your existing compensation package and does not increase your total package. By designating a transportation allowance, your bring home salary (pay check) will be less.

**How do I get reimbursed for transportation costs?** Submit a copy of your transportation log showing specific trips and mileage along with a completed reimbursement form for the mileage (list total mileage X IRS standard mileage rate). Submit a copy of your transportation log at least every 30 to 60 days (no greater than 60 days by IRS requirements).

## Business Expenses:

**Are my business expenses reimbursable?** Budgeted business expenses such as paper, pens, postage, and printer cartridges are reimbursable under the church's accountable reimbursement plan (see the section below). Such expenses must be budgeted, must have no value to the employee except in their capacity at {Church Name}, and must be purchased exclusively for use in their capacity at {Church Name}. Expenses reimbursed under this plan may not also be claimed as a business expense deduction on your year-end tax returns. All copying and folding must be done on the church's equipment (it is each minister's responsibility to ensure this policy is understood by volunteers in their areas). Copying and folding costs will not be reimbursed if done on other equipment (e.g. Staples or Kinkos). Business expenses are administered per the church's accountable reimbursement plan (see subsequent question).

**Does the church reimburse my Internet service fee?** {Church Name} no longer reimburses employees for personal Internet service. DSL Internet service is available to all employees through the church office.

**Will the church pay for a cell phone or a business line in my home?** Phones are provided in the church office. Where it is agreed that it is impractical for an employee to normally work from the church office, consideration will be given on a case basis for permitting a business line in the home.

Employees will not normally have a cell phone and a business line in their home. A cell phone will be provided to employees when the senior minister or executive minister agree that the cell phone is essential for carrying out an employee's assigned responsibilities.

The church does not maintain long-distance phone service. Instead, each minister is provided with a rechargeable calling card. These cards cost less than 6 cents per minute and save the church considerable money. Long-distance calls in excess of 6 cents per minute will not be reimbursed. The long-distance calling card is to be used strictly for church business. No personal calls are allowed.

**What can the church credit card be used for?** Employees are encouraged to use the church credit card for as many budgeted expenses as possible to avoid the administrative effort associated with using a church check. The church credit card may not be used for personal business including refundable deposits (e.g. holding a hotel room for personal use with the intent of paying cash when you arrive). Simply do not use the church credit card for anything remotely related to personal use.

**What is an accountable reimbursement plan?** The IRS permits organizations to maintain "accountable reimbursement plans" so that employees can be reimbursed for normal business expenses without being taxed on the income. The plan must be approved and formally

implemented (the approved {Church Name} plan is included at the end of this FAQ). In summary, expenses must be for budgeted {Church Name} items and must be “accounted” for (i.e. a reimbursement form and receipt must be submitted within a reasonable time period after the expenditure).

## Professional Development:

**Do I get a professional development allowance?** Full-time (30 hours or more) employees are given a professional development allowance (\$1,350 in 2001). This allowance is administered through the church’s accountable reimbursement plan (see later question) and is not subject to federal taxes provided all expenditures are fully accountable. The professional development allowance is intended to be used for books, newsletter, publications, seminars, workshops, etc.

### Can I accept gifts from people at {Church Name}?

*Gifts from {Church Name}:* From time-to-time the Leadership Team will give gifts to the staff on behalf of the church. These gifts are subject to federal taxes and will be included in the employee’s gross income.

*Gifts from Specific {Church Name} Members:* {Church Name} will not typically accept gifts designated for specific employees. These gifts should be given directly to employees without going through {Church Name} (the giver can not receive a tax deduction for such gifts). If gifts are given directly to employees, the gifts are not subject to federal taxes as part of the employee’s gross {Church Name} income. The Leadership Team should be informed if employees are only capable of making ends meet by accepting gifts from {Church Name} members.

## Work Hours:

**What are our work hours?** Each staff member is required to take one full Sabbath day off other than Sunday each week. Staff members may choose Saturday, Monday or Tuesday for this day off. Sunday is considered a work day from at least 8:00 a.m. to 1:00 p.m.. All staff are expected to be at the school during these hours helping where needed. Staff are expected to work at least 40 hours each week not counting time that would be spent as a volunteer if you were not on staff (e.g. small group leader, attending small group, attending men’s breakfast, teaching an adult or children’s class, helping with setup/teardown on Sunday morning, etc.). On average, this volunteer time represents an additional 10-15 hours per week on top of the 40 hours (or equivalent part-time hours if you are a part-time employee). Unless other arrangements have been specifically agreed to, full-time staff will normally work at least 8 hours per day on Monday – Friday (excluding their day off) between the hours of 8 a.m. and 6 p.m. (the principle is to be available for staff and volunteers during daytime hours. Most evening hours are considered equivalent to what other volunteer leaders in the church experience (e.g. meetings, small group, etc.).

**Are Saturdays and Sundays workdays if my day off is during the week?** Yes, but Sunday afternoon will usually be free (except for meetings or events that other non-staff volunteers are also participating in on Sunday). Also, you are encouraged to take personal time for part of the day on Saturday (spend part of the day with family). You are expected to be available on Saturday and Sunday (which means you are in the area, answering your phone, working part

days, doing what needs to be done, attending church meetings, etc.). If you are available as defined above, the personal time you take on Saturday and Sunday is not considered vacation. The principles here are that we want our staff to lead balanced lives and spend time with their families, but we also want to set a high standard for involvement in ministry service. Many of our volunteer leaders serve for the same hours and in similar capacities as our staff on Sundays. With this in mind, our day off during the week is similar to the average volunteer's Saturday. As such, we need to put in at least half a day on Saturday while still honoring our families by spending time with them.

**Do I always have to take the same day off?** You should take the same day so that other staff team members know when you will be unavailable. On a case basis, you may change your day off to accommodate infrequent events (e.g. going out of town for a 3 day weekend). You should not regularly change your day off. If you do change your day off for a particular week to accommodate an infrequent event, you should send an email to the rest of the staff no later than the previous Friday to let them know.

**Which holidays do we take off?** All {Church Name} employees are entitled to the following paid holidays.

New Year's Day  
Memorial Day  
Independence Day  
Labor Day  
Thanksgiving Day  
Christmas Day

All other holidays are considered normal workdays. When one of the above holidays falls on your normal day off, you may change your normal day off for that week.

## Vacation/Sick Time:

**How much vacation/sick time do we get?** Each employee's contract specifies the number of vacation/sick days they get. In general, ministers with minimal experience start with 2 weeks of paid vacation/sick time. One additional day is added with each succeeding year at {Church Name}. After 5 years, an additional Sunday is added. For example, a new associate minister fresh out of Bible College and an internship would start with 2 weeks of vacation/sick time (which includes up to 2 Sundays away). After 5 years, the minister would have 3 weeks (which includes up to 3 Sundays), 10 years 4 weeks (up to 4 Sundays), and 15 years 5 weeks (up to 5 Sundays). The Leadership Team adjusts vacation/sick time for new employees who have significant experience accordingly. Sick days and vacation days are interchangeable. For example, if you were sick and unable to work for 3 days, the 3 days would count against your vacation time. "Unable to work" is a relative term that means you are unable to put in a reasonable day of work (i.e. stay in bed or can not go to meetings, etc).

**Are doctor and dentist appointments considered vacation/sick time?** Short, routine doctor visits should be scheduled outside of your normal work hours (e.g. early morning before 9:00 a.m., early evening after 5:00 p.m., day-off, etc.). Longer appointments that will keep you from work (e.g. significant dental work, in/out surgery, etc.) should either be made on your normal

day off or taken as vacation. Doctor visits will not normally be scheduled during normal hours on workdays.

**Am I required to get approval for vacation time?** Yes. {Church Name} ministers serve in salaried managerial positions. Their absence could have a significant adverse effect on other staff members and on the quality of our ministries. As such, the specific timing of vacation by ministers is at the discretion and approval of {Church Name}. We seek to honor the needs individual staff, but must always consider requests in light of the welfare of the entire church family. We will make reasonable efforts to fully support requests for vacation.

**How do I determine how many vacation days I'm taking when my vacation is taken in conjunction with my day off or a weekend?** Consider the following examples (assume Monday is the employees normal day off. Also, with the exception of example 1, assume that the employee still has Sundays left to take off):

**Example 1:** Employee leaves town Friday night and returns Monday evening: This constitutes 1 day of vacation (½ day Saturday and ½ day Sunday) assuming the employee has not used more than their allowed number of Sundays off (each employee gets 1 Sunday per week of vacation – i.e. an employee with 3 weeks of vacation gets 3 Sundays away). In this example, if the employee exceeds their allowed number of Sundays off, this would be 2 days of vacation instead of 1.

**Example 2:** Employee leaves town Thursday night and returns Saturday night. This constitutes 1 ½ days of vacation (1 day Friday and ½ day Saturday).

**Example 3:** Employee leaves town Thursday night and returns Sunday after church (anytime after or late during church). This constitutes 2 days of vacation (1 day Friday, ½ day Saturday and ½ day Sunday).

**Example 4:** Employee leaves town Friday night and intends to return Monday evening. The employee ends up not returning until 12:00 p.m. on Tuesday (either by choice or bad weather or car breakdown, etc.). This constitutes 1 ½ days of vacation (assuming employee works the rest of the day when they return) (½ day Saturday, ½ day Sunday and ½ day Tuesday). NOTE: Had the employee returned home early Tuesday (i.e. before 9:00 a.m.), they could still get a full day of work in.

**Example 5:** Employee leaves town after church on Sunday and returns Tuesday evening. This constitutes 1 day of vacation (1 day Tuesday).

**Example 6:** Employee goes on vacation for 1 week. Employee departs on Friday and returns the following Thursday. This constitutes 5 days of vacation (½ day Saturday, ½ day Sunday and 1 day Monday are normal time off. Remaining 5 days are vacation days).

**Example 7:** Employee is sick. Employee attempts to do some work from home, but is too sick to get a full days work in. Employee can not make it to scheduled meetings (e.g. staff meeting, creative meeting, lunch with leaders, etc.). This constitutes at least ½ day of vacation (and up to 1 day depending on what you can get done from home).

NOTE: Examples 2 – 7 above assume the employee has remaining Sundays available to take off. If not, additional time off would be required if church were missed on Sunday.

**How do I request and get approval for vacation?** Submit a travel/vacation request form (copy attached). First, verify that there are no conflicts between your requested dates and the master church calendar (e.g. Fall Fun Fest, Staff Retreat, etc.). Second, verify there are no conflicts with your assigned responsibilities (e.g. preaching). Third, submit a completed travel/vacation request form. Do not assume that requests are approved when they are turned in. Approval is indicated by receiving a signed travel/vacation form back. Approved travel/vacation will also be listed on the travel/vacation schedule posted in the church office.

## **Other Expectations:**

**Are we allowed to have outside employment (i.e. work other part-time jobs)?** The demands of full-time vocational ministry leave little time for additional jobs. Outside employment for extended periods of time is likely to adversely effect your ministry, your family, and your attitude. As such, full-time ministers are encouraged not to seek outside employment. Ministers are requested to discuss such plans with the Leadership Team prior to committing to long-term outside employment. Infrequent short-term employment (less than one week at a time every 3 to 6 months) that does not interfere with a minister's {Church Name} responsibilities are allowed. Where such employment will be during normal work hours, vacation time shall be taken. Also, as a courtesy, ministers are requested to inform the church of any such employment.

**Are our moving expenses to the Northern {State} area paid by {Church Name}?** Moving expenses will be considered on a case basis with each new staff member. Attempts will be made to cover reasonable (or partial coverage) expenses incurred in relocating to the area. The exact coverage should be determined at or before the time of hiring (and in any event before actual expenses are incurred).

**Are we eligible for any retirement benefits?** In addition to a full-time minister's salary package, we budget an additional 2% for retirement. This allowance is a benefit that is distributed based on the financial condition of the church and is not guaranteed. The actual amount of the benefit could be 0% to 5%. Distribution (if made) may be paid in one or two installments (June and December). Staff must use this allowance toward retirement and are not permitted to choose cash instead. The allowance may be used toward a retirement fund (i.e. IRA, 403b, etc) or to pay down principal on a house you own.

**Can I take college classes and/or pursue a college degree while working at {Church Name}?** Pursuit of courses/degrees is permissible provided the time commitment does not interfere with {Church Name} responsibilities. Staff are strongly encouraged to carefully weigh this decision in light of the time demands of ministry (i.e. your family and/or your ministry could suffer). The opportunity cost will likely be very high to staff. Staff are requested to discuss their plans with {Church Name} prior to committing to the undertaking. Specifically, staff should address how the commitment can be fulfilled while fully meeting their assigned {Church Name} responsibilities. {Church Name} will make reasonable attempts to support these outside time commitments. If degree programs or courses are required away from the Northern {State} area, this time away will be counted as normal vacation time.

**What other expectations apply to {Church Name} ministers?** Personal excellence by giving our very best to God and to others.

- Make it a top priority to identify and develop other leaders
- Attend at least one worship service each week
- Attend small group leader training meetings and annual large group events (e.g. Fall Fun Fest, Easter Eggstravaganza, Thanksgiving Lunch, etc.)
- Attend special church functions where participation by all church members is specifically requested (e.g. Loudoun Campus rollout)
- Give our best effort and work at least 50-60 hours per week (full-time employees) counting small group and ministry service time (50-60 hours is considered consistent with the average member at {Church Name}). For part-time employees, work your paid hours plus small group and ministry service time (the normal time you would put in through active membership in the church if you were not on staff).
- Take one full day per week off where we don't answer phone or email.
- Avoid even the appearance of impropriety. Maintain purity (stay above reproach)
- Be extremely conservative in interacting with members of the opposite sex. Avoid riding alone in cars, meeting privately, counseling, physical contact, etc. with members of the opposite sex.
- Strive to maintain a healthy marriage and a proper family life balance
- Strive to have a teachable spirit seeking to learn and grow from others
- Be a disciple of the church's vision
- Publicly support and respect other staff members and the Leadership Team
- Adhere to generally accepted biblical morality
- Strive to meet the biblical requirements for Elders (1 Timothy and Titus)
- Seek to maintain good physical health through diet and exercise
- Dedicate at least one day per month to fasting and meditation
- Openly and regularly share our faith with others
- Participate in at least one small group
- Maintain an accountability partner
- Have daily personal quiet time and prayer
- Don't let conflicts fester. Conflicts will be resolved quickly and directly with the person/persons involved
- Be dependable, reliable and trustworthy. We will stick to and deliver on our commitments
- At least tithing our incomes to {Church Name}
- Strive to build up the staff team through collaboration and teamwork. Avoid any gossip, bickering, or unhealthy talk.
- Be flexible and adaptable in support of the needs of the church

**How are our wages and taxes reported?** Ministers are required to file a federal income tax return if they have earnings of \$400 or more for tax year 2001. Ministers must use form 1040. {Church Name} reports yearly wages to employees on a W2 form. Self-employed personnel receive a form 1099 (currently no employees at {Church Name} receive 1099s).

If "voluntary withholding" is not used, ministers must prepay their income taxes and SECA using estimated tax-reporting procedures. Under this process, estimated taxes are paid in

quarterly installments using IRS form 1040ES. If “voluntary withholding” is used, {Church Name} uses form 941 (monthly payment to IRS via {Bank Name} Bank). Additionally, state taxes are paid to {State} Department of Taxation monthly.

**How do I handle wages received directly from people for conducting weddings, funerals, etc.?** These wages are considered self-employment wages are not included on the W2 you receive from {Church Name}. You are required to report these self-employed wages on your 1040 tax form. If these wages are significant, you should consider paying quarterly taxes (federal, state and social security) to avoid paying end-of-year interest penalties on the extra wages (for most ministers, the penalty probably will not apply since these wages are very small).

**Which tax forms are needed by the average minister?** W2 from the church, Form 1040, Schedule A (Itemized Deductions), Schedule C (Business Income), and Schedule SE (Self-employment Taxes).

**What options do I have as a minister for having my taxes withheld?** You have 3 options:

- Claim “EXEMPT” from withholding of federal and state taxes and have nothing withheld (NOTE: a penalty may be incurred if you end up owing taxes at the end of the year). If you are subject to social security, you must still pay it per one of the two options listed below.
- Pay your own federal, state and social security taxes quarterly. Under this option, you are responsible for all the administration associated with paying taxes. The advantage is that you can earn interest on your money during the 3 months of the quarter prior to paying taxes.
- Have the church withhold and pay your taxes monthly as a payroll deduction (option most ministers choose).

# **Policies and Forms:**

(Intentionally Blank)

## **Housing, Medical, and Transportation Allowance Designation For Ministers**

The following resolution was duly adopted by the board (Leadership Team) of {Church Name} at a regularly scheduled meeting held on \_\_\_\_\_, a quorum being present.

Whereas, \_\_\_\_\_ is compensated by {Church Name} for services as a minister of the gospel; and

### ***HOUSING ALLOWANCE:***

Whereas, section 107 of the Internal Revenue Code permits a minister of the gospel to exclude from gross income (in computing federal income taxes) a church-designated allowance paid to him as part of his compensation to the extent used by him for actual expenses in owning or renting a home; and

Whereas, {Church Name} does not provide \_\_\_\_\_ with a parsonage;

### ***MEDICAL ALLOWANCE:***

Whereas, section 106 of the Internal Revenue Code permits employees to exempt from gross income a medical allowance; and

Whereas, the Leadership Team of {Church Name} has adopted in writing a “plan” for allowing ministers to designate a medical allowance;

### ***TRANSPORTATION ALLOWANCE:***

Whereas, the Internal Revenue Code permits employees to exempt from gross income a transportation allowance for costs incurred in using a privately owned vehicle for business purposes; and

Whereas, the Leadership Team of {Church Name} has adopted in writing a “plan” for allowing ministers to designate a transportation allowance;

Resolved, It is hereby resolved that the total compensation paid to \_\_\_\_\_ for calendar year \_\_\_\_\_ shall be \_\_\_\_\_, of which \_\_\_\_\_ is hereby designated to be a housing allowance pursuant to section 107 of the Internal Revenue Code, \_\_\_\_\_ is hereby designated to be a transportation allowance, and \_\_\_\_\_ is hereby designated to be a medical allowance pursuant to section 106; and it is further resolved that this designation shall apply to all future calendar years unless otherwise provided.

Leadership Team  
{Church Name}

Date: \_\_\_\_\_

From: \_\_\_\_\_

To: Leadership Team, {Church Name}

Subj: **Mid-Year Amendment to Housing Allowance**

Please officially change my current housing allowance as follow:

Current housing allowance: \$ \_\_\_\_\_ yearly (\$ \_\_\_\_\_ monthly)

New housing allowance: \$ \_\_\_\_\_ yearly (\$ \_\_\_\_\_ monthly)

I understand that this new housing allowance can not be applied retroactively to the past.

Desired effective date of change: \_\_\_\_\_

Thank you,

signature

Date: \_\_\_\_\_

From: \_\_\_\_\_

To: Leadership Team, {Church Name}

Subj: **Mid-Year Amendment to Medical Allowance**

Please officially change my current medical allowance as follow:

Current medical allowance: \$ \_\_\_\_\_ yearly (\$ \_\_\_\_\_ monthly)

New medical allowance: \$ \_\_\_\_\_ yearly (\$ \_\_\_\_\_ monthly)

I understand that this new medical allowance can not be applied retroactively to the past.

Desired effective date of change: \_\_\_\_\_

Thank you,

signature

## Mid-Year Amendment of Housing Allowance Designation For Ministers

The following resolution was duly adopted by the board (Leadership Team) of {Church Name} at a regularly scheduled meeting held on \_\_\_\_\_, a quorum being present.

Whereas, \_\_\_\_\_ is compensated by {Church Name} for services as a minister of the gospel; and

Whereas, section 107 of the Internal Revenue Code permits a minister of the gospel to exclude from gross income (in computing federal income taxes) a church-designated allowance paid to him as part of his compensation to the extent used by him for actual expenses in owning or renting a home; and

Whereas, {Church Name} does not provide \_\_\_\_\_ with a parsonage; and

Whereas, \_\_\_\_\_ requested his/her housing allowance to be changed from \_\_\_\_\_ yearly to \_\_\_\_\_ yearly effective on \_\_\_\_\_.

Resolved, It is hereby resolved that the new housing allowance for calendar year \_\_\_\_\_ shall be \_\_\_\_\_, pursuant to section 107 of the Internal Revenue Code; the new housing allowance will apply prospectively from the effective date; and it is further resolved that this designation shall apply to all future calendar years unless otherwise provided.

The new housing allowance is effective \_\_\_\_\_.

Leadership Team  
{Church Name}

## Mid-Year Amendment of Medical Allowance Designation For Ministers

The following resolution was duly adopted by the board (Leadership Team) of {Church Name} at a regularly scheduled meeting held on \_\_\_\_\_, a quorum being present.

Whereas, \_\_\_\_\_ is compensated by {Church Name} for services as a minister of the gospel; and

Whereas, section 106 of the Internal Revenue Code permits employees to exempt from gross income a medical allowance; and

Whereas, the Leadership Team of {Church Name} has adopted in writing a “plan” for allowing ministers to designate a medical allowance;

Whereas, \_\_\_\_\_ requested his/her medical allowance to be changed from \_\_\_\_\_ yearly to \_\_\_\_\_ yearly effective on \_\_\_\_\_.

Resolved, It is hereby resolved that the new medical allowance for calendar year \_\_\_\_\_ shall be \_\_\_\_\_, pursuant to section 106 of the Internal Revenue Code; the new medical allowance will apply prospectively from the effective date; and it is further resolved that this designation shall apply to all future calendar years unless otherwise provided.

The new medical allowance is effective \_\_\_\_\_.

Leadership Team  
{Church Name}

**{ Church Name }**  
**Written Medical Plan (Policy)**  
**for Ministers**

The following resolution was duly adopted by the board (Leadership Team) of { Church Name } at a regularly scheduled meeting held on September 8, 2001, a quorum being present.

Whereas, the tax code specifies that medical premiums paid on behalf of employees may be excluded from an employee's gross income for federal tax reporting provided certain criteria are met; and

Whereas, the tax code requires one of the following to occur for the compensation to be excluded from an employee's gross income for federal tax purposes:

- An employee's health insurance premiums must be paid directly to the insurer by the church; or
- If paid directly to the employee, the employer must require proof that the employee in fact paid the premium. In other words, the church must treat the arrangement like all other "accountable" business expenses (see later question), including only reimbursing those expenses for which it receives adequate substantiation (documentation and receipt); and

Whereas, the tax code requires that each organization adopt a written "plan" that defines the organizations rules, policies and intentions regarding compensation for medical expenses; and

Whereas, the medical premium exclusion from gross federal income represents a significant tax-free benefit to employees; and

Whereas, { Church Name } desires to provide a provision for employees to specify a medical allowance that is excludable from the employee's gross income for federal tax reporting purposes; and

Whereas, the Leadership Team (Board) of { Church Name } desires to document in writing what it's practices, policies, and intentions regarding compensation for medical expenses have been in the past (the policy documented herein has been in use for several years based on verbal agreements among the Leadership Team);

Resolved, That { Church Name } establishes the following plan for employees to specify a medical allowance that is excludable from the employee's gross income for federal tax reporting purposes. The following requirements and provisions apply:

- { Church Name } ministers may specify a medical allowance that is excludable from the employee's gross income for federal tax reporting purposes. The allowance may be used to

pay medical insurance premiums only. Ministers may not take cash in lieu of the medical allowance.

- Medical allowances for the following year shall be requested in writing by the employee no later than December 15<sup>th</sup> of each year. If a new allowance (or cancellation of the old allowance) is not requested, the employee's previous allowance (if applicable) will continue to be in effect. The Leadership Team will act upon the employee's written request by January 1<sup>st</sup>.
- Medical allowances may be changed prospectively (on a go forward basis). Requested changes shall be submitted in writing to the Leadership Team and will not take effect until approved by the Leadership Team.
- Employees may request to have their medical premiums paid directly to the insurer by {Church Name} (if allowed by the insurance company) or to be reimbursed to the employee if paid directly by the employee. {Church Name} must be provided with a copy of the insurance premium for reimbursement to be made to the employee. Specifically, employees shall do one of the following:
  - Setup an electronic payment to be made directly from the church's checking account to the insurance provider.
  - Provide the monthly premium bill to {Church Name} for payment directly to the insurer by {Church Name}.
  - Employee pays the premium and provides a copy of the bill and payment check to {Church Name} for reimbursement.
- Increases in premiums are not automatically covered by {Church Name}. Each year, salaries are adjusted to cover cost of living increases. These salary increases are intended to cover a wide range of increases in living expenses, including increases in monthly insurance premiums. When designating a yearly medical allowance, employees should factor in expected increases in premiums.

## **{ Church Name }**

# **Travel Reimbursement Plan (Policy)**

The following resolution was duly adopted by the board (Leadership Team) of { Church Name } at a regularly scheduled meeting held on September 8, 2001, a quorum being present.

Whereas, the tax code allows organizations to maintain a travel reimbursement plan whereby individuals are not taxed on accountable travel expenses; and

Whereas, the tax code requires organizations to adopt a written “plan” that defines the organizations rules, policies and intentions regarding travel reimbursements; and

Whereas, { Church Name } employees are expected to travel occasionally; and

Whereas, the Leadership Team of { Church Name } does not desire to penalize employees with extra unnecessary tax burden; and

Whereas, { Church Name } desires to document in writing what its practices, policies, and intentions regarding travel reimbursement are;

Resolved, { Church Name } establishes the following plan for reimbursing employees for travel related expenses. Travel reimbursements will be administered through the church’s accountable reimbursement policy (separate resolution) as supplemented by the following additional requirements and amplifications:

- All reimbursable travel must be covered within the approved annual budget (i.e. budgeted funds must be available).
- Travel must be consistent with the vision and goals of the applicable ministry and provide a value added consistent with the expense. Travel expenses administratively categorized to the ministry sponsoring the trip. Travel for reasons other than { Church Name } sponsored events will not be reimbursed.
- Travel outside the { Church Location } Metropolitan area will be minimized and limited to opportunities that can not be experienced at home (i.e. travel to a conference in San Diego that is also offered in Baltimore will not be reimbursed).
- Travel within the { Church Location } Metropolitan area will be handled the same for staff as it is for volunteers. Specifically, staff may be reimbursed for the cost of seminars/events, parking and tolls, but not for other transportation costs (e.g. mileage, gas, etc.) or food. Most travel within the area does not require an overnight stay or multiple day participation. However, if an overnight stay is required, the cost of lodging will be covered. Multiple day seminars will be handled on a case basis. As such, the only items that are normally authorized to be put on the church charge card are conference/seminar fees, parking fees,

and tolls. In summary, staff travel within the {Church Location} Metropolitan area is infrequent and will be handled consistent with our volunteers.

- Travel outside the {Church Location} Metropolitan area will be approved prior to making non-refundable reservations (at least one month prior to desired travel to ensure lowest possible fares are obtained). Travel approval is obtained using the {Church Name} Vacation/Travel Request Form (copy attached to this FAQ).
- Use of a privately owned vehicle (POV) outside the {Church Location} Metropolitan area will be reimbursed as follows:
  - Actual cost of gasoline will be covered (Prior to leaving home, fill your tank with your own money. All subsequent fills should be charged to the church credit card, including a final fill of your tank immediately upon return to the {Church Location} Metropolitan area. This process ensures the church pays for all gas associated with your trip).
  - A \$15 per day allowance for wear and tear. This allowance applies to days where significant miles are being placed on your car and not days where the car is idle or being used only for routine transportation.
  - Actual costs of tolls and parking. When possible, put these costs on the church charge card.
- When traveling outside the {Church Location} Metropolitan area, staff will receive per diem at a rate of \$20 per day to cover food and miscellaneous expenses. For partial days (day of departure and day of return), per diem is \$15 per day since at least one meal can be eaten from home (or taken from home). **Food should not be put on the church charge card since is covered by per-diem and will not be reimbursed separately.**
- To the maximum extent possible, travel expenses (other than food which are covered by per-diem) are to be put on the church charge card to facilitate reimbursement.
- When traveling outside the {Church Location} Metropolitan area, staff should make reasonable attempts to stay with friends or family rather than in a hotel. Small gifts of appreciation may be given to the host family (e.g. buy the family a dinner during your stay).
- Expenses while on travel should be minimized. Staff should treat the Church's financial provisions more conservatively than their own (i.e. stay with family or friends rather than in a hotel, cheapest hotels and airfare, early-bird registration for conferences, etc.)
- With the exception of the daily wear-and-tear allowance on a POV and the daily per-diem allowance, staff are required to keep all receipts. At the completion of travel, a travel reimbursement form should be submitted as soon as possible (copy of the form is attached to this FAQ).
- Expenses that are not consistent with the approved church travel policy will not be reimbursed.

**{Church Name}**  
**Travel/Vacation Request Form**

This request form provides a simple process to be followed by {Church Name} employees to obtain agreement with vacation and travel.

1. Fill out this form prior to committing to vacation or travel plans. Complete the following:

a. Person requesting travel/vacation:

b. Date of request:

c. Number of days requested:

d. Dates requested to be away:

e. Type of days requested (circle one): VACATION or TRAVEL

f. Total number of vacation days taken year-to-date prior to this request:

g. Brief description of the travel plans:

h. Are there any scheduled {Church Name} events during the requested dates where your services

are needed/expected (e.g. Fall Fun Fest, preaching, etc.)? YES or NO

2. Submit this completed form to the Senior Minister or Executive Minister at least 1 month prior to the requested dates (earlier if possible).

**{Church Name}**  
**Travel Reimbursement Form**

Fill out, complete, and submit this form as soon as possible after returning from travel (within 1 week). This form calculates per diem and POV allowance. All other expenses (e.g. rental car, gasoline, and hotel) should be placed on the church charge card (food is included in your per diem and should not be put on the church charge card). On the back of this form, provide a list of all these additional charges that were placed on the church charge card.

<b>Purpose and Location of Trip:</b>	<b>Person requesting reimbursement:</b>	
<b>Method of Transportation and Lodging (Circle applicable choices):</b>		
POV      Rental Car      Airplane                      Stay with Friend      Stay in Hotel		
<b>Date of Departure:</b>		
<b>Date of Return:</b>		
<b>Number of Days Away</b> (Counting Departure and Return Days):		
<b>Description</b>	<b>Input</b>	<b>Calculation of Reimbursement</b>
<b>PER DIEM</b>		
Calculate Per Diem (\$15 for day of departure, \$15 for day of return, \$20 for all other days, single day trip out of {Church Location} area is \$15).	____ days at \$15 ____ days at \$20	\$
<b>POV ALLOWANCE</b>		
Calculate POV Allowance (applies to days outside the {Church Location} area when greater than 100 miles are placed on your POV in a single day)	____ days at \$15	\$
Gas – All gas should be placed on the church credit card. As a result, there should be no reimbursement for gas.		NA
Tolls and parking	\$            tolls \$            parking	\$
<b>TOTAL REIMBURSEMENT</b>		
Add the above costs to determine total reimbursement	TOTAL	\$

# { Church Name }

## Transportation Reimbursement Plan

The following resolution was duly adopted by the board (Leadership Team) of { Church Name } at a regularly scheduled meeting held on September 8, 2001, a quorum being present.

Whereas, the tax code allows organizations to maintain a transportation reimbursement plan whereby individuals are reimbursed for transportation costs incurred in fulfilling job responsibilities; and

Whereas, the tax code requires organizations to adopt a written “plan” that defines the organizations rules, policies and intentions regarding transportation reimbursements; and

Whereas, { Church Name } employees may incur reimbursable transportation expenses on behalf of the church; and

Whereas, the Leadership Team of { Church Name } desires to allow employees to voluntarily designate a portion of the compensation packages as non-taxable, reimbursable transportation expenses; and

Whereas, { Church Name } desires to document in writing what it’s practices, policies, and intentions regarding reimbursable transportation costs;

Resolved, that { Church Name } establishes the following plan for reimbursing employees for transportation expenses:

- Expenses must be designated in writing by the staff member (submitted by letter to the Leadership Team for approval)
- Expenses must be designated in writing (including changes to the allowance) prior to expenditures occurring
- Mileage for use of personal vehicles for business use will be reimbursed at the applicable IRS standard mileage rate
- Mileage will be documented on a transportation log book or journal which includes (at a minimum) the date of the trip, the mileage, and the purpose of the trip. Sufficient detail should be provided to substantiate that the trip is for legitimate business purposes.
- Mileage will be submitted for reimbursement at least monthly and no greater than every 60 days. Mileage X IRS standard rate should be submitted on a reimbursement form along with a copy of your transportation journal/log book

- Normal commuting (trips from home to the office or normal place of work) are not reimbursable. Only business trips to/from other places are reimbursable. Multiple trips to/from home are not reimbursable regardless of the purpose. Trips to/from other places for the purpose of office business are generally reimbursable.
- Reimbursements will normally be disbursed within 2 weeks of receipt of a properly completed reimbursement form.



## {Church Name}

# Written Accountable Reimbursement Plan

The following resolution was duly adopted by the board (Leadership Team) of {Church Name} at a regularly scheduled meeting held on September 8, 2001, a quorum being present.

Whereas, the tax code allows organizations to maintain an accountable reimbursement plan whereby individuals are not taxed on accountable reimbursement expenses; and

Whereas, the tax code requires organizations to adopt a written “plan” that defines the organizations rules, policies and intentions regarding accountable reimbursements; and

Whereas, {Church Name} employees are expected to incur reimbursable expenses on behalf of the church; and

Whereas, the Leadership Team of {Church Name} desires to reimburse employees for budgeted expenses incurred on behalf of the church and does not desire to penalize employees with extra unnecessary tax burden; and

Whereas, {Church Name} desires to document in writing what it’s practices, policies, and intentions regarding accountable reimbursements;

Resolved, that {Church Name} establishes the following plan for reimbursing employees for budgeted expenses:

- Expenses must be budgeted in the church’s approved annual budget
- Expenses must be strictly for the church’s benefit and not for personal use or gain
- Real property (any tangible item such as a music CD) must be returned to the church if and when an employee leaves {Church Name}
- Expenses must be reasonable and consistent with what a frugal shopper would pay for an equivalent quality item (e.g. a copy of Norton Antivirus that costs \$19 at BJ’s will not be reimbursed at Sears higher price of \$39)
- Expenses must be “accounted” for. Specifically, each expense should be documented on a {Church Name} Reimbursement Form (Copy attached) along with associated receipts. If the receipt is lost or the item comes without a receipt (e.g. prepaid phone minutes paid over the phone), the employee shall make a replacement receipt that includes a description of the item, the cost, and the date purchased. The replacement receipt shall be signed and annotated “original receipt lost.” Reimbursement forms will be completed in their entirety (e.g. descriptions, budget category, cost, etc) prior to submission. Reimbursement forms shall normally be submitted within 2 weeks of the expenditure.

- Reimbursements will normally be disbursed within 2 weeks of receipt of a properly completed reimbursement form.
- To the maximum extent possible, expenses shall be placed on the church charge card to avoid the administration associated with preparing and mailing checks.

Charges made to the church charge card must adhere to the requirements of the accountable reimbursement plan. After receipt of a charge card bill, each staff member shall complete and submit a reimbursement form for all charges. The form shall be completed within one week of receiving the charge bill.

## {Church Name} Expense Reimbursement Form

Person requesting reimbursement: \_\_\_\_\_

Category	Description of item(s) or service(s)	Qty.	Total cost for item	Authorizing initials	Receipt attached
1.	_____		\$		
2.	_____		\$		
3.	_____		\$		
4.	_____		\$		
5.	_____		\$		
6.	_____		\$		
7.	_____		\$		
8.	_____		\$		
9.	_____		\$		
10.	_____		\$		
11.	_____		\$		
_____			\$		
Requester's signature			Total Request	Date of request	

Please ensure the following are included:

1. Attach receipt for each line item.
2. Fill in the budget category for every line item.
3. A minister's initials to authorize each item.

<b>For Official Use Only:</b> Check Number: Date: Amount:	
--	--

# Last Page of FAQs

(Intentionally Blank)

Last Page of FAQs