

Diocese of Covington

Policies & Procedures Manual

Section: Expenses

Policy: Reimbursement of Business-Related Expenses



Introduction

The Internal Revenue Service allows business and professional taxpayers to be reimbursed for ordinary and necessary expenses related to their business or profession without payment of income or social security taxes on the reimbursed amount. Ordinary and necessary expenses of clergy in the conduct of their ministry fall into this category. To be reimbursed in this manner, the taxpayer, in this case the priest, keeps a running log of his out-of-pocket business expenses and business mileage. At the end of each month, the priest submits a report of expenses for the month to the parish or other employer, which, in turn, issues a reimbursement check to him in that amount. The reimbursed amount is not subject to taxation. This is known as an “accountable reimbursement plan.”

On the contrary, if a priest is given a fixed amount by the parish to cover his business expenses, without the recording keeping, reporting and balancing components, that amount becomes taxable income. It must then be added to his income and in most cases approximately one-third of the amount will go to the payment of taxes.

Parishes, Schools and Institutions to Adopt “Accountable Reimbursement Plans”

In light of the above, all parishes, schools and institutions of the Diocese of Covington are to adopt an “accountable reimbursement plan” to reimburse priests for professional and business expenses they may incur and are paid personally by them beginning January 1, 1998. That plan will include the following:

1. Professional and business expenses are to be reimbursed monthly, based on documentation submitted by the priest using the attached expense reimbursement forms.
2. Professional and business expenses represent those ordinary and necessary expenses required of the priest in the performance of his ministry. (See below for allowable expenses)
3. All expenses are to be documented, i.e., receipts attached to the monthly expense reimbursement form for cash outlays and record of mileage for mileage reimbursement. (See attached for Cash Outlay and Mileage Reimbursement Forms)
4. The Cash Outlay Reimbursement Form is to be used to document reimbursement of continuing education expenses. The form must indicate the date the expense was incurred, where it was incurred (e.g., name of store), the business purpose (e.g., continuing education), the type of expense (e.g., book) and the dollar amount.
5. Clerical attire expenses are limited to \$1,500.00. This amount is to be adjusted annually, based on the rise or fall in the cost of living index. (Promulgated September 20, 2012)
6. Continuing education expenses are limited to \$800 per year.
7. Mileage reimbursement for business use of automobile is to be at the applicable Federal reimbursement rate. Effective January 1, 2017, the mileage reimbursement rate is 53½¢ per mile. Typically that rate is updated every calendar year by the IRS. Please obtain an update at www.irs.gov and search for “standard mileage rates” or call the Finance Office 859-392-1550.

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8. There is no maximum limit for mileage reimbursement.
9. The Mileage Reimbursement Form must indicate the date of travel, the beginning and ending location, the purpose of the travel and the miles driven. Note: Commuting miles from one's residence to the place of employment and other personal travel are not reimbursable as business expense.

Allowable Reimbursable Expenses

As of January 1, 1998, the following are the allowable business expenses that are reimbursable to priests of the Diocese of Covington.

- Mileage for use of personal automobile for business purposes, i.e., travel to hospitals, weddings, funerals, supply work, sick visits, meetings, conferences, post office, pick up supplies. Note: Mileage commuting from one's residence to the place of employment and other personal travel is not considered a reimbursable business expense.
- Continuing education expenses include books and subscriptions for that purpose, seminars, conferences, retreats and the travel and lodging expenses related to these programs.
- Clerical attire expenses include albs, cassocks, chasubles, copes, clerical shirts, surplices, rabats, clerical vests, black coats, black trousers. These become the personal property of the priest acquiring them. (Promulgated September 20, 2012)

Approved by Bishop Muench
Effective January 1, 1998

Amended by Bishop Foys
Effective September 29, 2011

Revised October 3, 2012

