Accountable vs Non-Accountable Expense Reimbursement Plans

(There are only two ways to reimburse your employees/pastor for expenses)

ACCOUNTABLE PLANS
A plan under which an employee is reimbursed for expenses or receives an allowance to cover expenses is an accountable plan only if the following conditions are satisfied:

1. there must be a business condition for the expenses; the expense must be in connection with performance of services as an employee the reimbursement must be for an expense the employee could deduct on his/her tax return

2. the employee must either substantiate or be deemed to have substantiated the expenses; Generally, substantiation consists of receipts and/or cancelled checks and invoices that show the nature and amount of the expenditure Expenses deemed to have been substantiated are such things as using the mileage allowance rate (54.5 cents per mile for 2018) rather than actual expenses for operating a vehicle or use of a per diem rate for overnight travel rather than requiring receipts for meals

3. the employee must return to the employer amounts more than the substantiated (or deemed substantiated) expenses within a reasonable time.

Amounts paid under accountable plans are not income to the employee and are not shown on Form W-2.

Remember that all the requirements must be met in order for it to be an accountable plan!

NON-ACCOUNTABLE PLANS
A non-accountable plan is a reimbursement plan or policy which does not meet all the requirements for an accountable plan. Amounts paid under a non-accountable plan are income to the employee and must be included in wages with appropriate tax withholdings. An employer can have an accountable plan for some items, and a non-accountable plan for others.

If you have any suggestions or questions for an upcoming article, please contact Tammie Wisniewski at tammie@psec.org or call the conference office at 484-949-8774 x304.