

## **Travel Expenses**

OWL Risk Management Consulting, LLC

A minister's travel expenses can be a deductible expense for income tax purposes for both self-employed ministers and ministers who are employees of churches. However, the deductions are treated differently, depending on their employment status.

### **Qualifying expenses**

Ministers' travel expenses are deductible as business expenses if they are ordinary and necessary expenses and are incurred while traveling away from the ministers' homes for ministry-related reasons only.

The IRS generally expects that all travel expenses be justified by accompanying receipts and an accounting record of all expenses, stating date of expense, amount, purpose, and to whom paid.

Expenses that are for personal or vacation purposes or that are lavish, unjustified, or extravagant cannot be included as business expense.

All planned domestic travel expenses (such as annual conferences, conventions, seminars, and so on) should be noted as anticipated travel expenses in the board minutes of the first official board meeting of the year.

All other domestic travel expenses (those that are not planned annual events) for ministers should be authorized in the official board meeting minutes before ministers leave for travel, if at all possible.

Travel incurred outside of the United States may be subject to a special business expense allocation investigation by the IRS. Therefore all travel outside of the United States needs to be approved by the church board, and such approval placed in the official minutes of the church.

Along with the approval, the board minutes must also declare what expenses will be covered for travel outside of the United States, the approximate total amount of the expenses to be incurred, the purpose of the travel, and whether any time will be counted as personal or vacation time.

If any time is to be counted as personal or vacation time, that percentage will be deducted from the total incurred expenses and must be claimed as taxable income.

### **Reimbursed expenses**

All travel expense reimbursements for church and/or ministry purposes are tax exempt, (if there is a receipt to confirm the expense being reimbursed and doesn't have to be claimed as income). This applies to both ministers and spouses (if spouses accompany ministers on their travels).

Reimbursements of travel expenses without a receipt or confirmation of the expenses can be deducted on IRS Form 1040 Schedule A, Miscellaneous Deductions. However, the deduction is subject to 2 percent of the adjusted gross income and 50 percent meals and entertainment limits.

If travel expenses are paid by expense accounts provided by the church, all funds provided above the actual cost of the travel expenses (must have a corroborating receipt) must be claimed as income for ministers.

### **Nonreimbursed expenses**

All nonreimbursed travel expenses can be claimed on IRS Form 2106 for ministers who are employees or IRS Form 1040 Schedule C for self-employed ministers, subject to the 50 percent meals and entertainment limits, and then recorded as a deduction on IRS Form 1040 Schedule A, Miscellaneous deductions.

### **In Summary**

Although ministers are allowed to claim income tax deductions for travel expenses, the travel must have been church and/or ministry related, and ministers must be able to confirm the expenses with receipts and expense accounting.