Funds for Pastor's Discretionary Use

If there are to be discretionary funds for the use of the pastor, it is extremely important that the account be properly set up by the church board AND that the church board exercise administrative oversight over the expenditures from the fund. Otherwise it is possible that:

- Donations to the fund would not be tax-deductible
- The full value of the fund could become taxable income to the pastor

I recommend that the Church Board immediately implement the following guidelines from the 2019 Church & Clergy Tax Guide by Richard Hammar. In the Church Board Minutes, document wording that shows that the Church Board is:

A) Giving the pastor discretion to distribute the fund only for specified purposes—such as relief of the needy—that are consistent with the congregation's exempt purposes

B) Prohibiting the pastor (in writing) from distributing any portion of the fund for himself or herself or any family member

C) Retaining administrative control over the fund to ensure that all distributions further the church's exempt purposes

NOTE: Church Board "control" is established if the board documents a periodic review—quarterly/annually— of all distributions from this account to ensure consistency with the congregation's exempt purposes.

For more tutorials on IRS AND LABOR DEPT RELATED POLICIES, see section 6500 on the gccsda.org auditor webpage.

This information has been brought to you by the Georgia-Cumberland Conference Audit Team
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