TRAVEL REIMBURSEMENTS FOR USA-MOBILIZED STAFF

This policy addresses three types of travel expenses in an attempt to clarify what expenses will be reimbursed by EMI for USA-mobilized staff:

1. **Nontaxable, Reimbursable Expenses** that meet the business-related requirement of the IRS and therefore have no income tax effect for the recipient being reimbursed (requires supporting documentation and explanation of business purpose for expenditure);

2. **Taxable, Reimbursable Expenses** that are considered taxable income to the recipient per IRS guidelines (requires supporting documentation and explanation of business purpose for each expenditure); and,

3. **Non-reimbursable expenses that should be considered in setting salary and/or annual bonus** or other special-situation type bonus (see EMI Bonus Policy for USA-mobilized staff; does not require supporting documentation but does require approvals prior to inclusion in payroll).

In the Personnel section of the EMI World Policy (May 22, 2017), certain travel is allowed as reimbursable by EMI. However, not all travel reimbursements are considered nontaxable to the USA-mobilized staff receiving reimbursement. IRS Publication 463 Travel, Entertainment, Gift, and Car Expenses addresses many of the nuances of what can be reimbursed without tax consequences for the recipient.

1. **Nontaxable, Reimbursable Expenses**

Expenses within this category must first have a business-related (“bona fide ministry”) purpose and are generally only those incurred for the staff person.

Certain expenses for the staff person’s spouse may be a nontaxable reimbursement, if the spouse is included on the EMI Letter of Agreement as an EMI-ministry partner and the bona fide ministry purpose of the spouse’s expenses is justified in writing. Some examples of acceptable justification for a spouse’s ministry-related expenses include actively participating in support-raising travel and events, handling logistics or medical needs of participants on a project trip, or providing mentoring or discipleship for staff, volunteers, or interns. The spouse’s expenses for personal or spiritual growth, for simply understanding the ministry of EMI, or for supporting and encouraging the staff spouse on EMI ministry assignments are not reimbursable as a nontaxable benefit.

In general, no expenses for other family members (children) will be considered a nontaxable, reimbursable expense and should be covered either by the staff’s monthly salary or annual bonus.

The following are examples of nontaxable, reimbursable expenses. These must be accompanied by supporting documentation per EMI USA policy.

- Project trip expenditures –
  - travel to/from the project site
o vaccinations required to enter the country or those recommended by the USA Centers for Disease Control for the destination country
o volunteer background checks
o visas
o necessary supplies and postage to complete the project
o meals during the project trip, and
o closing activities for the leader(s) and volunteers.

o If a family member participates in the project, that person must either be a design professional or otherwise contribute to the mission of EMI and the ministry-related purpose of the project. Justification must be in writing.

• Support-raising expenditures to the extent that they are not related to visiting family and friends for rest and relaxation –
  o travel and hosting meals specifically for the purpose of support-raising such as visiting supporting donors or potential donors. A good-faith effort should be made to ascertain the portion of the trip costs (including rental vehicle costs, mileage, airfare, meals, lodging) that reflect support-raising, excluding the costs for children accompanying the staff but including LOA-named spouse participating in the support-raising activities
  o supplies and postage for correspondence with donors
  o certain appreciation gifts for donors that meet IRS requirements and fall within the IRS “token gift” exception for quid pro quo donations

• Required onboarding and offboarding expenditures (orientation, background check, cultural and language training, debriefing)

• Travel required for Visa extensions while in-country for the staff, spouse, and children (note: this is the only nontaxable, travel reimbursement for children)

• EMI Conference costs for the staff person and the spouse signing the LOA or participating in the program, with justification of the business/mission-related role of the spouse

• Ordinary and necessary business expenses –
  o office supplies and equipment
  o required licenses or permits for the staff person to do his/her job and related professional development to improve or maintain professional skills
  o business meals with client ministries or supervised/mentored staff and co-workers
  o transportation to and from business/ministry meetings (either a rental car plus actual expenses or mileage at the current IRS determined business rate; a different mileage rate may be more appropriate for non-USA travel by personal vehicle but it should not exceed the IRS standard rate.)
  o ongoing language training for those required to communicate in a language other than their native language in their office of assignment

**Temporary Assignment**
A temporary assignment, as defined in IRS Publication 463, is in a single location and “is one that is realistically expected to last (and does in fact last) for 1 year or less.” With a temporary assignment, the
staff person’s tax home does not change and certain expenses are deductible and therefore can be a non-taxable reimbursement from EMI.

If, however, circumstances change and the temporary assignment is expected to last more than 1 year, then it becomes an indefinite assignment and those reimbursed expenses become a taxable benefit. One common practice with EMI is that paid home assignment leave is often taken prior to the staff’s separation date, which, according to the IRS, negates the non-taxability of the home assignment travel reimbursement since the period is now greater than 1 year. The travel back to your home then becomes a taxable reimbursement of a moving expense. Or, a sabbatical and a home assignment taken together last longer than 1 year or family circumstances change (e.g., a new baby!) and the return to the USA is delayed past the one year threshold, the expenses related to a temporary assignment become taxable income.

EMI considers the following travel away from the office of assignment (which, in practicality, is your “tax home”) as examples of temporary assignments if the assignment lasts less than 1 year, either singly or in total during a 12-month period:

- cultural or language training outside the assignment country
- home assignments
- temporary assignments to partner offices
- project trips
- office site visits for the purpose of providing additional training, support of staff, review of policies and procedures, etc.

**NOTE:** In order for the travel costs to be nontaxable, there must be a business purpose for the travel (e.g., support-raising or EMI representative duties during home assignment, assisting with design services, improving leadership or professional skills) and the travel cannot be for the sole purpose of rest and relaxation. Travel expenses are not reimbursable at all for a spouse not included on the EMI Letter of Assignment (LOA) who does not provide a bona fide EMI-ministry service and for children. These non-reimbursable expenses, therefore, should be considered in determining monthly salary or the annual or start up bonus.

Deductible travel expenses for a temporary assignment that would be considered as a nontaxable reimbursement may include the following (IRS Pub 463, Table 1-1):

<table>
<thead>
<tr>
<th>IF you have expenses for...</th>
<th>THEN you can deduct the cost of...</th>
</tr>
</thead>
<tbody>
<tr>
<td>transportation</td>
<td>travel by airplane, train, bus, or car between your home and your business destination. If you were provided with a free ticket or you are riding free as a result of a frequent traveler or similar program, your cost is zero. If you travel by ship, see Luxury Water Travel and Cruise Ships, under Conventions, earlier, for additional rules and limits.</td>
</tr>
<tr>
<td>taxi, commuter bus, and airport limousine</td>
<td>fares for these and other types of transportation that take you between: The airport or station and your hotel; and The hotel and the work location of your customers or clients, your business meeting place, or your temporary work location.</td>
</tr>
</tbody>
</table>
### Travel Reimbursements for USA

**baggage and shipping**

Sending baggage and sample or display material between your regular and temporary work locations.

**car**

Operating and maintaining your car when traveling away from home on business. You can deduct actual expenses or the standard mileage rate, as well as business-related tolls and parking. If you rent a car while away from home on business, you can deduct only the business-use portion of the expenses.

**lodging and meals**

Your lodging and meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverages, taxes, and related tips. See Meals, later, for additional rules and limits.

**cleaning**

Dry cleaning and laundry.

**telephone**

Business calls while on your business trip. This includes business communication by fax machine or other communication devices.

**tips**

Tips you pay for any expenses in this chart.

**other**

Other similar ordinary and necessary expenses related to your business travel. These expenses might include transportation to or from a business meal, public stenographer's fees, computer rental fees, and operating and maintaining a house trailer.

Although the World Policy allows for an *Expatriate Annual Travel Reimbursement* for the primary purpose of rest and relaxation, in general such expenses will not be reimbursable unless they are tied to support-raising or one of the above listed temporary assignment examples. If there is a business purpose for this travel (e.g., visa run to extend visa in host country of assignment office, support-raising), the reimbursement could be considered nontaxable to the staff. However, the circumstances and justification of the business purpose must be in writing and approved by the office director.

In the World Policy under the heading *Personnel-Home Assignment (HA) Leave-HA Process and Procedure*, there is a listing of “Reimbursable expenses during Home Assignment”. When considering this list, be aware that certain expenses related to spouse or children may not be reimbursable and if the home assignment is taken immediately preceding termination of employment with EMI or extends beyond 1 year, even in conjunction with other temporary assignments, the reimbursement becomes taxable to the staff.

#### 2. Taxable, Reimbursable Expenses

Certain expenses are reimbursable by EMI Policy but the IRS considers them to be a taxable benefit to the staff person. These reimbursable expenses include mobilization costs and dependent education costs (homeschool curriculum, tuition and fees but not room and board costs) for families outside the USA without adequate public education access. Reimbursable expenses require supporting documentation and explanation to be approved for reimbursement.
Moving To and From the Office Assignment Location (Mobilization)

Although an allowable business expense for the employer (EMI) and therefore reimbursable to the staff, beginning in 2018 under the Tax Cuts and Jobs Act of 2017, staff (and family member) moving expenses are a taxable benefit when reimbursed to the staff or paid on their behalf. This includes moving household goods and other travel expenses related to the move to or from the office assignment location. In general, EMI handles this in the same way as a bonus to the staff person from the staff support account in order to cover these costs and the related taxes. Note that when a home assignment, which is normally a temporary assignment, is at the end of the employment assignment (see paragraph 2 under Temporary Assignment), the travel related to that home assignment can become a taxable benefit when reimbursed (see below).

EMI will reimburse the following moving expenses as a taxable benefit (see IRS Pub 521 as a guide), which requires supporting documentation according to procedures for any business expense reimbursement. However, these expenses could also be included in the staff person’s “startup bonus” calculation (a lump sum) and would NOT require submitting receipts or other detailed documentation. Moving expenses for non-staff family members (children) are allowable and reimbursable as a taxable benefit.

- Moving household goods and personal effects (including in-transit or foreign-move storage expenses)
  - Packing, crating and transporting
  - Shipping your vehicle
  - Storage while at the new job location if moving outside the USA
  - Moving personal effects to and from storage

- Traveling (including lodging but not meals) to your new home
  - Airfare, excess baggage fees
  - Vehicle mileage to/from airport or new job location at the current IRS standard mileage rate (using medical rate = $0.20 per mile in 2019), plus parking fees and tolls
  - Lodging enroute from former home to new home, not including side trips

These expenses must be reasonable (shortest, most direct route available by conventional transportation). Allowable expenses for yourself as a staff of EMI and members of your household (spouse, children) traveling with you are reimbursable as a taxable benefit (subject to income and payroll taxes).

3. **Non-reimbursable Expenses That Should Be Considered in Setting Salary and/or Annual Bonus**

- Expenses that you may incur in onboarding and launching to a foreign assignment that are NOT reimbursable but should be considered in making your startup budget include:
  - Vaccinations for yourself and household members
  - Passport fees (either new or renewal) and related travel or fees to obtain passport
  - Visas for non-staff household members (usually just the child since the spouse is included on the Letter of Assignment)
  - Purchases of furniture, household goods, and vehicle
  - Prepayment of rent
- Purchase of vehicle

- Expenditures for children including –
  - Visa extensions, student passes or country-specific immigration documents
  - Birth registration for infant
  - Passport, either new or renewal
  - Room and board for education purposes
  - Transportation to/from boarding school or college

- Medical insurance premiums and medical costs

- Annual travel per EMI World Policy, Personnel-Expatriate Annual Travel Reimbursement – If the primary purpose is rest and relaxation, then expenses are entirely unallowable as a reimbursement for USA-mobilized staff. If it is part of a required “visa run” or support-raising/home assignment or has some other business related purpose, then a portion of the expenses may be allowable for reimbursement but they may also be taxable.

- Global Entry or TSA Pre-check and related expenses for household members who do not travel regularly for EMI ministry

- Entertainment, amusement, or recreation expenses (IRS Notice 2018-76), except to the extent they are associated with closing activities of a project or staff team-building