

There is nothing "illegal" about paying spousal expenses on a church-related trip. The only issue is whether it is a taxable benefit or tax-free benefit of the pastor. For the minister it is a business trip, a church expense carried out as part of his church responsibilities, so the church either pays the bills directly (including via a church credit card) or reimburses him after the fact for the expenses he paid for if the church has an accountable reimbursement policy. It is not income to him and never shows up on his W-2.

If the spouse goes as an official delegate of the church, attends all the meetings and fulfills all the other responsibilities expected of any delegate, then the church's payment of the spouse's expenses (or reimbursement) would also be tax-free, just as they would be if she were a delegate not married to the pastor with the church paying the bills, and thus the whole thing is a non-issue, compensation-wise.

If she has little or no involvement in the conference, but accompanies the pastor for their own personal enjoyment, then this would be considered a taxable benefit. If the church pays the expenses directly (buys the travel tickets, pays the hotel room charge, etc.) then her portion of the expenditure should show up on his W-2 at the end of the year as part of his taxable compensation. Some accountants might do the same thing differently by having the church issue her a 1099-MISC. If he pays the expenses directly and then turns in a reimbursement for both of their expenses after the fact, then he would have to report her share of the reimbursed expenses on his tax return as additional income.

Not every expense would be split. Presumably the hotel room charge would be the same whether she were with him or not. So that all goes to his non-taxable benefit. Their meal costs could either be split 50/50 or her exact amount could be tracked and reported. Any expenses incurred solely by her (spa treatments, beauty shop, tennis courts, city tours, etc.) would be fully attributed to her, and reported accordingly. The cost of her plane ticket would be attributable to her. Taxi fare and car rental, gasoline, wouldn't, because the charge typically is the same for one person or two. And so on.

If they take additional vacation days in conjunction with the trip, the church-paid costs incurred by both of them for those extra days should either show up on his W-2 or be reported on their tax return as other income. This would consist of the additional housing, meals, car rental and other costs, but not the plane fare to and from, because this wouldn't change as a consequence of the extra days.

Assuming that she is not a delegate, and the church is willing to pay her expenses, they are still getting a good deal. They are getting a dollar's worth of value for only the tax on that dollar as part of their regular income.

That's my answer. This is true for any company-paid travel benefit when we take our spouses and they are not primarily engaged in the same business that we are.

This is from the latest edition of the Minister's Tax & Financial Guide by Dan Busby:

"If your spouse or children accompany you on your business trip, their expenses are non-reimbursible and nondeductible unless they qualify for employee treatment and:

1. The travel of the spouse or dependent is for a bona fide business purpose and
2. The employee substantiates the time, place, amount, and business purpose of the travel under an accountable business expense reimbursement plan.

The issue is not one of illegality; but whether or not the expenses are to be included as income on the W-2. There are several criteria the IRS has set out.