

# Clergy Tax Webinar

## Clergy Tax Reporting 2021



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# Clergy Tax Webinar

- Clergy Income Reporting
  - W2 or 1099
- Clergy W2s
- Employee Classification
  - Employee or Contractor?
  - Exempt or Nonexempt?

*Please note that this webinar provides general information only and should not be construed as tax advice. Consult your CPA or tax attorney for tax advice.*



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## Clergy Income Reporting

- W2 or 1099?
  - W2 for clergy appointed to your church
  - Dual-status taxpayers
    - Employees for income tax purpose
    - Self-employed for Social Security and Medicare purposes

How to complete a clergy W2:

- Box B – Employer Identification Number
  - Each church should have its own
- Boxes C, D, E, F – Name and Address Information



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## Clergy Income Reporting – W2

- Box 1 – Compensation – includes:
  - Salary
  - Gifts
  - Allowances (other than housing)
    - Health insurance allowance not through group plan
  - Per diem or mileage in excess of IRS rates
  - Taxable Fringe Benefits
  - All moving expense reimbursements



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## Clergy Income Reporting – W2

- Box 1 – Compensation – does not include:
  - Pension withholdings
  - Housing and utilities allowances
  - Health premiums through group plans
  - Accountable reimbursement plan payments
  - MRA or DCA
  - Excludable fringe benefits



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## Clergy Income Reporting – W2

- Box 2 – Tax Withholdings
  - Any voluntary withholdings for clergy
- Boxes 3, 4, 5, 6 – Blank for clergy
  - Because clergy are considered self-employed for social security purposes
- Boxes 7, 8, 9 – Not applicable



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## Clergy Income Reporting – W2

- Box 10 – Dependent Care Benefits Paid
- Box 11 - Not Applicable for Most Clergy
  - Applies to non-qualified pension plans
- Box 12 – Clergy Contributions – most used:
  - C – Life insurance benefits > \$50,000
  - E – 403(b) employee salary reduction contributions



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## Clergy Income Reporting – W2

- Box 13 – Check if on retirement plan
- Box 14 May report housing and utilities allowances here
  - If do not list, must tell clergy separately
- Boxes 16-20 – State and local wages and tax withholdings



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## Clergy Income Reporting – W2

- [Example information and W2](#) in Training Materials
- W2 and 1099 Preparation Services
  - Your local CPA
  - Online services such as [efilemyforms.com](http://efilemyforms.com)
  - Your payroll service provider



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## Clergy Income Reporting - 941

- If any employees or withholdings, complete a Form 941 as required
  - IRS Form 941 – Employer's Quarterly Federal Tax Return
- Form 941 Exception
  - If one minister and no other staff, 941 not required



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## Clergy Income Reporting

- Other Reporting
  - State Reporting
  - Withholding Forms (W-4, NC-4)
  - I-9 Compliance
  - State Reporting of New Hires for Child Support Enforcement:
    - [www.ncnewhires.com](http://www.ncnewhires.com)



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## Employment Status?

- [IRS Publication 1779](#)
- Employee vs. Independent Contractor
  - Behavioral Control
  - Financial Control
  - Relationship
- Employee? Withhold tax and W-2
- Ind. Contractor? No withholding and 1099



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## Employment Status?

- For employees, now determine exempt or non-exempt status
- New Overtime regulations eff. Jan. 1, 2020
  - Salary Test Increased to \$684/week (\$35,568/year)
  - Job Duties Test Unchanged
  - Enterprise and Individual Exemptions



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## Employment Status?

- What should churches do now?
  - Remember that clergy are not covered by this
  - Think about other positions
    - How are current employees classified?
    - Would anyone be due overtime pay?
    - Is overtime pay included in the budget?
    - Are job descriptions clear for what is expected?
- [Employee Exemption Questionnaire](#)



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## Resources

- Treasurer's Office Resources
  - [Training Materials](http://nccumc.org/treasurer) – nccumc.org/treasurer
- [GCFA Tax Packet](http://www.gcfa.org) – www.gcfa.org
- [IRS Website](http://www.irs.gov) – www.irs.gov



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## Thank you!



Questions?

For more information, contact me at [christine@nccumc.org](mailto:christine@nccumc.org) or our Treasurer's Office staff at [nccumc.org/treasurer/contact-us/](http://nccumc.org/treasurer/contact-us/)



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