Clergy Tax Webinar

Clergy Tax Reporting
2021

• 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.
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

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
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

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
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

- 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
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
  - Your payroll service provider

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
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

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
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

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
Resources

• Treasurer’s Office Resources
  • Training Materials – nccumc.org/treasurer

• GCFA Tax Packet – www.gcfa.org

• IRS Website – www.irs.gov

Thank you!

Questions?

For more information, contact me at christine@nccumc.org or our Treasurer’s Office staff at nccumc.org/treasurer/contact-us/