



Church Treasurer's Manual



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The Church Treasurer's Manual

2026 Edition

Understanding the Role of the Church Treasurer

- Definition
- Church Official
- Unique Relationship with Pastor and Other Church Staff
- Record-Keeper
- Finance Committee

Understanding the Pastor's Tax Status

- Dual Tax Status
- Social Security – Opting Out
- Self-Employment Tax (SECA)
- Social Security Tax (FICA)
- W-2 vs. 1099
- Completing Form W-2

Income

- Reportable Income
- Non-Reportable Income

Housing Allowance

- Tax Advantages
- Parsonage
- Housing Allowance
- Reporting Housing Allowance
 - Actual Exclusion Method
 - Estimated Exclusion Method
 - Non-accountable Method
- Tax Planning
- Tax Reporting

Business and Professional Expenses

- Identifying Expenses
 - Un-reimbursed Expenses
 - Non-accountable Reimbursed Expenses
 - Accountable Reimbursed Expenses
- Business Expenses
- Mileage
- Records Required
- Creating an Accountable Plan
- Payment of Expenses
- Ownership
- Tax Reporting

Fringe Benefits

- Tax-deferred Retirement Account
- Health Insurance
- Health Reimbursement Arrangements
- Social Security Reimbursement

Minister's Compensation Worksheet

Church Tax Reporting Requirements

- Employer Identification Number
- Federal Tax Exemption
- State Sales Tax Exemption
- Property Tax Exemption
- Employees vs. Independent Contractors
- Payroll Taxes
- Form 1099
- Unemployment and Workers' Compensation

Reporting on Charitable Contributions

- Written Acknowledgment
- Charitable Gift Receipt Examples
- Gifts *Under* \$250
- Saving Tithe Envelopes
- Designated Gifts
- Non-Cash Gifts
- Donated Services

Church Audits

Summary

Attachments

- A IRS Form W-4
- B IRS Form W-2
- C IRS Form 1099-MISC
- D Housing Allowance Worksheet
- E Housing Allowance Exclusion Worksheet
- F Accountable Reimbursement Yearly Estimate
- G Accountable Reimbursement Form
- H Ministers' Compensation Worksheet
- I Charitable Gift Receipt – Cash
- J Charitable Gift Receipt – Cash for goods
- K Annual Charitable Gift Receipt – Cash
- L Annual Charitable Gift Receipt – Cash for goods

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CHURCH TREASURER – THE CHURCH’S MOST IMPORTANT POSITION

2026 Edition

INTRODUCTION

Arguably, there is no position more critical to the local church’s successful business operation than the Church Treasurer. The Treasurer is in essence the Chief Financial Officer of the church. He or she tracks the income and disbursements, monitors the financial health of the church, balances the checkbook, and ultimately writes the checks. As a service to our constituency in the Church of God, the Benefits Board is providing this instructional guide as an aid to Pastors and Treasurers in understanding their vital role in the local church body.



In this manual, there will be no attempt made to cover *all* of the financial and taxation issues that may confront a church treasurer. However, basic guidance will be given so that the treasurer can fulfill his or her responsibilities and comply with the directives provided in the Church of God *Minutes*.

Neither the Board of Directors nor the staff of the Benefits Board is engaged in rendering financial advice, legal advice, or other financial planning services. If such advice is desired or required, the services of a competent professional should be sought.

UNDERSTANDING THE ROLE OF THE CHURCH TREASURER

Definition

The *Minutes of the Church of God General Assembly* clearly set out how the church treasurer is to be selected, the qualifications for a person to hold the office, and the duties and responsibilities of the treasurer after his or her selection. At S53 of the 2024 *Minutes*, the following criterion is set out for church treasurers:

I. Selection

1. *A church treasurer shall be appointed by the pastor and confirmed by the council and/or the church body.*
2. *The church treasurer or a member of the council may serve as recording secretary of the Church and Pastor’s Council.*

3. *Each local church is to provide the treasurer with a copy of the current Minutes of the International General Assembly. An adequate bookkeeping system, such as the recommended Church of God bookkeeping system, is to be used in all churches.*

II. Qualifications of Church Treasurer

To serve as church treasurer one must be

1. *A loyal member of the church, adhering to its teachings.*
2. *Baptized in the Holy Ghost.*
3. *Faithful in tithing.*
4. *A regular church attendant.*
5. *One who performs duties under the supervision of the pastor and with his approval.*
6. *One who works in harmony with the church's program and reflects a cooperative attitude with reference to the progress of the local church.*
7. *Any exceptions to the above qualifications must be approved by the state overseer.*

III. Duties and Responsibilities of Church Treasurer

The church treasurer shall

1. *Determine and maintain an accurate record of the date of the organization of the church and all other vital information pertaining to the local church organization.*
2. *Keep an accurate record of the names and addresses of all local church members.*
3. *Report monthly to the secretary general, on MAP (Moving Active Pentecostals) ministry forms, the names and addresses of all members moving from their local church to another area.*
4. *Record and maintain accurate minutes of all church conferences and business transactions (loans, property transactions, and so forth).*
5. *Maintain an accurate record of all the local church conferences and disbursements, at the church, where possible.*
6. *Prepare monthly reports and send one copy to the secretary general and one copy to the state overseer by the fifth of each month on the [reporting] forms provided by the secretary general's office.*
7. *Prepare a financial report for each quarterly conference.*
8. *Furnish an itemized list of all receipts and disbursements to the pastor each week.*
9. *Disburse money from the church treasury under the direction of the pastor. (The pastor and treasurer are to sign all authorized checks.)*



The *Minutes* basically leave nothing to chance by clearly setting out the roles of the treasurer as a church official, an official record-keeper, and a supporting staff person for the pastor. A treasurer who recognizes his or her role and who faithfully carries out that role will be a tremendous asset to the local church.

Church Official

By virtue of his or her appointment, the church treasurer automatically becomes an official of the local church – both in the eyes of the denomination and in the eyes of the law. The treasurer represents the church in an official capacity to both the church body and the community in which the church is located. Most legal documents executed on behalf of the church must be signed by the treasurer and generally other designated church officials. In conjunction with the pastor, the treasurer has the critical role of maintaining the business integrity (both in financial and legal matters) of the local church body. It is important for the treasurer to stay current on local, state, and federal laws that affect the church with regards to taxes, reporting and filing requirements, and other legal issues. The treasurer's level of commitment to the position may very well determine the success of the church.

Unique Relationship with Pastor and Other Church Staff

Generally, the church treasurer position is a volunteer/non-paid staff position. However, even though he or she is uncompensated, the role of the treasurer is vitally important to the efficient operation of the church. The treasurer works under the supervision of the pastor and functions outside the normal staff structure, but yet is vitally linked to the sound business plan of the local body. A well informed, conscientious treasurer can help protect the pastor and other staff members from the dangerous pitfalls associated with the complex legal issues that affect the clergy and church-related employees. An effective treasurer will recognize the responsibilities placed on him or her by the leadership of the church and will work within the leadership of the church structure to assure that the financial and business matters of the church are properly in order.

The treasurer should understand that he or she has been placed in a position of great authority – watching over God-given resources. While the treasurer may have personal feelings or thoughts on how those resources should be expended, he or she must recognize that they are duty bound to carry out the wishes of the majority of the church, or of the leadership. The treasurer should never use his or her position to try to thwart the wishes of the church.

Record-keeper

As outlined in the *Minutes of the International General Assembly* and as noted above, the Church Treasurer is responsible for all the record keeping of the local church. These responsibilities include tracking membership, church history, and all financial records. The larger the church and staff the more complex these tasks become. Finding a complete and accurate record-keeping system is critical and should be reexamined periodically to ensure that the system is adequate for the church's changing needs.

Many church treasurers are surprised to learn that they are supposed to be the depository of the historical and legal documents of the church. All records of the church should be in the treasurer's possession and properly catalogued or filed. Legal documents, such as property deeds, mortgages, leases, etc., should be under the jurisdiction of the treasurer. The *Minutes* suggest that where possible, these documents, as well as the other records maintained by the treasurer, should be kept at the church. Maintaining records at the church may be more difficult to secure. However, locked, fire-resistant file cabinets should be used for this purpose.

Finance Committee

The *Minutes of the International General Assembly* also require that each local church has a Finance Committee (see S55 of the 2024 *Minutes*). By virtue of the office, the church treasurer is a member of the finance committee. The church treasurer should insist on the appointment of a finance committee so that his or her burden of counting and depositing the revenue of the church is shared. The finance committee can provide a crucial supporting role to the treasurer in carrying out his or her duties and responsibilities.

UNDERSTANDING THE PASTOR'S TAX STATUS

Dual Tax Status for the Pastor and Other "Credentialed" Church Staff

When accepting appointment as the church treasurer, most people do not realize that they are assuming a job that requires them to understand some of the most complicated tax laws ever written. The "dual tax status" provision dealing with ministers is just one of those complicated laws.

Simply put, most Church of God pastors and credentialed staff members (meaning those persons who have some form of ministerial licenses or credentials, including Ministers of Music and Ministers of Christian Education) are employees of the church for federal income tax purposes. However, for Social Security/Medicare tax purposes, that same minister is

considered self-employed. The Internal Revenue Code places the pastor and other ministerial staff in this “dual tax status.” The dual tax status means that while ministers are employees for income tax purposes, they are considered self-employed with regard to Social Security tax liability.

Needless to say, this complexity in the law applies only with respect to services the minister performs in the exercise of his or her ministry. If a credential minister takes a secular position, his or her dual tax status does not come into play – he or she is treated like any other employee in the secular employment.

For ministerial income, this means that the Treasurer must report the minister’s wages as income for income tax purposes on IRS Form W-2, but would not report those same wages as income for Social Security or Medicare taxes on the Form W-2. Because of this dual tax status, the minister must pay “self-employment taxes.”

Social Security – Opting Out Provision

Some ministers have used a special provision in the law, applicable only to ministers, to opt out of the Social Security system. As background, ministers were excluded from the Social Security system until 1968. Prior to that time, ministers had to “opt-in” to the system to be included. However, in 1968 ministers were automatically included in the Social Security system but were allowed an option to “opt-out” under certain circumstances. To “opt-out” of Social Security, ministers have to meet several distinctive criteria. The first major requirement is that the “opt-out” petition or application for exemption (IRS Form 4361) must be filed within the first two years of the minister earning at least \$400 per year from the ministry. The second major requirement is that the application must be based upon the minister’s “religious or conscientious opposition to the *acceptance* ... of any public insurance that makes payments for death, disability, old age, or retirement.” The minister should note that his objection must be to the *acceptance of benefits* from Social Security, rather than to the payment of the tax.

The Benefits Board takes a strong position against ministers opting out of Social Security. It is clear from the legislative intent that the “opt-out” language was inserted to specifically deal with those religious beliefs who are totally opposed to government assistance of any type. Nevertheless, the provision has been used by many ministers because they simply felt as though they did not have the money to pay into Social Security.

Again, the Benefits Board suggests that church treasurers should encourage their ministers to participate in the Social Security system. *Ministers should be aware that by opting out of Social Security they are also opting out of the Medicare program, as well as the Social Security Disability program (unless the minister qualifies for benefits through secular employment.)*

Self-employment Tax (SECA)

Because of a minister's ability to opt-out of Social Security as discussed above, the treasurer should be aware of the ministerial staff's status with regard to Social Security. The church treasurer is prohibited by law from withholding FICA taxes from the minister's salary, even if requested, primarily because the minister does not pay FICA taxes. Because of the minister's dual tax status, the minister pays self-employment taxes (SECA) rather than FICA taxes.

Under the tax laws, the minister is responsible for the payment of the self-employment taxes. Self-employment taxes are paid quarterly by the minister, using IRS Form 1040-ES. Alternatively, the minister may voluntarily have the church withhold extra income taxes to cover the amount owed for self-employment taxes (see *Attachment A*). The *Minister's Compensation Manual*, available from the Benefits Board, goes into great detail on this issue.

Net self-employment earnings include pastoral salary, the fair rental value of a parsonage or a housing allowance, business expenses (*except* where the church has an "accountable reimbursement" plan in place for business expenses), and any other ministerial compensation received by the minister. The current rate for self-employment taxes is 15.3%. The church treasurer should be aware that the *Minutes* at S68 provide that, if funds are available, the local church should pay one-half of the pastor's Social Security tax liability.

The minister's quarterly payment of Social Security taxes is reconciled by the use of IRS Form 1040 (Schedule SE) when the minister files his tax return for the year.

FICA Taxes (Social Security)

Non-credentialed ministerial employees do not have dual tax status. Even though the person may be in a ministerial position, if he or she does not have licenses or credentials they are treated as a regular employee for income tax and Social Security tax purposes. For example, an unlicensed minister of music would be treated just like any other employee for the purposes of withholding of income taxes and Social Security taxes.

Churches are required to withhold and file Social Security (FICA) taxes for all compensated, non-ministerial church staff (secretaries, day school teachers, janitors/maintenance personnel, receptionists, etc.). The combined social security tax rate is 15.3% of each employee's wages. This rate is equally divided between the employer and employee (7.65% each).

The church must deposit the taxes (income taxes and both shares of FICA taxes) it withholds through the [Electronic Federal Tax Payment System \(EFTPS\)](#). If a church has \$50,000 or less in tax liability per year, the church is required to deposit all taxes monthly through [EFTPS](#). If a church has more than \$50,000 in tax liability per year, the church is required to deposit the taxes on a semiweekly basis using [EFTPS](#). All employers subject to income tax withholding,

Social Security taxes, or both, must file IRS Form 941 quarterly to reconcile the monthly or semiweekly deposits.

The church may pay the withholding taxes with the quarterly Form 941 if (1) the church accumulates less than a \$2500 tax liability during the quarter and (2) the church pays in full with a timely filed 941 return. For more information on withholding liability, the church treasurer should review [IRS Publication 15](#). Section 11 of that publication is totally devoted to when an employer pays and how they can pay their tax liabilities.

However, if the church has only ministerial employees, it is not required to make regular tax deposits and does not have to file a 941 form unless the minister opts to have the church withhold federal income taxes through a voluntary arrangement. If the church does not withhold Social Security and taxes for the minister, the minister (meaning those with some type of ministerial credentials) would be required to pay his Social Security and tax liability quarterly as discussed above.

In some situations, churches have attempted to skirt the mandates of the law on withholding by paying employees in cash. In a case involving the Indianapolis Baptist Temple, the church claimed that since they were a tax-exempt organization they were not obligated to withhold payroll taxes. The courts ruled against the church in that situation and ultimately federal marshals took possession of the Indianapolis Baptist Temple property to cover the back taxes in excess of \$5 million owed by the church.

Simply put, a church must conform to the laws regarding withholding payroll taxes, unless its only employees are credentialed ministers. Failure to do so could result in severe penalties being levied against the church by the IRS. Again, the church treasurer is responsible for insuring that the proper taxes are withheld and paid.

W-2 vs. 1099

22222		a Employee's social security number 123-45-6789		OMB No. 1545-0046	
b Employer identification number (EIN) 98-7654321		1 Wages, tips, other compensation 40000.00		2 Federal income tax withheld	
c Employer's name, address, and ZIP code Anytown Church of God 123 Main Street Anytown, TN 45678		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employer's first name and initial PHI B.		Last name Pulpit		duR	
f Employer's address and ZIP code 123 Broad Street Cleveland, TN 37320		11 Nonqualified plans		12a	
		13		12b	
		14 Other		12c	
				12d	
g Employee's address and ZIP code		15 State wages, tips, etc.		16 Local wages, tips, etc.	
16 State: Employer's state ID number		17 State income tax		18 Local income tax	
		19		20 Locally levied	

Form **W-2** Wage and Tax Statement 2024 Department of the Treasury—Internal Revenue Service
Copy 1—For State, City, or Local Tax Department

Over the years there has been much confusion regarding what income reporting forms the local church should use for its employees, ministerial and otherwise. Many churches have made the mistake of providing their pastors and other staff members with an IRS Form 1099-Misc. each year reflecting the amount paid by the church.

Due to the minister's status as an employee of the church, he should receive a Form W-2 each year before February 1 to reflect his wages for the previous year (*see Attachment B*). Other employees of the church should also receive a Form W-2. Non-employees of the church should receive a Form 1099-NEC if they received income in excess of \$2,000 (amount increased from \$600 to \$2,000 for amounts earned on or after January 1, 2026) during the year (*see*

Attachment C). Evangelists should receive a Form 1099-NEC, rather than a Form W-2. It should be noted that a church does not have to provide an incorporated ministry (Phil Pulpit Evangelistic Ministries, Inc.) with a Form 1099 if the revival receipts/love offerings were made payable to that incorporated ministry.

The Internal Revenue Code requires that all employees of the church receive Form W-2's before February 1 following the year in which the wages were earned. Form 1099's also must be provided to independent contractors by February 1. It is the responsibility of the church treasurer to make sure that the W-2 forms and the 1099 forms are provided timely. The church treasurer may complete the forms or may provide the appropriate information to the church's accountant or payroll service so that the forms may be completed.

Completing Form W-2

While further discussion about what is or is not income will follow, a line-by-line discussion of how to complete the IRS Form W-2 is included here. Completing the IRS Form W-2 should be relatively simple for the church treasurer (see *Attachment B*). Step-by-step instructions and tips follow:

- Box a – list the employee or minister's Social Security number.
- Box b – list the employer/church's IRS identification number. Every church should have an Employer Identification Number. If not, the church treasurer on behalf of the church may obtain an Employer Identification Number (EIN) by completing IRS Form SS-4 or by applying on-line for an EIN number at <http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>.
- Box c – list the name and address of the employer/church
- Box d – nothing goes in this box generally
- Box e – list the name of the employee or minister
- Box f – list the address of the employee or minister
- Box 1 – list all reportable taxable income for the employee or minister (do **not** include employer/church retirement plan contributions, amounts reduced from the employee or minister's salary through a valid salary reduction agreement, or ministerial parsonage/housing allowance). However, health insurance assistance paid towards an employee/ministers' *individual* policy should be included here as income.
- Box 2 – if the minister voluntarily requested that federal income taxes be withheld from his taxable compensation, including additional amounts to cover his Social Security/Medicare tax liability, then list those amounts here. If there was no voluntary withholding agreement, nothing should appear in Box 2 of the minister's Form W-2. Of course, all Federal income tax withheld from an employee's compensation should be listed here.
- Box 3 through Box 6 – nothing appears in these boxes for *ministers*.

- Box 3 – for employees, the amount of compensation subject to Social Security appears here. The church treasurer should be aware that the “cap” amount subject to Social Security adjusts each year based upon inflation. The treasurer should also be aware that while salary reduction amounts withheld from a minister’s income for retirement are not taxable for income tax purposes or Social Security tax purposes, salary reduction contributions for non-ministers to their retirement account are taxable for Social Security purposes but are not taxable for federal income tax purposes.
- Box 4 – for employees, the amount of Social Security tax withheld appears here.
- Box 5 – for employees, the amount of compensation subject to the Medicare tax appears here. There is currently no cap on how much compensation can be taxed for Medicare purposes.
- Box 6 – for employees, the amount of Medicare tax withheld appears here.
- Box 7 through Box 11 – nothing generally appears in these boxes for ministers or employees in a church setting.
- Box 12 – use the following codes and state the amount (additional codes may be applicable):
 - C – Reports cost of group term life insurance benefits in excess of \$50,000 paid by the employer/church
 - E – Reports amounts contributed to a 403(b) retirement plan (like the Minister’s Retirement Plan) *by salary reduction* from the minister or employee. Please note that retirement plan contributions made by the employer are not reported on the IRS Form W-2.
 - DD – Reports cost of employer-sponsored *group* health coverage. The amount reported with Code DD is not taxable.
- Box 13 – If the minister or employee participates in the Minister’s Retirement Plan, either through employer/church contributions and/or salary reduction contributions, check the box that reflects “retirement plan.”
- Box 14 – Report housing allowance or fair rental value of parsonage for ministers. For example, if the minister received a housing allowance, Box 14 would report “\$12000.00 – Minister’s Housing Allowance.” If the minister lives in a parsonage, Box 14 would report “\$12000.00 – Parsonage Rental Value.”
- Box 15 through Box 20 - nothing appears in these boxes generally for ministers. However, in the case of employees, the church will most likely be required to withhold state and local taxes if applicable. If so, then the treasurer would complete these boxes as appropriate.

The IRS provides detailed instructions on the completion of Form W-2 if such is needed beyond these cursory guidelines. In addition, the church treasurer should seek guidance and advice from a qualified tax professional if he or she is unsure on how to adequately complete the Form W-2 or the Form 1099. Seeking advice before providing the forms to the wage earner and before filing such with the IRS is much easier than the treasurer having to correct incorrect forms already filed.

Filing Date for W-2s and 1099s

By mid to late December, church treasurers are hopefully making preparations to get out W-2s to employees, Form 1099s to independent contractors, and charitable receipts to all that may have contributed more than \$250 at any one time to the church over the year. All of these tasks are critically important and should be accomplished as soon after the first of the year as possible.

With a change in the law (Public Law 114-113), it is now more important than ever that these tasks be completed as quickly as possible. Historically, an employer/church has been required to provide its employees with a W-2 prior to January 31 - and to provide a 1099 by January 31 to independent contractors who cumulatively received more than \$600 (this amount changes to \$2,000 for wages earned on or after January 1, 2026) over the course of the year. These provisions and requirements have not changed.

However, previously a copy of the employer's W-2s and 1099s did not have to be sent to the Social Security Administration and Internal Revenue Service until later. If you were sending paper copies, they had to be sent by the end of February and if you were filing them electronically, you had until the end of March to transmit those forms. This delay allowed employers to correct W-2s and 1099s before they were filed with the government.

Under the change in the law, these forms now must be transmitted to the Social Security Administration (W-2s) and to the Internal Revenue Service (1099s) by the end of January. Beginning in 2017 – and for all years afterwards, all W-2s and Form 1099s must be forwarded to the individuals AND to the appropriate governmental agency by no later than January 31.

Because of this change, it is recommended that you get the W-2s and 1099s out to the individuals as early as possible so that changes, if necessary, can be made prior to the mandatory filing date of January 31.

Further, church treasurers should consider using the government's [electronic filing system \(accessible by clicking here\)](#) to complete both their W-2s and W-3. After a simple registration process, W-2s can be completed, printed, and then filed electronically.

Just remember that if you wait to file your W-2s and 1099s with the government in February or March, you will be late. The deadline is January 31.

Income

Reportable Income for the Minister

Ministers and churches often find it difficult to determine or agree upon what is or is not reportable income for the minister. However, it is the treasurer's job to make this determination since he or she is responsible for reporting such on the minister's IRS Form W-2. For employees, the determination is generally much easier. Therefore, the following discussion on what is or is not reportable income focuses solely on the minister.



Simply put, it is unlawful for a minister (or anyone else) to try to “hide” income by calling it something else. The following items are clearly income to a minister:

- salary
- bonuses
- additional salary payments to assist in payment of health insurance costs
- love offerings (Christmas or Pastor's Appreciation offerings from the church)
- gifts that are run through the church for tax credit
- trips given to the pastor as a gift (i.e. Holy land trips)
- Social Security paid by the church for the minister
- business expense reimbursement under a *non-accountable* plan
- personal use of church-provided automobile, and
- honoraria given for weddings and funerals

(list is not inclusive)

While this is not an exhaustive list, it provides a good framework for the employer/church to determine what items should be included on the minister's W-2 form. Suffice it to say, the IRS will scrutinize the minister's income very carefully should he or she be audited. Good records are essential for preventing penalties and interest on unpaid taxes from unreported income.

A simple rule of thumb is if a person has reason to believe that they can claim their gift as a charitable deduction, it is taxable to the recipient. In times past, a person who gave the minister a \$20 bill on the way out of church was said to have given the minister a “gift,” creating no charitable contribution deduction for the giver and no tax liability for the recipient. However, the IRS has recently taken the position that such a “gift” is actually additional compensation for the minister – and therefore taxable to him, although the donor probably does not get a charitable deduction since it was not recorded and made through the church. On the other hand, had the person written a check to the Anytown Church of God for \$20 and designated such as “pastor love offering,” the donor has a reasonable expectation that the “gift” is a

charitable contribution and can claim a deduction for such. In addition, the “gift” becomes a taxable item to the minister.

The treasurer is responsible for making sure that such gifts, along with other reportable items, are included on the minister’s W-2 form. It is most likely that the minister will receive compensation for some services rendered, such as an honorarium for preaching a wedding or funeral, which the treasurer may know nothing about. In those situations where the minister does not report such to the treasurer, the treasurer has no legal obligation to include those amounts on the minister’s W-2 form. However, those amounts are still taxable compensation for income tax purposes and for Social Security tax purposes and must be reported directly by the minister.

Items Not Considered Reportable Income

Lawyers often jokingly state that there is a simple distinction between *tax evasion* and *tax avoidance* – twenty years in federal prison. Hiding income is tax evasion and punishable by imprisonment upon conviction. However, there are several items mentioned within this document that can legitimately be excluded from taxable income for ministers. Although most will be discussed at length later, a brief mention of each will be noted here. The primary items not considered as reportable taxable income for ministers are:

- Retirement Plan Contributions – *Contributions made by the church on behalf of the minister or employee are not required to be reported at all on Form W-2.* In addition, amounts contributed to the retirement plan by a salary reduction agreement are also not includible in Box 1 on the W-2 form as wages. However, on Form W-2 the “retirement plan” box should be checked on line 13. In addition, any amount contributed by salary reduction agreement should be reported in Box 12 of the W-2 form, using the code “E”. For example, if a minister or employee reduced his salary by \$5,000 to make contributions to his retirement account, that amount would not be included in Box 1 of the IRS Form W-2, but “retirement plan” would be checked in Box 13 and Box 12 would report “E - \$5,000.00.”
- group term life insurance premiums for policies up to \$50,000
- fringe benefits (GROUP medical insurance premiums, disability insurance, etc.)
- business expense reimbursement under an *accountable* plan, and
- the *minister’s* housing allowance – which is not considered as income but is taxable for self-employment taxes.

None of the above-mentioned items should be included in Box 1 of the W-2 form. However, the church treasurer should be aware that non-ministerial employees *do not* receive the housing allowance benefit. If the church pays the housing of the non-ministerial employee, it is still counted as reportable income – and is included in Box 1 of the employee’s W-2 form.

Additionally, retirement plan contributions *made by a salary reduction agreement* for **non-ministerial employees** are excluded from their reportable income for tax purposes, but must be

included in their income for Social Security and Medicare purposes. For ministers, salary reduction contributions are excluded for both income tax purposes and Social Security purposes.

Housing Allowance

Tax Advantage for Ministers

While it is the responsibility of the pastor to track his housing expenses, it is important for the Church Treasurer to be aware of the rules regarding how to handle this important tax advantage for the pastor and other ministerial employees. Ministers are unique when it comes to housing costs. The costs are still the same but the way that they deal with such for tax purposes is extremely different. The church treasurer should always be mindful, as discussed above, that non-ministerial employees *do not* receive the housing allowance benefit. If the church pays the housing costs of the employee, it is counted as reportable income – and is included in Box 1 of the employee’s W-2 form.

Parsonage

Up until the last 25 or so years, most churches provided a parsonage for their pastor on or near the property where the church facilities were located. In the mid-1980’s, the ministerial housing allowance became more popular and many parsonages were sold or converted into other church meeting rooms.

There are both positives and negatives in regards to a church maintaining a parsonage. On the positive side, a parsonage is an attractive proposition for a young minister that does not have the resources to put towards a down payment on his own home. A parsonage also is a ready-made home, usually containing church owned furnishings, that is available immediately for occupancy by the new pastor. Parsonages are also generally in close proximity to the church, allowing the pastor to have immediate access to the church facilities for his use. In a volatile housing market, a parsonage becomes a huge asset for a church in attracting a suitable pastor. Not to be forgotten, but since the church owns the house, they are responsible for all maintenance and repairs. So when the roof leaks, it is the church’s responsibility.

On the negative side, the church owns the parsonage. Such ownership cannot only be a source of irritation for the pastor and his family, but it also prohibits the pastor from building equity in a home. Any increase in value to the home, even though it may occur due to the efforts of the pastor, benefits the local church rather than the pastor. Some churches have created “equity housing allowances” for their pastor when he lives in a church-owned parsonage to offset the equity that he might have gained from owning his own home. Generally, these “equity housing allowances” are taxable to the minister. To offset the taxable nature of the “equity housing

allowances,” instead of providing such an allowance, some churches maximize their contribution to the minister’s tax-deferred retirement account.

Even if the church provides a parsonage for the minister, the church may establish a “parsonage allowance” to cover incidental costs that may occur in the normal course of the minister living in the house. The church treasurer should work with the pastor to determine a good estimate for these incidental costs.

Many church leaders contend that parsonages are “horse and buggy.” However, there is still a valid reason for some churches to maintain parsonages. If a church is in a remote area, or contrastingly in a very urbanized area, a parsonage may be vital in attracting a pastor or other ministerial staff.

For tax purposes, the church treasurer should remind the minister that the annual rental value of living in the parsonage is not considered as income to the minister for federal income tax purposes but is taxable for self-employment taxes (Social Security and Medicare). In addition, the treasurer should make sure that the parsonage allowance is designated in Box 14 of the minister’s W-2 form as discussed above.

Housing Allowance

Where a church does not have a parsonage, generally the church seeks to provide for the housing needs of the pastor by giving him a “ministerial housing allowance” so that he may secure his own home, either by renting or owning. Again, housing allowances have become extremely popular over the past few years as churches have sought to shed the burden of providing a self-contained house for their pastor. If properly documented, the amount a church provides to a minister (either the senior pastor or any other credentialed minister) for housing allowance is non-taxable for federal income tax purposes but is taxable for Social Security/Medicare purposes. Just as another reminder, the church treasurer should be mindful that non-ministerial employees *do not* receive the housing allowance tax benefit. If the church pays the housing cost of an employee, it is counted as reportable income – and is included in Box 1 of the employee’s W-2 form.



The Ministerial Housing Allowance has been the subject of much controversy over the past few years and has even been challenged on constitutional grounds of violation of church and state (*see next article*). In 2002 the Clergy Housing Allowance Clarification Act of 2002 (Public Law 107-181) was enacted to bring some clarification to this issue. The law provides that the ministerial housing allowance exclusion cannot exceed

- the fair rental value of the furnished house, plus the cost of utilities,
- the actual expenses of operation of the home, or
- the amount designated by the church as a housing allowance;
whichever is less.

Simply put, in looking at the three qualifiers above, you must use the least of the three. For example, let's assume the minister receives a housing allowance of \$12,000 a year from his church. In the year in question, he had to put a roof on his house in addition to his payments and he paid out \$16,000 towards his housing costs. Further, the house he lives in, fully furnished with all utilities paid, would rent for \$2,000 a month (\$24,000 a year). In this example, the most the minister could exclude from his income would be \$12,000 – the amount designated by the church as housing allowance since it is the least of the three. Assuming the same example, but with the fact that the minister paid out only \$8,000 for actual housing costs in the year, the housing exclusion would be limited to \$8,000, again the least of the three qualifiers. *Just because the church designates a certain amount does not automatically make that amount excludable from the minister's income.*

It is the responsibility of the church to establish the amount of the housing allowance in cooperation with the minister based upon his or her actual housing expenses. The treasurer will play a critical role in this process. The church, acting in conference or by action of the Pastor's Council, should set the ministerial housing allowance amount each year.

In determining his housing allowance, the minister may include (but is not limited to) the following expenses:

- mortgage payments/rent
- property taxes
- homeowner's insurance
- furniture, appliances, etc.
- decorating/carpet/lamps
- repairs and upkeep
- improvements
- utilities/basic cable TV/basic internet service
- lawn care, snow removal, shrubbery

To accurately report his expenses to the local church body, the minister should complete an *Estimate of Housing Allowance* form (see *Attachment D*) and submit the same to the governing body of the church for adoption prior to any designation of housing allowance being made. In other words, the church's governing body has to adopt the housing allowance before the minister can claim such. A housing allowance cannot be made retroactively.

Ministerial Housing Allowance Held Constitutional

The Freedom From Religion Foundation filed a lawsuit on April 6, 2016, challenging the constitutionality of the ministerial housing allowance under section 107 of the Internal Revenue Code. This lawsuit followed a similar lawsuit, filed in the same federal court in the Western District of Wisconsin, where the judge ruled that the housing allowance (not the parsonage

provision) was unconstitutional. Fortunately, the earlier decision was overturned by the Seventh Circuit Court of Appeals in November 2014 on a technicality.

As a part of the Seventh Circuit's earlier decision, the opinion went on for page after page telling the plaintiffs how they would have to refile their case and the steps they would need to take to keep from having their case dismissed in the future. The Freedom From Religion Foundation, and their officers, took that advice to heart and did exactly what the court suggested they would have to do to have a viable case.

On October 6, 2017, the federal district court judge ruled in the new case that the ministerial housing allowance again violated the Constitution. Judge Barbara Crabb held that Section 107(2) of the Tax Code, the provision that specifically addresses the "cash" ministerial housing allowance, violated the Establishment Clause of the First Amendment, simply because it did not have a secular purpose or effect, and because it singled out "ministers of the Gospel" for special tax treatment not available to others.

Due to an earlier decision by the court, the ruling only dealt with the housing allowance where ministers are provided cash to rent or purchase a home, and left fully intact, at least for now, the tax-free use of parsonages.

Although Judge Crabb ruled that the ministerial housing allowance was unconstitutional, she did not immediately implement a ruling as to what was supposed to happen next. In a follow-up order dated December 13, 2017, Judge Crabb issued an injunction that prohibited the government from enforcing Section 107(2) of the Tax Code. Simply stated, the injunction prohibited the Internal Revenue Service from allowing ministers to claim the housing allowance as an exclusion from income. However, as expected, the judge "stayed" the injunction until "180 days after the conclusion of any appeals." The judge noted that the additional time would allow Congress, the IRS, and affected individuals and organizations to adjust to the change.

The unconstitutional decision by the lower court was appealed to the Seventh Circuit Court of Appeals in Chicago where the different parties to the case filed position briefs with the court. On April 26, 2018, the Church of God denomination and the Church of God Benefits Board filed a "friend of the court" brief in the matter, along with other similar organizations and denominations.

Oral arguments were presented before the appellate court on October 24, 2018.

Some six months later (March 15, 2019) in a surprising unanimous decision, the Seventh Circuit Court of Appeals held that the ministerial housing allowance did not violate the U.S. Constitution. While Court observers were divided on their predictions about what the court's final decision might be, the unanimous decision upholding the "cash" housing allowance took almost everyone by surprise.

From the Court's opinion, it was evident that the Seventh Circuit looked very closely at the laws supporting the ministerial housing allowance that have been in place for more than 60 years. They also looked closely at the impact that disregarding that legal precedent would have on both active and retired ministers of the Gospel.

For all ministers, the Court's finding that the cash ministerial housing allowance was constitutional was a huge win.

Additional information on the litigation involving the ministerial housing allowance, along with a copy of the court's recent decision, can be found at <https://www.benefitsboard.com/housing-allowance>.

Reporting Housing Allowance

As mentioned earlier, if properly set up, the housing allowance is non-taxable for federal income tax purposes but is taxable for Social Security and Medicare purposes for the minister. There are three basic ways that the housing allowance is handled for tax purposes:

Actual Exclusion Method - (Best, most accurate, most difficult, but preferred method by the IRS)

- a. Minister provides estimate for next year's housing expenses
- b. Church designates a housing allowance
- c. Minister substantiates actual housing expenses
- d. Church computes actual housing allowance exclusion
- e. Minister's W-2 is reduced by the actual exclusion

Estimated Exclusion Method

- a. Minister provides estimate of next year's housing expenses
- b. Church designates a housing allowance
- c. Minister's W-2 reduced by church-designated housing allowance
- d. Minister reports any "excess housing allowance" as taxable income

Non-accountable Method – (though probably the most common method, this is the least desirable and least accurate method – and should NOT be used)

- a. Minister requests housing allowance with no estimate of housing expenses
- b. Church designates a housing allowance
- c. Minister's W-2 reduced by church-designated housing allowance
- d. Minister reports any "excess housing allowance" as taxable

The Actual Exclusion Method is the most difficult because it requires the minister to have all his housing receipts to the church's treasurer before the end of January following the year in which the expenses were incurred so that his IRS Form W-2 may be reduced by the actual amount used for housing, as long as such is under the limit set by the church and does not exceed fair

rental value. The “actual” method also creates problems because it places the church treasurer in the position of determining whether or not expenditures actually qualify as a legitimate housing cost. While the IRS would prefer that the “actual” exclusion method be used, their examples primarily use the “estimated” exclusion method. Generally, the estimated exclusion method is going to be the best way for the church and the pastor to deal with reporting his housing allowance. In addition, the estimated exclusion method is by far the most efficient method for the treasurer to use.

The non-accountable method is just that – non-accountable. It should not be used under any circumstances, simply because it places the amount that the minister receives as housing subject to tax liability. The treasurer should insist that the minister use at least the estimated exclusion method.

Tax Planning Steps

The following simple steps should be taken to ensure that the ministers’ housing allowance is created properly:

- The minister should determine his yearly housing costs by using the *Estimate of Housing Allowance* form (see *Attachment D*).
- The *Estimate* should be submitted to, and adopted, by the governing body of the local church (either Church Council or full church business meeting) prior to the beginning of the new year for which estimate is based on. For example, the resolution should state that “*the Anytown Church of God, through this action of the Church Council, does hereby create a housing allowance for Pastor Phil Pulpit. The church agrees to pay to Pastor Pulpit \$1,000 (for example) each and every month to secure and maintain a residence. This resolution shall be good and valid for the upcoming fiscal year and all years afterward unless changed by this body.*” The treasurer should make sure that such a resolution is a part of the minutes of the local church.
- The minister should keep careful records of all housing costs for the year.
- The minister should remember that he can receive a housing allowance for only *one* home.
- The minister’s housing allowance is limited to the least of the (1) amount designated by the church as housing allowance, (2) the amount actually used to provide a home, or (3) the fair rental value of the home, including furnishings and utilities. These limitations are included in the *Exclusion Worksheet* (see *Attachment E*).
- The minister must pay federal income taxes on any “excess housing allowance.” On the dotted line next to Line 1 (IRS Form 1040), enter “Excess Housing Allowance” and the amount.
- The minister must pay self-employment taxes (Social Security and Medicare) on the entirety of the housing allowance.

- A housing allowance provision has to be adopted by the church before the minister can claim such. In other words, the housing allowance cannot be made retroactive.

Additional information on the housing allowance can be found in the *Minister's Compensation Manual*, also available from the Benefits Board. While the minister is responsible for implementing a housing allowance where appropriate, the church treasurer should also be aware of the rules regarding such so that he or she can partner with the minister in an effort to reduce the minister's tax liability.

The ministerial housing allowance is by far the best tax advantage that a minister has available to him. If the allowance is crafted properly, a good portion of the "income" available to the minister will be tax-free.

Tax Reporting

As noted, the housing allowance is not included in income for federal income tax purposes but is taxable for Social Security/Medicare purposes. Therefore, it is recommended that the ministerial housing allowance be reported on the minister's Form W-2. The instructions for the Form W-2 note that the ministerial housing allowance may be reported in Box 14 of the minister's W-2. For example, if the minister received a housing allowance, Box 14 would report "\$12000.00 – Minister's Housing Allowance." If the minister lives in a parsonage, Box 14 would report "\$12000.00 – Parsonage Rental Value."

Business and Professional Expenses

Identifying and Reporting Business and Professional Expenses

It is normal for a minister to incur out of pocket business expenses throughout the year as he goes about conducting business for the church. However, many ministers and church treasurers are not familiar with how these expenses are to be accounted for and reported.

Expenses covered under an accountable plan would include auto expenses, entertainment, conventions and conferences, professional books and magazines, travel expenses (air, motel, etc.), and a variety of other expenses incurred in the regular course of the minister carrying out his duties. While the discussion here will center on expenses of the minister, it should be noted that the rules for business and professional expenses are the same whether the person is a minister or a church-related employee. Therefore, while minister may be used in the discussion on business and professional expenses, the church treasurer should be aware that the same principals will apply to other employees of the church.

Business and professional expenses can be accounted for in one of three ways:

- 1. Un-reimbursed Expenses** – Some churches don't reimburse their minister's business and professional expenses. As discussed earlier, most ministers (especially those in a pastoral role) are W-2 employees, and they can no longer claim unreimbursed business expenses on Schedule A after the 2017 tax reforms. If on the rare occasion the minister is considered self-employed by the IRS, he or she can deduct business expenses directly on Schedule C, whether or not they are able to itemize their deductions. However, it should be remembered that independent contractors (those receiving a Form 1099-NEC) are not eligible for employee benefits, such as ministerial housing, church-provided insurance, etc. Therefore, trying to claim un-reimbursed expenses is not an advantageous tax position for the minister.
- 2. Non-accountable Reimbursed Expenses** – This method is very risky. It is common for a church to reimburse a minister's business expenses without requiring any substantiation of actual expenses or requiring a return of reimbursements in excess of substantiated expenses. If the minister is counted as an employee for income tax purposes, the full amount of the church's reimbursements, under a non-accountable plan, must be reported as income on the minister's W-2 form. If the minister is considered self-employed, again very unlikely, these reimbursements are reported as a part of his total income on Form 1099-NEC and deducted using Schedule C (1040) as indicated above.

Simply indicating that the check is for business expenses does NOT automatically classify it as such unless tangible proof, such as a receipt, is provided.

- 3. Accountable Reimbursed Expenses** – This method is considered by far the most accurate and most desirable by the IRS – and should be the method insisted upon by the church treasurer. If the church adopts this method, then none of the church’s reimbursements need to appear on the minister’s W-2 form, and there are no expenses for the minister to deduct or show on his tax return. To qualify, the accountable reimbursement plan must satisfy the following four requirements:
- a. **Business Connection** – The expenses must be incurred as a normal part of the minister or employee’s work requirements. An important point to note, however, is that the business connection requirement will not be satisfied if the employer “arranges to pay an amount to an employee regardless of whether the employee incurs or is reasonably expected to incur business expenses.”
 - b. **Substantiation** – The business expenses of the minister must be substantiated to the church within a reasonable period of time. The IRS notes that a reasonable period of time is 60 days after an expense is incurred. However, the church can make that period shorter. Substantiation must be provided as to the amount, time, place, and business purpose of the expense.
 - c. **Returning Excess Reimbursements** – The reimbursement arrangement, to be accountable, must require the minister to return to the church within a reasonable period of time (not more than 120 days according to the IRS) any amount paid under the arrangement in excess of the expenses substantiated.
 - d. **Employer Funds** – To be an accountable plan, the reimbursement must come out of the church’s funds and not by reducing the minister’s salary.

Because an accountable reimbursement plan is as important as the minister’s housing allowance, it is imperative that the church treasurer have sufficient knowledge of such plans to assist the minister in creating a plan that meets the guidelines of the IRS. Under this type of arrangement, the minister reports his expenses to the church treasurer, rather than the Internal Revenue Service. Because of the vital role that treasurers play in this process, additional information on accountable plans is provided in the following sections.

Business Expenses

Business expenses place more ministers in the “cross hairs” of the Internal Revenue Service than any other issue. Claiming excessive business mileage is probably the number one reason that ministers are audited.

Usually, churches will adopt an accountable plan that provides full reimbursement for all professional business expenses or provides reimbursement up to a specified annual limit. Even if a limit is placed on the accountable reimbursement account, it should be viewed as an annual limit. It is also better not to break down the different categories of the limit, such as so much for mileage, so much for conventions, etc. An overall limit works best. For example, assume that the church sets an accountable reimbursement limit of \$500 a month. That amount should be considered as an overall amount, with the minister submitting receipts to show how the money was spent that month. In one month, mileage may be a big factor while travel may be the overriding factor in another month. The annual limit allows for those deviations and also allows the pastor to spend \$1000 in one month to attend a convention while only spending \$200 or so in other months. Again, the monthly limits can be used for the local church to track the budgetary impact but the \$500 a month used in the example should be viewed as a \$6,000 annual limit. An estimate of accountable reimbursement expenses is helpful for planning purposes. The *Estimate of Accountable Reimbursement Expenses* form allows for such planning (see *Attachment F*).

If the accountable plan meets all the requirements of the IRS regulations as set out earlier, the amounts paid under the arrangement are excluded from the minister's gross income and are not required to be reported on his Form W-2. On the other hand, if the plan does not meet IRS standards, then the payments are included as gross wages and are taxable.

The IRS makes very clear that a salary reduction arrangement which "reimburses" the minister for business expenses by reducing his salary does not qualify as an accountable plan. They apply this rule whether the amount varies by pay period or is a specific amount. If the minister is entitled to receive the full amount of annual compensation, regardless of whether or not business expenses are incurred during the year, the arrangement does not meet the "accountable plan" provisions.

Mileage

Documentation of expenses is vital to an acceptable accountable reimbursement plan. As earlier mentioned, mileage driven in the course of business is generally the minister's greatest expense. Some ministers have contended that every mile they travel is in the furtherance of their business – and thus reimbursable. Their contention is based upon the fact that they never stop being a minister and technically are "on call" at all times. The IRS has not accepted this argument, just as they have declined similar claims by doctors and other professionals. Commuting, going to the grocery store, or the local department store are miles that are not ministerial in nature and thus cannot be claimed for reimbursement. In their publications, the IRS clearly agrees that trips to the hospital or nursing home, or to attend conferences or other church meetings are business miles and can be deducted. However, they go on to point out that trips to and from the church are considered nondeductible commuting expenses.

A minister should carefully document his business mileage by the use of a daily (or trip) log. The log should contain the odometer reading at the beginning of the trip and the end of the trip,

the date, and the purpose of the trip. Stopping by the grocery store on the way home does not take the trip out of the business expense category, as long as the stop was incidental. The log should be used to calculate mileage for submission to the church treasurer and the log should be retained long-term by the minister to document such expenses if ever questioned by the IRS.

Effective January 1, 2026, the standard mileage rate for the use of a car for business purposes is **72.5 cents a mile** for all business miles driven. This rate is adjusted annually.

Records Required

The Internal Revenue Service requires that any expenditure over \$75 included in an accountable reimbursement plan must be documented by a receipt. However, the local church can require receipts for a lesser amount if they so desire. The best policy is to require receipts for all expenditures except for incidental expenses such as tolls.

It is important to note that a credit card bill is not a sufficient receipt. The actual receipt from the point of transaction must be used and not the monthly statement from American Express, VISA, etc.

Creating an Accountable Plan

The church governing body (Church Council or the church as a whole operating in a business meeting) should adopt a resolution creating an accountable reimbursement plan. The resolution could be very simple, for example:

“The Anytown Church of God, through this action of the Church Council, does hereby create an accountable reimbursement plan for Pastor Phil Pulpit. The church agrees to designate \$500.00 per month of the pastor’s compensation to cover all necessary and proper business expenses incurred by him during the normal course of conducting business on behalf of the Anytown Church of God. Expenses must be substantiated to the church treasurer as to the date, amount, and business purpose within 30 days after they are incurred. Any excess reimbursement must be refunded to the church within 60 days after expenses are paid or incurred. This resolution shall be good and valid for the upcoming fiscal year and all years afterward unless changed by this body.”

It is the responsibility of the church treasurer to make sure that this resolution is reviewed and examined each year. However, the last sentence of the resolution keeps such active in case the church fails to place a new resolution in the records.

Disbursement of the “expense” money can be made on a regular basis, either in advance or upon submission of the receipts. If expenses are paid upon submission of expense receipts, there is no problem of “excess” expenses that has to be returned at year-end. However, many ministers would rather receive their “expense” money in advance so that they do not have to

use their personal funds to “float” the expenses of the church for a month or so. Advancing expenses is perfectly fine. However, the minister still must provide receipts to the church treasurer. While the IRS regulations require that receipts must be submitted within 60 days of incurring the expense, the church can demand that receipts be submitted more often – say every 30 days (or by the first of the month). A shorter time period generally helps ensure that proper receipts are presented. The *Accountable Reimbursement Plan Ministry Related Expense Form* (see *Attachment G*) can be used by the minister to submit his expenses to the church treasurer, whether he is getting payment in advance or if he is receiving payment upon receipt of proper documentation.

The minister should maintain a detailed log of all mileage traveled for business purposes. The log should be used to calculate the mileage claimed on the Accountable Reimbursement Plan Ministry Related Expense Form. In addition, the minister should save the logs for at least seven years to respond to any inquiry that might be raised by the Internal Revenue Service.

The church should **not** use a salary reduction arrangement to pay for the minister’s business expenses. Under this type of plan, the minister’s “salary” check would be reduced weekly or monthly by the amount of expenses he submitted. Such arrangement is nonaccountable and any “reimbursement” must be counted as income to the minister.

Payment of Expenses

From a church bookkeeping standpoint, the treasurer does not have to cut the pastor a separate check each week for expenses. He can be given one check that includes his taxable compensation, his accountable reimbursement expense funds, his housing allowance, and any other compensation or reimbursement for which he is entitled. Those differences can be noted in the ledger – and should be dealt with on the minister’s Form W-2 as well.

It must be remembered that any amounts paid under a valid accountable plan is not considered income to the minister and does not appear on his Form W-2.

Any amounts in excess of those to cover substantiated expenses must be returned to the church. For example, at the end of the year the minister has documented and substantiated expenses to the church treasurer of \$8,000. However, each week he has received \$200 for expenses from the church in advance – or \$10,400 for the year. The minister must return the \$2,400 difference to the church or the plan is deemed by the IRS to be a nonaccountable plan. Even if the church decides to give the \$2,400 to the pastor as a gift, the IRS requires that it must be returned by the minister to show a paper trail that the accountable plan is separate from the gift. Of course, if the \$2,400 is given as a gift, it becomes taxable income to the minister.

A valid accountable plan for business expenses is as important as having a housing resolution in place. If an accountable plan is not provided for the minister, it is almost a certainty that the minister will pay too much in income taxes.

Ownership

Church treasurers are often faced with a difficult question – who owns property purchased by the minister if the cost of such item was reimbursed by the church under an accountable reimbursement plan? This question primarily comes up when the minister uses the accountable reimbursement plan to purchase a computer or other electronic type products. The tax code and regulations do not provide a clear answer to this question. However, the general rule seems to be that the church, rather than the employee, is the owner. This general rule of thumb is based upon the fact that to seek reimbursement, the employee has to substantiate the business purpose of the item.

There are potentially hundreds of exceptions to this rule. The best policy would be for the church's governing board to address this issue and create a policy concerning the purchase of tangible items by use of the accountable reimbursement plan. The most logical policy would be to place a value over which all property becomes the property of the church. For example, any tangible purchases over \$100 become the property of the church while any purchases under that amount are the ministers'.

Tax Reporting

If an accountable reimbursement plan is set up properly, any amounts paid to the minister under the plan do not appear on his Form W-2, nor does the minister have to claim these expenses as a deduction. On the other hand, if the minister does not have an accountable reimbursement plan that was adopted by the church, all funds paid to the minister as reimbursement for expenses are treated as ordinary income – and are included as compensation in Box 1 on the minister's Form W-2.

FRINGE BENEFITS

A key component of a minister's compensation package involves "fringe benefits." Usually by the time the minister and the church get the housing allowance and the accountable expense plan worked out, they have little or no energy left to deal with any other aspects of the compensation package. Not creating a fringe benefits package can be devastating to the minister in the long run. The fringe benefits package can contain many different elements but most often deals with retirement accounts, health insurance, and reimbursement of half of the minister's Social Security payments. Retirement benefits and health insurance are excellent benefits that a church should also offer other employees. Of course, the church is required under law to pay half of all regular employees' Social Security (FICA) liability.

Tax-deferred Retirement Account

The *Minutes* of the Church of God General Assembly, at S68, state that the local church should make contributions "to the Church of God Ministers' Retirement Plan for the pastor of an amount equal to at least 10 percent of the cash compensation received by the pastor." There is no specific recommendation in the *Minutes* concerning retirement contributions for other ministerial staff or church-related employees.

The Ministers' Retirement Plan, available to ministers and church-related employees, is a 403(b)(9) retirement plan set up under the auspices of the Internal Revenue Service. The Ministers' Retirement Plan, or MRP, is administered for the Church of God by the Benefits Board, Inc. The MRP operates almost identically to a 401(k) plan.

In 2026, the regular contribution limit to the Ministers' Retirement Plan is \$72,000 or the amount of the minister's (or church-related employees') taxable ministerial income, whichever is less. Of that amount, no more than \$24,500 in 2026 can be contributed by salary reduction. The remainder of the limit must come from the church's contribution.

In addition to the regular contribution limit, anyone that is 50 years of age or older during 2026 can contribute an additional \$8,000 for the year, either through salary reduction or by the employer, as a catch-up contribution. If a participant attains the age of 60, 61, 62, or 63 in 2026, the catch-up contribution increases to \$11,250, instead of \$8,000.

While a young minister may not see a retirement account as a valuable fringe benefit, it should be included in his package at least at the ten percent level recommended by the *Minutes*. A more reasonable figure would be to set aside 15% of the minister's cash compensation for contribution to the Ministers' Retirement Plan. The church should take the position that they are not only providing for the minister now – but also in his retirement years.

If the church includes payments to the Ministers' Retirement Plan in their compensation package, a resolution should be entered on the local church records to memorialize such.

It should be noted that the Ministers' Retirement Plan is the only tax-deferred plan recognized by the Church of God, and therefore, the only retirement plan that a church can make contributions to on behalf of a minister.

Additional information about the Ministers' Retirement Plan can be obtained from the Benefits Board. The Board makes available a *Plan Summary* that would be a helpful guide for church treasurers.

Tax Reporting of Retirement Plan Contributions

Retirement plan contributions made by the church on behalf of the minister or a church-related employee are not required to be reported at all on Form W-2. In addition, amounts contributed to the retirement plan by a salary reduction agreement are also not includible in Box 1 on the W-2 form as wages. However, on Form W-2 the "retirement plan" box should be checked on line 13. In addition, any amount contributed by salary reduction agreement should be reported in Box 12 of the W-2 form, using the code "E". For example, if a minister reduced his salary by \$5,000 to make contributions to his retirement account, that amount would not be included in Box 1 of the W-2, but "retirement plan" would be checked in Box 13 and Box 12 would report "E - \$5000.00."

As an additional note, church treasurers should be aware that retirement plan contributions *made by the church* are not considered wages for Social Security tax purposes. In addition, two separate Revenue Rulings (see Revenue Ruling 68-395 and Revenue Ruling 78-6) seem to suggest that *even salary reduction retirement contributions made by ministers* do not necessarily constitute self-employment earnings for purposes of determining Social Security tax liability.

Health Insurance

The cost of health insurance for all Americans has become outrageous. Recognizing the need for health insurance, the *Minutes* point out that the local church should provide the funds to pay for the minister's premiums for health insurance coverage. According to the IRS regulations that have been in effect for more than fifty years prior to 2014, payments by the church directly to the insurance carrier or to the minister based upon substantiation of the health care costs **were** considered to be a tax-free benefit to the minister. If such payments were not made by the church and the minister had to pay his own health insurance premiums, he could only claim such on Schedule A of the 1040 tax form – and the minister could only get a deduction if those expenses exceed 10% of his adjusted gross income.

However, the Affordable Care Act (often called the “ACA” or “ObamaCare”) changed this process by 1) making payments made by the church towards individual health insurance premiums taxable and 2) prohibiting the reimbursement of such premiums by the church, unless an exception exists. See the following article on these specific topics.

No REIMBURSEMENT of Certain Health Insurance Policies with Pre-Tax or After-Tax Dollars

While most churches thought that they were exempt from the major impacts of the Affordable Care Act (often called “ACA” or “ObamaCare”), a seemingly innocuous Internal Revenue Service notice, issued in September 2013, placed many churches and businesses in the crossfire of the Affordable Care Act.

According to IRS Notice 2013-54, employers may not reimburse employees for, or directly pay, the cost of *individual* health insurance policy premiums and exclude such amounts from the employee’s gross income. Since January 1, 2014, these “employer payment plans” must be paid with “after tax” dollars, rather than with “pre-tax” dollars, and cannot be a “reimbursement.” The employer is only allowed to use “pre-tax” dollars to pay for health insurance premiums if the employer offers 1) a *group* health insurance plan or 2) falls under the “one employee” exception.

Further, more recent guidance suggested that “reimbursement” by an employer of an *individual* health insurance policy premium creates a non-compliant health care plan under the Affordable Care Act – and therefore potentially subjects the employer to a **\$100 per day penalty**, per employee. According to this recent guidance, an employer/church who reimburses a pastor or staff member for their individual health insurance policy premium, *even if such is subject to taxes*, has violated the Affordable Care Act and is subject to \$36,500 a year in penalties, per employee. [NOTE: Legislation has passed that would possibly eliminate this penalty in certain situations.]

While an employer/church can increase an employee’s salary to cover the costs of that employee’s individual insurance policy – and can even increase the amount to cover additional taxes, it should not be noted as reimbursement of the employee’s individual health insurance policy premiums, nor should the employer/church request verification of the insurance premium costs. If the insurance premium notice is requested or provided, the U.S. Department of Labor’s recent guidance suggests that such creates a non-compliant group health plan and triggers the penalties mentioned above.

Since an IRS revenue ruling in 1961, churches and businesses have been able to structure compensation plans where employees could obtain their own individual health care plan, provide documentation and substantiation of such to the employer, and the employer could reimburse the employee for, or directly pay, the cost of the individual health insurance policy premiums and such amounts were excluded from the employee’s gross income. Under IRS

Notice 2013-54, the Affordable Care Act no longer allows such an arrangement to occur with pre-tax dollars or even with after-tax dollars if such is deemed reimbursement. In very limited situations, an employer can still withhold funds and transmit those to pay the premiums on the individual health insurance policy, as a convenience to the employee, but the amounts must come from after-tax funds and cannot be reimbursements.

Consider the following examples:

- 1.) A local church agrees to pay a pastor \$40,000 a year salary, plus pay another \$10,000 a year towards the pastor's individual health insurance premium. According to IRS Notice 2013-54, the pastor would have taxable income of \$50,000 in the year in question. It should be noted that the amount designated for insurance must be taxed whether the pastor has secured the health insurance independently or through the government-operated Health Care Exchange. Further, the pastor should not submit nor should the church require documentation of the pastor's individual health insurance premium costs.
- 2.) A pastor's wife has health insurance through a *group* plan at her employment and her company pays the entirety of her premium. Such amounts paid by her company are not taxable income to her since she is covered by a *group* plan that meets the requirements of the Affordable Care Act. In addition, her company offers full family coverage but the employee must pay the difference between the company provided employee group coverage and the family coverage premium. If the pastor's church offers to pay the additional \$500 per month to cover the pastor and the pastor's children, the \$500 per month is taxable income to the pastor. If documentation of the costs is requested or submitted, the church may be subject to the penalties discussed earlier.

As noted above, IRS Notice 2013-54 took effect January 1, 2014 (but implementation was delayed until July 1, 2015). Therefore, currently any additional amounts paid by a church to a pastor or staff member for that person's individual health insurance plan must be treated as taxable income. Treating such amounts as taxable income means that the amounts are subject to federal income taxes, state income taxes, and self-employment taxes (Social Security and Medicare taxes). Using example one above, and assuming a 20% federal income tax bracket, the pastor would be subject to federal income taxes of \$2,000 on the additional \$10,000 paid towards his health insurance, plus SECA taxes of \$1,530, as well as any state income taxes.

Because the Affordable Care Act has converted the policy premium payments from pre-tax to after-tax funds for individual health insurance plans, a minister stands to lose forty or so percent of this benefit that was previously considered a fringe benefit, assuming state taxes are due.

As these rules took effect, the conversations with Congress, the U.S. Department of Treasury, the U.S. Department of Labor, and the Internal Revenue Service continued as we tried to eliminate this onerous burden created by the Affordable Care Act. However, those efforts have been unsuccessful, and in fact, the most recent guidance has made the impact of the Act even

more challenging. The Internal Revenue Service continues to contend that the new procedure is necessary to prevent “double dipping” from a person receiving insurance premiums paid with pre-tax dollars and also claiming the “premium tax credit” available under the Affordable Care Act.

Therefore, the bottom line is that churches may no longer reimburse employees for, or directly pay, the cost of *individual* health insurance policy premiums with either pre-tax or after-tax dollars. If the church wants to assist a pastor or staff member in paying for their individual health insurance policy costs, the church may raise the person’s salary, the church may not request or receive documentation of the premium costs, and the church must include such additional compensation in the employee’s gross income.

“Group Plan” Exception

Although there was much discussion about eliminating such, employers (and churches) are still allowed to provide a group health insurance plan for all employees and pay the premiums for such, without creating tax liability for the employees. For such not to create tax liability for the employee, the group health plan must be offered to all qualified employees. An employee may decline coverage because of coverage elsewhere but the group plan must be offered to all.

If the group plan is offered to all employees, premiums paid for the health insurance by the employer are not taxable income to the employee, creating an exception to the new rules of the Affordable Care Act.

“Group of One” Exception

The original notice dealing with the Affordable Care Act ([Notice 2013-54](#)) contained an interesting exception to the prohibition against reimbursing *individual* health insurance premiums under an employer payment plan, dealing with an employer/church which has “less than two employees.” Many refer to this exception as the “group of one” exception.

Under the “group of one” exception, if an employer/church has only **one employee**, the church can continue reimbursing health care premiums on a **pre-tax** basis. If the church qualifies for this exception, the church may still reimburse the employee’s health care premiums and the reimbursement may continue to be a pre-tax benefit and not included in the employee’s W-2 compensation. It is as though the church has a group plan for just one person.

Since the provision creates an exception if the employer/church has “less than two employees,” the issue has been raised regarding the applicability of this exception if the church has a full-time pastor, and a part-time secretary or a part-time janitor. While there is no clear guidance on this issue, it seems logical that one full-time person and a part-time person would be “less

than two employees.” However, if in this situation health insurance was reimbursed for the full-time pastor and not for the part-time secretary, it is assumed that such would create a discriminatory violation under the law that could bring other penalties. Therefore, without specific guidance from a benefits specialist well versed in the applicability of the Affordable Care Act, it is suggested that the “group of one” exception only be used if you have ONLY one employee.

Health Insurance Now

In the *Minutes* previously discussed, churches are encouraged to pay the entire premium for the minister’s health insurance. While the Affordable Care Act now prohibits the church from making such payments directly or reimbursing the pastor for such (unless the pastor is a part of a group plan or fits under the “group of one” exception) before taxes, the church may still increase the pastor’s salary with an additional amount to provide “assistance” to him in securing insurance. However, if the resources are not available in the local church to increase the pastor’s salary to cover all his insurance costs, the church should consider increasing the pastor’s salary as much as possible to assist him in providing insurance for the pastor and his family.

While the church may take into consideration the pastor’s insurance costs in setting his total compensation, the church should not seek documentation from the pastor of those costs nor should the pastor provide to the church documentation of those costs. As with any salary increase, a resolution should be entered on the local church records to memorialize such, but such should only state, at the most, that the pastor’s salary is being increased to “assist” him and his family in obtaining health insurance. There should be absolutely no mention of reimbursement of health insurance premiums.

Medical expenses of the pastor may be deductible on Schedule A as an itemized deduction. Of course, medical expenses that are reimbursed under a health insurance plan cannot be deducted as medical expenses on an individual’s tax return.

Tax Reporting of Health Insurance Premiums

Simply put, the payment of health insurance premiums for the minister or a church-related employee under an *individual* policy are now completely taxable – and therefore must be included as a part of Box 1 income on the minister’s IRS Form W-2. Only premium payments made towards a *group* health insurance plan, or where the pastor is the only employee, can still be made with pre-tax dollars and considered as a fringe benefit.



Health Reimbursement Arrangements

Even under the best insurance plans, there are going to be some charges not covered either because they do not fall under the coverage of the policy or because they are subject to a deductible or a co-payment provision in the insurance policy. These costs can be substantial after a major surgery or dental procedure. While medical costs can be claimed on Schedule A, only the amount that exceeds 10% of the minister's adjusted gross income actually becomes a deduction. Therefore, these costs come out of the pocket of the minister.

To fill this void on unreimbursed expenses, some churches have set up Health Reimbursement Arrangements (HRA) as a fringe benefit to provide assistance to their employees who fall in this gap. HRAs are a technical creation of the IRS and are set up under Section 105(b) of the Internal Revenue Code. Professional assistance from a CPA or an attorney is not only advisable but is critical in creating such a plan. The *Zondervan Minister's Tax & Financial Guide* is an informative source of information on health reimbursement arrangements.

As a general rule now under the Affordable Care Act, employer/churches may **only** offer a Health Reimbursement Arrangement if the HRA is integrated with a *group* health insurance plan (and not with *individual* insurance plans). [NOTE: Legislation was pending at the time of publication to hopefully address this issue.] Further, a valid HRA requires a written plan or procedures manual, all employees must be allowed to participate in such (not just the pastor if there are other employees, although it seems probable that a distinction could be made between full and part-time employees), the HRA must provide a maximum dollar amount of coverage (for example, \$2,500 a year), the church/employer must fund the HRA and not the employee through salary reduction, and the plan document may allow for money not used in one year to carry forward to the next. However, if a person has the right to receive cash under the plan without such being a reimbursement, the entire HRA is disqualified and all benefits paid out of such becomes taxable.

HRAs offer additional benefits in that they can be used to reimburse expenses not normally covered under health insurance policies, such as laser eye surgery, chiropractic care, or the extra cost of a private hospital room.

While a Health Reimbursement Arrangement is not for every minister or every church, if the church has a *group* health insurance plan, it is a fringe benefit that can be of great benefit to a minister and other church-related employees.

Tax Reporting on Health Reimbursement Arrangements

If the Health Reimbursement Arrangement is properly created and administered in conjunction with a *group* health insurance plan, reimbursements from such are not considered wages for federal income tax purposes or for Social Security purposes. Therefore, such do not appear on

the minister's IRS Form W-2. Before making steps to create a Health Reimbursement Arrangement for a church, the treasurer should seek professional advice and assistance.

Health Savings Accounts

If you have a high-deductible health insurance plan (HDHP), the Tax Code allows you to have a Health Savings Account (or "HSA"). Funds placed into a HSA can come from the employee and/or the employer (while contributions to the Health Reimbursement Arrangements discussed above come solely from the employer). Funds contributed to an HSA are made with pre-tax dollars and further, there are no taxes owed when the funds are spent, as long as they are spent on qualified health expenses that appear on the IRS approved list.

If Health Savings Account funds are spent on non-approved items, you are not only responsible for the tax on the amount spent but you will be subject to a 20% penalty as well.

While a Health Savings Account can only be used by those ministers with a high-deductible health insurance plan, the accounts can be a substantial benefit.

Tax Reporting on Health Savings Account

If paired with a high-deductible health insurance plan, and if expenditures from such are made on qualified health expenses, the contributions to an HSA and the payments from such are made without tax consequences. However, it should be noted that there is a tax reporting of Health Savings Account – and such accounts should be set up with assistance from a reputable provider.

Social Security/Medicare Reimbursement

As mentioned earlier, a minister has a dual tax status: he is an employee for federal income tax purposes, but he is self-employed for Social Security/Medicare purposes. Further discussion on this issue is found elsewhere in this document. Due to the minister's status as self-employed for Social Security/Medicare purposes, he is required to pay the self-employment tax of 15.3% on his wages. In a regular employment relationship, the employer would pay half (7.65%) and the employee would pay half (7.65%) through withholdings. This division of liability is how the treasurer is required to treat all non-ministerial employees.

Recognizing the inequity of the dual tax status, the *Minutes* of the Church of God General Assembly suggests that the local church pay at least "one-half of the pastor's Social Security tax." These payments basically put the minister in the same position as any other employee. There is one exception – the payments are taxable for income and Social Security/Medicare tax purposes whether they are paid directly to the minister or to the Internal Revenue Service.

Therefore, an allowance to cover half of the minister's self-employment tax provides absolutely no tax benefit since the amount is fully taxable. However, paying at least a portion of the minister's Social Security/Medicare tax is important so this amount can be properly shown as a fringe benefit for compensation analysis purposes.

Tax Reporting on Social Security/Medicare Reimbursement

Any payments made by the church for reimbursement of any portion of the minister's Social Security/Medicare tax liability, whether they are paid directly to the minister or to the IRS, are taxable for federal income tax purposes and Social Security/Medicare tax purposes. Although such payments are considered a "fringe benefit," they are included in the minister's taxable compensation. Therefore, they are included in Box 1 income on the minister's IRS Form W-2.

MINISTER'S COMPENSATION WORKSHEET

A good compensation package from the church should benefit the minister on his personal budgeting, as well as his tax liability. The church treasurer can use the *Worksheet for Minister's Compensation* (see Attachment H) to summarize on one form the minister's entire compensation package. By using this simple form, the minister can determine quickly and accurately what his tax liability will be for the year. This information is absolutely essential for the minister who files estimated tax payments quarterly.

The first part of the *Worksheet on Minister's Compensation* includes all that goes into a compensation package – salary, parsonage or housing allotment, accountable reimbursements, and other fringe benefits. The total derived here determines exactly how much it will cost the church to have the minister on staff. This number is essential to the church in planning and budgeting for a new year.

The second part of the *Worksheet on Minister's Compensation* allows the minister to determine how much of his compensation package will be taxable. While this information is not as important to the church, it is vitally important to the minister as he tries to ensure that he is meeting his tax liability obligations. Also, this analysis allows the minister to determine what amounts he can contribute to his retirement plan through a salary reduction agreement.

Attachment F
WORKSHEET FOR MINISTER'S COMPENSATION
(Complete and complete a separate sheet for each minister.)

Name of Minister	Parsonage	Rate
I. PASTOR'S MINISTERS' COMPENSATION (See Minister's Exemption)	Actual (From Part I)	Proposed (From Part I)
II. PARSONAGE - Housing Allowance (Include all amounts in excess of \$100 per month of parsonage)	\$ _____	\$ _____
III. ACCOUNTABLE REIMBURSEMENTS (Include amounts that are designated for ministerial-related expenses in addition to salary)	\$ _____	\$ _____
IV. FRINGE BENEFITS		
1. Retirement Plan Contributions	\$ _____	\$ _____
2. Medical Insurance	\$ _____	\$ _____
3. Social Security Reimbursement	\$ _____	\$ _____
4. Other	\$ _____	\$ _____
V. SUMMARY: Total Compensation Package	\$ _____	\$ _____
TAXABLE COMPENSATION		
Total Compensation	\$ _____	\$ _____
Less: Housing Allowance (See Part I, Line II, and Part II, Line I)	\$ _____	\$ _____
Less: Accountable Reimbursements (See Part I, Line III, and Part II, Line I)	\$ _____	\$ _____
Less: Fringe Benefits (include III)	\$ _____	\$ _____
Total Reportable Compensation	\$ _____	\$ _____
Less: Retirement Plan Contributions (If salary reduction agreement)	\$ _____	\$ _____
TAXABLE COMPENSATION (Report on Form 990-B)	\$ _____	\$ _____

(Revised 10/10)

CHURCH TAX REPORTING REQUIREMENTS

Up until this point, this manual has concentrated primarily on the church treasurer's responsibilities in relations to the minister and his complicated tax status. However, the treasurer has many other duties beyond dealing with the compensation packages of the minister or church-related staff. Some of those duties and responsibilities will be set out here.

There are a number of reporting requirements that are often neglected in many local churches. Failure to file these in a timely manner or failure to comply with the requirements can result in penalties assessed by the IRS or other government agencies. The church treasurer should be aware of these requirements and make sure that they are met. The *Church as a Taxpayer Manual*, available free at www.benefitsboard.com, further addresses these issues. As a resource guide, each church treasurer should also have an updated version of the annual *Church and Clergy Tax Guide*, written by Richard Hammar and published by Christian Ministry Resources. For a fee, the *Church and Clergy Tax Guide* is available from the Benefits Board.

Employer Identification Number

The church treasurer should ensure that the church has a valid Employer Identification Number, commonly called an EIN. If there is no EIN, the treasurer should apply for such by using IRS Form SS-4. The treasurer should be aware that the EIN is not a tax exemption number. It merely identifies your church as an employer subject to tax withholding and reporting, and ensures that your church receives proper credit for payments of withheld taxes. The EIN is also used to reconcile a church's deposits of withheld taxes with the W-2 forms it issues to employees. Without an EIN, tax deposits cannot be made.

The Internal Revenue Service allows churches (and other businesses) to obtain identification numbers directly [online](#). After the appropriate representative (generally the church treasurer) completes an application form online, the system issues an employer identification number (EIN) that may be used immediately. The web-based application process eliminates the need to send paperwork to the IRS as well as the delay in issuing a number that may result from an incomplete application form. Once a church has its EIN, it can file tax returns and may enroll in the [Electronic Federal Tax Payment System](#) to handle its payments most efficiently.

Employer Identification Number Update – IRS Form 8822-B

Every church is required to have an Employer Identification Number (EIN) to open a bank account, put on IRS Form W-2 for their pastor and employees, and to transact other business. To get an EIN number for the church, assuming that you do not have one, a "responsible party" must complete a Form SS-4 or use the IRS electronic application form discussed above.

Since 2010, the application for an EIN number has required the name and Social Security number of the “responsible party” making the application. A “responsible party” is defined as a person who has a level of control over the funds or assets of the entity. For a church, a “responsible party” would be the pastor, church treasurer, or maybe even a board member.

As you might imagine, the “responsible party” often changes in a church situation due to a number of reasons, including resignation and death – and further, prior to 2010, the IRS did not have information about a “responsible party” listed on the EIN applications. To address this issue and to maintain a contact person – or a “responsible party” – for each EIN issued, the Internal Revenue Service has adopted an entirely new requirement to alleviate this problem.

After January 1, 2014, any entity with an EIN must file [Form 8822-B](#) to report the latest change to its “responsible party.” [Form 8822-B](#) must be filed **within 60 days** of the change. If the change in the identity of the “responsible party” occurred before 2014, and the church has not previously notified the IRS of the change, you should have filed [Form 8822-B](#) before March 1, 2014.

The following suggestions are offered:

- 1.) Any church that received an EIN number prior to 2010 should complete a Form 8822-B *immediately* so that the IRS has a “responsible party” on file for the church.
- 2.) Any church who obtained an EIN since 2010 and has had a change in the “responsible party” should file a Form 8822-B *immediately* to name a new “responsible party.”
- 3.) Any church, regardless of when you received your EIN and you do not know if a “responsible party” was listed, should file a Form 8822-B *immediately* to name a new “responsible party.”
- 4.) If you believe that a former pastor may have been the “responsible party” listed on the EIN application, you should file a Form 8822-B *immediately* to name a new “responsible party.”

It actually may be good practice to consider filing a [Form 8822-B](#) going forward every time that your church has a pastoral change. Again, going forward, the Form 8822-B must be filed within 60 days of a change in the “responsible party.”

There is currently no penalty for not updating the name of the “responsible party.” However, if the Internal Revenue Service does not have proper contact information, the church may not receive timely notices of deficiencies or demands for taxes from the IRS, and such may lead to penalties and additional interest charges.

While completing the [Form 8822-B](#) is a requirement from the Internal Revenue Service, following through with such should keep the church adequately informed about tax matters impacting them.

Tax Exempt Status – Federal Exemption

As previously mentioned, an EIN number for a church is not a tax exemption number. Section 501(c)(3) of the Internal Revenue Code confers tax exempt status to churches and church-related organizations. To obtain recognition under section 501(c)(3), an entity generally has to make application to the IRS. However, churches do not have to do anything to receive tax exempt status. Churches just have to follow the provisions of Section 501(c)(3) to get the benefits of that provision. In addition though, the Code provides for a “group exemption” for those “subordinate organizations” under the control of a “central organization” that has received exemption under section 501(c)(3). The Church of God International Offices, Cleveland, Tennessee, has received a group exemption letter from the IRS. Therefore, any church that is affiliated with, and under the auspices of, the Church of God, Cleveland, Tennessee, is covered under the group exemption letter. While a church may want to seek recognition separately as a tax-exempt entity under section 501(c)(3), such is not required, and is not encouraged, as long as the church remains affiliated with the Church of God denomination.

The 501(c)(3) status only makes the church exempt from paying income taxes on the income of the church. The status does not prohibit employees of the church from being taxed on their income from the church, nor does it prohibit the church from being subject to state sales tax and state and local property taxes. Those matters are separate and distinct from the exempt status. Also, as a word of caution, churches that operate schools may also have to take additional steps to maintain their tax-exempt status.

Tax Exempt Status – State Sales Tax

Many states exempt sales either to or by religious organizations from state sales taxes. Others only exempt sales made by the church. And in some states, churches are not exempt at all from state tax liability. The church treasurer must determine how sales taxes are treated in regards to churches in his or her state. If a state sales tax exemption is available, generally application must be made to get a tax-exempt number or letter from the state tax commission. In the course of a year, substantial savings can be had by a church if they can obtain exemption from state sales taxes.

Tax Exempt Status – Property Taxes

As for property taxes, a separate exemption process also must be followed. Just because the church is exempt under section 501(c)(3) and possibly under the state sales tax laws does not make it exempt under the local property tax laws. Generally, an application for exemption must be filed with the local property taxing entity or entities. In some jurisdictions, this exemption request only has to be filed once and it remains in effect until the church ceases to exist.

However, some jurisdictions require that the property tax exemption be filed annually, or on some other regular basis. If such is not filed, then the property of the church appears on the tax rolls and will be taxed at the set rate. The treasurer should be mindful that the request for exemption from property taxes may have to be filed with every entity that has taxing authority, i.e. the city, the county, the fire district, etc.

All the church-owned property may or may not be exempt from the taxes levied by these different property taxing authorities. The taxing authority may exempt some property and not other based upon the use and purpose of the property. The church building proper will almost always be exempt from property taxes. However, depending upon the jurisdiction, parsonages, recreation facilities, and unimproved land may be subject to taxation. The treasurer must work with the taxing authority to clarify the application of the property taxation laws to church-owned facilities.

Employees vs. Independent Contractors

Before proper records can be established and tax payments withheld, the church treasurer must determine whether each church worker is an employee or a self-employed independent contractor. Many churches make the mistake of classifying workers as self-employed who are in reality employees of the church. Most of the time this leaning toward classification as self-employed is based upon the fact that the church does not want to go through the “hassle” of withholding taxes from the worker’s wages. This practice is dangerous since there are substantial penalties for mis-classifying employees as self-employed independent contractors.

There are many different considerations and tests that are used to determine whether a worker is an employee or a self-employed independent contractor. However, the IRS suggests that the following factors tend to indicate employee status, rather than self-employed status:

- a. the worker is required to follow an employer’s instructions regarding when, where, and how to work
- b. the worker receives “on-the-job” training from an experienced employee
- c. the worker is expected to perform the services personally, and not use a substitute
- d. the employer rather than the worker hires and pays any assistants
- e. the worker has a continuing working relationship with the employer
- f. the employer establishes set hours of work
- g. the worker is expected to work full time
- h. the work is done on the employer’s premises
- i. the worker must submit regular oral or written reports to the employer
- j. the worker’s business expenses are reimbursed by the employer
- k. the employer furnishes the worker’s tools, supplies, and equipment
- l. the worker does not work for other employers
- m. the worker does not advertise his or her services to the general public

Not all of these factors must be present in order for a worker to be an employee. But if most of them apply, the worker is an employee, rather than a self-employed independent contractor. From just a cursory review of this list, it is obvious that most church workers will be considered as employees of the church. The simple rule of thumb is that if in doubt, treat the worker as an employee.

Payroll Taxes

Once employee status has been determined as discussed above, the treasurer must then withhold Payroll Taxes (income taxes and employees' share of FICA taxes) from each payroll check. To determine how much should be withheld from each paycheck, each employee should fill out IRS Form W-4. This form is used by the employee to claim withholding allowances. After reviewing their compensation packages, the treasurer must determine the wages of each employee that are subject to income, Social Security, and Medicare taxes. As discussed earlier, because of their "dual tax status" ministers are not subject to payroll tax withholding.

Taxable compensation includes at least the following:

- salary
- bonuses
- Additional salary payments to assist in payment of health insurance costs
- Christmas and special occasion "love" offerings
- retirement "gifts"
- personal use of a church-owned vehicle
- purchases of church property for less than fair market value
- imputed interest on no-interest and low-interest church loans
- most reimbursements of a spouse's travel expenses
- forgiven debts
- non-cash compensation

The above list is not inclusive. Additionally, the treasurer should be aware of the items that are not considered as taxable compensation, such as reimbursement under an accountable plan. Those items are discussed at length elsewhere in this manual.

Once the treasurer determines the taxable compensation, he or she must then withhold the appropriate income taxes, Social Security, and Medicare taxes. IRS Publication 15 will assist the treasurer in determining the amount of taxes to be withheld and how to do so.

Once the taxes have been withheld, the church treasurer must deposit the taxes he or she withholds and must file IRS Form 941 quarterly. Failure to do either of these steps can result in serious penalties and interest payments being incurred.

Once the year has been completed, the church treasurer must prepare a W-2 form for every employee, including credentialed ministers. The W-2 form must be supplied to the employee by January 31 of the year following the tax year (i.e. by January 31, 2027 for tax year 2026). By

that same date, the treasurer must submit copy “A” of all W-2 forms to the Social Security Administration, along with the W-3 transmittal form.

Form 1099

The church treasurer must provide IRS Form 1099-NEC to any *non*-employee cumulatively paid more than \$2,000.00 in the year (increased from \$600 to \$2,000 for wages paid on or after January 1, 2026). In general, the church treasurer must issue a 1099 form to an individual if all of the following four conditions are satisfied:

- the church is “engaged in a trade or business” (includes non-profits)
- the church pays the person \$2,000 or more during the calendar year
- the person is self-employed, rather than an employee
- the payment is in the course of the church’s “trade or business”

For an example of a completed Form 1099-NEC, *see Attachment C*. As previously noted, the treasurer should provide evangelists with a Form 1099-NEC, rather than a Form W-2, if the amount exceeds \$2,000. It should be noted that a church treasurer does not have to provide an incorporated ministry (Phil Pulpit Evangelistic Ministries, Inc.) with a Form 1099 if the revival receipts/love offerings were made payable to that incorporated ministry. A Form 1099 also does not have to be provided to other incorporated entities that provide services, such as janitorial or landscaping service.

Unemployment and Workers’ Compensation

In addition to the above federal requirements, the church treasurer should research the requirements in his or her respective state concerning Unemployment contributions and Workers’ Compensation Insurance. Generally, for federal purposes, a church will be exempt from unemployment contributions. Separately incorporated church-run schools, however, may not be exempt. Legal guidance should be sought to determine whether the church-run entity must participate in the unemployment insurance program.

Workers’ compensation programs are subject to state laws so they will vary based upon your location. However, it is safe to assume that most states do not exempt churches or church-related entities from worker’s compensation. The church treasurer should investigate worker’s compensation laws with the church’s legal counsel and coverage from the church’s insurance carrier. Due diligence should be taken to ensure that the church is properly covered in case of a workers’ compensation claim.

REPORTING ON CHARITABLE CONTRIBUTIONS

As non-profit organizations, charitable contributions made to the local church entitles the donor to a tax deduction. However, in order for the contributions to be included in the donor's deductions, the church must satisfy certain requirements of law and regulations of the Internal Revenue Service. Charitable contributions can be cash, as well as non-cash gifts.

Written Acknowledgment

For a donor to claim a tax deduction on any single gift over \$250.00, the church must provide written acknowledgment of the gift to the donor. The substantiation requirements vary according to the type of gift (i.e., cash, property, personal items). However, individual cash contributions of \$250 or more must receive a written acknowledgment. The law specifies that a written acknowledgment must include the following information:

- a. The donor's name (a social security number is not required).
- b. Value of any goods or services provided by charity - the statement must indicate whether or not the church provided any goods or services to the donor in exchange for the contribution, and if so, the statement must also include a good faith estimate of the value of those goods or services.
- c. If the church provides no goods or services to a donor in exchange for a contribution, or if the only goods or services the church provides are "intangible religious benefits," then the receipt must contain a statement to that effect.

The written acknowledgment from the church is required to be in the donor's possession prior to the donor claiming the deduction. To facilitate giving, the church treasurer should attempt to have all year-end donor statements out by no later than the end of January. Interim quarterly statements are helpful for donors to track their giving. However, the year-end statement should be comprehensive with at least the above information included.

Examples of written acknowledgements are included for use or guidance for the church treasurer:

Attachment I – This charitable gift receipt can be used to acknowledge any absolute monetary gift where no goods or services were provided by the church to the donor in exchange for the gift. This type of receipt is used when the donor makes a straight monetary donation to the church.

Attachment J – This charitable gift receipt can be used to acknowledge gifts where goods or services were provided by the church to the donor in exchange for the gift. This type of receipt is used where the donor receives some type of goods or services (e.g. a Study Bible or a painting) from the church in exchange for his charitable donation.

Attachment K – This charitable gift receipt can be used as a comprehensive year-end acknowledgement to show all absolute gifts made to the church where no goods or services were provided by the church to the donor in exchange for any of the gifts.

Attachment L – This charitable gift receipt can be used as a comprehensive year-end acknowledgement to show all gifts made to the church including those where goods or services were provided by the church in exchange for certain gifts.

Again, these attachments are just examples of what should be included in an acknowledgement to a donor under different circumstances. However, the church treasurer should be careful to include the key words contained in these receipts, especially the words that “you may have also received goods or services consisting solely of intangible religious benefits, but these benefits do not need to be valued for tax purposes.” Words to this effect will ensure that the donor is credited for contributions such as tithes, offerings, building funds, etc., even though he or she may benefit from funds donated to the church.

Gifts Under \$250

Most church treasurers and donors are familiar with the law concerning substantiation of gifts given to churches that are *in excess of* \$250, as discussed immediately above. As noted, if a donor gives any one gift that is in excess of \$250, the church must provide a receipt to the donor for the gift before the donor can claim such as a charitable contribution on his or her tax return. The receipt can be provided contemporaneous with the gift or the church can provide a regular accounting of all gifts over \$250 (as well as other gifts) once a year or once a quarter. For gifts under \$250, the church has previously not been required to provide substantiation of the gift, even if the combination of all the gifts exceeded \$250. For gifts under \$250, the donor has been able to use their own records to substantiate those gifts. However, effective January 1, 2007, substantiation of gifts under \$250 changed.

The Pension Protection Act of 2006, among other things, provided that no charitable deduction is allowed after January 1, 2007 for **any** contribution unless the donor maintains as a record of such contribution a bank record or a written receipt from the church showing the name of the church organization, the date of the contribution, and the amount of the contribution. Simply stated, this provision did not change the substantiation requirement for contributions in excess of \$250. Those gifts must still be substantiated by an appropriate receipt from the church, and a cancelled check is not sufficient. However, for gifts less than \$250, for the donor to be able to claim such as a charitable contribution, he or she must have either a cancelled check showing the donation or a written receipt from the church denoting the gift.

Because of this change, instead of placing a few dollars in the collection plate, donors may want to write a check even for their smaller donations. The other option is for the local church to

record by donor all cash contributions made through the church “envelope” system. Of course, this places more pressure on churches to maintain accurate records of contributions of all sizes, not just those over \$250. Again, this provision is effective for any contribution made after January 1, 2007.

Saving Tithe Envelopes

There are always many questions about how long tithe envelopes should be saved by a church. The general rule is that churches should save tithe envelopes for at least three and a half years. However, if you place the donors on notice that you are destroying those records, you may be able to get rid of them earlier. It is suggested that when the church sends out charitable receipts that a note be added that says something to the effect of “all contributions contained herein were recorded off of your checks or tithes envelopes. If you find mistakes, please advise us immediately because the tithe envelopes will be destroyed in 90 days from the date of this statement.” Then it is suggested that the church hold the envelopes for well past the 90 days – and then destroy them. By taking this approach, the church has given the donor notice of their charitable contributions, the church has held the envelopes for a period of time to validate the contributions, the church has given the donor notice that it is going to destroy the envelopes, and then the church has done just as promised.

It is suggested that you create a policy manual that contains the church’s process for disposing of these old tithe envelopes, based upon this or a similar system – and then the church follow it. As long as your “system” is reasonable and you follow your own system, the church should not have any troubles with the Internal Revenue Service.

Designated Gifts

If contributions are designated to specific individuals, no deduction ordinarily is allowed unless the church exercises full administrative control over the donated funds to ensure that they are being spent in furtherance of the church’s exempt purposes. This rule is quite complicated and requires careful scrutiny by the church treasurer and other responsible parties. Simply attempting to funnel a personal gift to an individual (whether clergy or not) through the church books to obtain a tax deduction is not legally valid.

Of course, designated giving for missions or the church’s building program, for example, is appropriate. The problem arises when the donor tries to use the church as a funnel through which he or she makes a gift to a designated individual, regardless of how needy or worthy the recipient may be. The church treasurer will encounter this issue when the donor approaches him or her and states that they want to help a particular person in the church, possibly even the pastor. The donor’s intention is to make a donation to the church that is in turn passed on to the intended recipient. The donor often wants to make the gift through the church so that he or she can claim a tax deduction for the gift. Unless the donor is fully aware that the church can

redirect the “gift” to other needs and accepts that fact, the “gift” should not be accepted. While the church governing body may very well agree to fund the intended need specified by the donor, the church must exercise complete control over the gift to ensure that the gift is properly taken and disbursed.

Taxation of Designated Gifts

Any designated gift that passes through the church becomes taxable to the recipient. This issue often arises when the church decides to help a person or family in need. The most likely response is to take an offering for the person, allowing the donors to make their checks payable to the local church, with the church then presenting one church check to the intended recipient. Even though this effort was intended to be a benevolent gift to the recipient, it becomes a taxable gift. There is a possibility that the taxation issue can be overcome if the church official receiving the offering advises the potential donors to make their checks payable to the intended recipient and specifically states that the gifts will not pass through the church’s books and therefore will not be eligible as a charitable deduction.

A simple rule of thumb is if a person has reason to believe that they can claim their gift as a charitable deduction, it is taxable to the recipient. This idea is discussed at length above under *Reportable Income for the Minister*.

Non-Cash Gifts

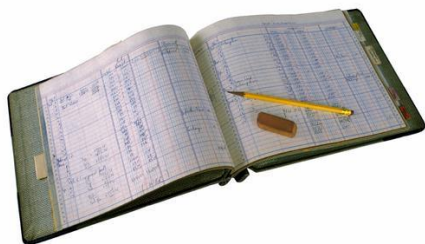
The giving of items other than cash is unique and therefore most non-cash gifting should be completed only after consulting a tax professional. However, it is important for the church treasurer to understand the basic rules of non-cash gifts so that he or she can at least provide basic guidance to the donor.

If a donor’s total deduction for all non-cash contributions is more than \$500, the donor must fill out Section A of IRS Form 8283. If the donor makes a contribution of non-cash property worth more than \$5,000, generally an appraisal must be done. In that case, the donor must also fill out Section B of Form 8283. Form 8283 is attached to the donor’s tax return. For any non-cash contribution of \$250 or more, the donor can claim a deduction only if the church treasurer provides written acknowledgement on behalf of the church. If the church is given a non-cash gift of any size, the treasurer should review IRS Publication 526 to assure that he or she has complied with the applicable rules and regulations concerning the acceptance of such gifts.

Documentation of Non-Cash Gifts

The treasurer should be aware of the following documentation rules concerning non-cash gifts:

Value of Each Gifted Item is between \$0 and \$250 - The donor should log the details concerning the gift to validate the contribution. The donor should note the date, list of items, estimated value of the item in its present condition, and the name and address of the church that received the item. The church treasurer should acknowledge in writing the non-cash contribution.



Value of Each Gifted Item is between \$250 and \$500 - The donor should obtain a receipt from the church that confirms the date, items and value based on either the utility use by the church or the amount that the church believes they can receive from the sale of the item. The church should acknowledge the receipt of the items in writing – but should not set a monetary value on the items given unless a clear market value is known or can

be determined. The treasurer should remember that churches are not appraisers. If non-cash gifts are given, the church or the donor should secure a qualified appraiser to determine the value of the item before credit is given.

Value of Each Gifted Item is between \$500 and \$5,000 - The donor must file an IRS Form 8283, completing Section A, as an attachment to his tax return. The form should be prepared at the time of the gift by the donor's tax professional. The church receiving the item must confirm the receipt and value of the gift. Again, the church should acknowledge the receipt of the items in writing – but should not set a monetary value on the items given unless a clear market value is known or can be determined.

Value of Each Gifted Item is \$5,000 or over - The donor must file an IRS Form 8283, completing Sections A and B, as an attachment to his tax return **and** have an appraiser sign the form to validate the value of the gift. The church treasurer is also required to acknowledge receipt of the donation by signing Form 8283. The donor's tax professional will prepare and attach this document to the donor's tax return.

Additional information on non-cash gifts should be obtained by contacting the church's local accountant before accepting such from the donor.

Donated Services

There may be occasions where a person will donate “services” to the church and seek a deduction for the value of those services. The church treasurer should be aware that there is no provision in the Internal Revenue Service regulations for the deduction of donated services. A donor may provide the gift of free custodial services, lawn care, plumbing, repairs, construction, legal services, or even ministry, to name a few. However, the amount and value of the donated time and services are not deductible.

To create a clear paper trail, the church should pay for all services rendered. With the money paid, the person receiving such can then donate that amount back to the church and get a charitable deduction for the amount donated. While this process may seem to require additional steps, it does allow the donor of services to be able to claim a charitable deduction.

AUDITING THE “BOOKS” OF A LOCAL CHURCH

The *Minutes* of the Church of God General Assembly makes no recommendations whatsoever to the local church concerning when, or if, the local church should be audited by an outside firm. Historically, very few churches have had a regular audit, including even the larger churches in the country. Most churches that have had audits in the past were basically forced into having such by a lender who required that the financials of the local church be certified.

Although not the best measurement, a rule of thumb to apply is that any church with total receipts over \$1 million a year should consider having a regular audit. A “regular audit” is a full receipts and disbursements audit at least every three years with cursory reviews made by the outside firm during the off years. For all churches below the \$1 million mark, an internal audit should be done annually by the Board of Elders/Church Council with the assistance of a person knowledgeable about accounting practices.

For those churches that are interested in hiring an outsider to conduct the audit, the best procedure is to do a formal “request for proposal” and send such to all the local and area accounting firms that conduct audits. In the “request for proposal,” the church should be looking for the following things at least:

- Firms that are capable of providing a cash receipts and disbursements audit (and a review of controls and procedures of all cash accounts) of the local church, including all the entities that operate under the jurisdiction of the church, including but not limited to children and youth ministries, Sunday School classes, choir ministries, and designated funds.
- Firms that have audited 501(c)(3) organizations, and specifically 501(c)(3) churches. Specific expertise, while not mandatory, is certainly helpful.

- Firms that have had previous dealings with a non-incorporated religious entity, or incorporated religious entities, depending upon your status.
- Firms that are in close proximity to your church (no more than 50 to 100 miles away) since the “source” documents will be on-site at your facilities. Allowing primary “source” documents out of your custody, even when taken by an accounting firm, is generally not recommended. In addition, having an accounting firm close by saves on costs since generally travel costs, copying costs, and mailing costs are not included in the base bid made by the accounting firm.
- Firms should be required to submit their proposal (bid) in writing. They should only bid on the year in question. If you are only going to have a full audit conducted every three years with informational reports done during the intervening years, the bid should be predicated on the fact that the firm will be retained to conduct the subsequent audits at a price to be negotiated at a later date. The firm will give a better bid if they know they are going to be retained for additional audits in the future. As an additional note, if the church does not require the audit to be conducted during tax season, primarily January through mid-April, the cost of the audit will drop substantially.

While there is no mandate by the *Minutes* that any local church must conduct an audit, it is a prudent financial decision for a cash receipts and disbursement audit to be conducted on a regular basis. An audit provides protection and coverage to the pastor, finance committee, and church council, but it also assures the contributors to the church that the finances of the church are being handled in a business-like manner.

Summary

Just as with the earlier versions of this manual, this document is not intended to be all-inclusive. There are many areas that have not been addressed and many others that have only been mentioned in passing. For instance, the manual makes no attempt to provide guidance on internal bookkeeping or on the more sensitive issue of an internal church audit. However, there has been an attempt to highlight some of the more critical issues and common omissions in regards to the work and office of the Church Treasurer in the local Church of God congregation. The position of church treasurer is extremely important. A conscientious treasurer can save the pastor and local church much grief and money. To be a good treasurer, he or she must stay informed. Therefore, each church treasurer is encouraged to obtain a copy of Richard Hammar's *Church and Clergy Tax Guide* annually or other similar guides to ensure compliance with all pertinent laws.

If you have any questions regarding issues raised in this manual, you may contact the Benefits Board. Our desire is to help each of you succeed in this important labor for the Lord!

The information in this paper is provided as a service by the Church of God Benefits Board, Inc. For more information, you may contact the Benefits Board as follows:

Benefits Board, Inc.
4205 North Ocoee Street
Post Office Box 4608
Cleveland, Tennessee 37320-4608
(423) 478-7131 local
(877) 478-7190 Toll-free
Web Site: www.benefitsboard.com
E-mail: info@benefitsboard.com

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Disclaimer: *Neither the Board of Directors nor the staff of the Benefits Board is engaged in rendering financial advice, legal advice, or other financial planning services. If such advice is desired or required, the services of a competent professional should be sought.*

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Attachment A

Sample Form W-4

Form W-4		Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Give Form W-4 to your employer. Your withholding is subject to review by the IRS.		
Step 1: Enter Personal Information	(a) First name and middle initial	Last name		(b) Social security number
	Phil B	Pulpit		
	Address			Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov.
	123 Broad Street			
	City or town, state, and ZIP code			
Cleveland, TN 37312				
(c) <input type="checkbox"/> Single or Married filing separately <input checked="" type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)				
Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, and when to use the estimator at www.irs.gov/W4App .				
Step 2: Multiple Jobs or Spouse Works Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4). If you or your spouse have self-employment income, use this option; or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate <input type="checkbox"/>				
Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)				
Step 3: Claim Dependent and Other Credits		If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 \$ 4,000.00 Multiply the number of other dependents by \$500 \$ Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here 3 \$ 4,000.00		
Step 4 (optional): Other Adjustments		(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ 1,000.00		
		(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ 		
		(c) Extra withholding. Enter any additional tax you want withheld each pay period . . . 4(c) \$ 90.00		
Step 5: Sign Here		Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete. <i>Phil B. Pulpit</i> Employee's signature (This form is not valid unless you sign it.) Date		
Employers Only		Employer's name and address Anytown Church of God 123 Praise Street Anytown, TN 45678	First date of employment 01/01/2024	Employer identification number (EIN) 98-7654321

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Cat. No. 10220Q

Form **W-4** (2024)



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Attachment B

Sample Form W-2

22222		a Employee's social security number 123-45-6789		OMB No. 1545-0008	
b Employer identification number (EIN) 98-7654321		1 Wages, tips, other compensation 40000.00		2 Federal income tax withheld	
c Employer's name, address, and ZIP code Anytown Church of God 123 Praise Street Anytown, TN 45678		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial Phil B.		Last name Pulpit		Suff.	
123 Broad Street Cleveland, TN 37320		11 Nonqualified plans		12a E 6000.00	
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b	
		14 Other		12c 12d	
f Employee's address and ZIP code					
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

2024

Department of the Treasury—Internal Revenue Service



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Attachment C Sample Form 1099-NEC

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Anytown Church of God 123 Praise Street Anytown TN 45678		OMB No. 1545-0116 Form 1099-NEC (Rev. January 2024) For calendar year <u>2025</u>		Nonemployee Compensation	
PAYER'S TIN 98-7654321	RECIPIENT'S TIN 123-45-6789	1 Nonemployee compensation \$ 2100.00			Copy 1 For State Tax Department
RECIPIENT'S name Phil B Pulpit		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>			
Street address (including apt. no.) 123 Board Street		3			
City or town, state or province, country, and ZIP or foreign postal code Cleveland, TN 37320		4 Federal income tax withheld \$			
Account number (see instructions)		5 State tax withheld \$	6 State/Payer's state no.	7 State income \$	

Attachment D

(HSG710)

Estimate of Housing Allowance for 20____

I, _____, certify that I am a licensed/credentialed minister of the gospel, and I estimate my housing cost for the calendar year of 20__ as follows:

- | | | |
|-----|--|----------|
| 1. | Rent | \$ _____ |
| 2. | Mortgage (including down payment) | \$ _____ |
| 3. | Real Estate Tax | \$ _____ |
| 4. | Insurance (home and contents) | \$ _____ |
| 5. | Repairs, Improvements, and Maintenance | \$ _____ |
| 6. | Household Furnishings and Appliances | \$ _____ |
| 7. | Decorator items (drapes, carpet, pictures, etc.) | \$ _____ |
| 8. | Utilities (electricity, gas, water, and sewage) | \$ _____ |
| 9. | Lawn Maintenance, Landscape, and Pest Control | \$ _____ |
| 10. | Any other allowance expense (Specify) | \$ _____ |

Estimated Total Annual Housing \$ _____

Allowance Amount per Month (1/12 of yearly total) \$ _____

I understand that the total allowance permitted is limited to 1) the fair market rental value of my home plus the cost of utilities and furnishings, 2) the amount I actually spend on housing, or 3) the amount designated by the church as ministerial housing allowance, WHICHEVER IS LESS.

Signature _____ Date _____

Adopted by the Board on _____

Attachment E

(HSG750)

Housing/Parsonage Allowance Exclusion Worksheet

A. Housing Allowance

Home Owned or Rented

The exclusion is limited to the least of:

1. Amount designated as housing allowance by Church _____

2. Amount actually used to provide a home:

Rent	_____
House Payments	_____
Furnishings	_____
Repairs	_____
Insurance, Taxes	_____
Utilities	_____
Other expenses	_____
(include down payment, interests, etc., but not food or servants or entertainment)	

3. Fair rental value of home, including furniture, utilities, and garage _____

B. Parsonage

Parsonage Provided

Fair Rental Value of Parsonage _____

Based on the above figures (either A or B), the amount of the minister's housing allowance excludible from income tax liability is _____.

The entire designated ministerial housing allowance is subject to self-employment tax unless the minister has "opted out" of Social Security or the minister is retired.

This form is taken from the IRS Audit Guidelines for Ministers (<http://www.irs.gov/pub/irs-mssp/minister.pdf>).



Attachment F

(TRS310)

Estimate of Accountable Reimbursement Expenses

NAME _____

YEAR _____

EMPLOYER _____

POSITION _____

(Please list only ministry related expenses)

- | | | |
|-----|--|----------|
| 1. | Car Miles _____ @ _____ cents | \$ _____ |
| 2. | Parking Fees and Tolls | \$ _____ |
| 3. | Meals and Entertainment | \$ _____ |
| 4. | Dues and Publications | \$ _____ |
| 5. | Office Expense | \$ _____ |
| 6. | Telephone Calls | \$ _____ |
| 7. | Business Gifts | \$ _____ |
| 8. | Depreciation on Equipment | \$ _____ |
| 9. | Conventions and Seminars | \$ _____ |
| 10. | Insurance on Professional Items | \$ _____ |
| 11. | Travel – Airline, Motels, Etc. | \$ _____ |
| 12. | Repairs to Equipment | \$ _____ |
| 13. | Audio and Video Cassettes | \$ _____ |
| 14. | Advertising – calling cards, ads, etc. | \$ _____ |
| 15. | Interest on Business Debts | \$ _____ |
| 16. | Other _____ | \$ _____ |

Estimated Total Yearly Business Expenses \$ _____

Allowance Amount per Month (1/12 of yearly total) \$ _____

I understand that all expenses, when submitted, must be substantiated as to the date, amount, and business purpose within 60 days after they are incurred and that any excess reimbursement must be refunded to the church within 120 days after expenses are paid or incurred.

Signature _____ Date _____

Adopted by the Board on _____



Attachment G

(TRS300)

Accountable Reimbursement Plan Ministry Related Expense Form

NAME _____

YEAR _____

POSITION _____

MONTH ENDING _____

(Please list only ministry related expenses)

- | | | |
|-----|--|----------|
| 1. | Car Miles _____ @ _____ cents | \$ _____ |
| 2. | Parking Fees and Tolls | \$ _____ |
| 3. | Meals and Entertainment | \$ _____ |
| 4. | Dues and Publications | \$ _____ |
| 5. | Office Expense | \$ _____ |
| 6. | Telephone Calls | \$ _____ |
| 7. | Business Gifts | \$ _____ |
| 8. | Depreciation on Equipment | \$ _____ |
| 9. | Conventions and Seminars | \$ _____ |
| 10. | Insurance on Professional Items | \$ _____ |
| 11. | Travel – Airline, Motels, Etc. | \$ _____ |
| 12. | Repairs to Equipment | \$ _____ |
| 13. | Audio and Video Cassettes | \$ _____ |
| 14. | Advertising – calling cards, ads, etc. | \$ _____ |
| 15. | Interest on Business Debts | \$ _____ |
| 16. | Other _____ | \$ _____ |

(Mileage log, receipts, etc. must be attached.)

Total Ministry related expense

For the month of _____ \$ _____

Signed by: _____ Date _____

I. Church Office Use Only

Reimbursed by: _____

Check #: _____

Date: _____



Attachment H

(TRS110)

Worksheet for Minister's Compensation

NAME OF CHURCH		PASTOR	Actual (Current Year)	DATE Proposed (Next Year)
I.	PASTOR'S MINIMUM COMPENSATION (See <i>Minutes</i> for Scale)		\$ _____	\$ _____
II.	PARSONAGE / HOUSING ALLOTMENT (Include additions to salary only - or fair rental value of parsonage)		\$ _____	\$ _____
III.	ACCOUNTABLE REIMBURSEMENTS (Include amounts that are designated for ministry-related expenses in addition to salary)		\$ _____	\$ _____
IV.	FRINGE BENEFITS			
	1. Retirement Plan Contributions		\$ _____	\$ _____
	2. Medical Insurance Assistance		\$ _____	\$ _____
	3. Social Security Reimbursement		\$ _____	\$ _____
	4. Other _____		\$ _____	\$ _____
	5. Other _____		\$ _____	\$ _____
V.	SUMMARY:			
	Total Compensation Package		\$ _____	\$ _____

TAXABLE COMPENSATION

Total Compensation	\$ _____	\$ _____
LESS: Housing Allowance (Minister must complete Estimate of Housing Allowance and a resolution must be adopted by church)	\$ _____	\$ _____
LESS: Accountable Reimbursements (Minister must complete Accountable Reimbursement Plan Expense Form and a resolution must be adopted by church)	\$ _____	\$ _____
LESS: Fringe Benefits (Exclude Social Security and Medical Insurance Assistance on a non-group plan)	\$ _____	\$ _____
Total Reportable Compensation	\$ _____	\$ _____
LESS: Retirement Plan Contributions (By Salary Reduction Agreement)	\$ _____	\$ _____
TAXABLE COMPENSATION (Reported in Box 1 on Form W-2)	\$ _____	\$ _____

(Revised 01/15)



Attachment I

(TRS400)

Charitable Gift Receipt

Cash received as an absolute gift:

Received on March 6, 2026

\$300

Property received described as follows:

(Editor's Note: If property was given instead of cash or check, the property would have been described here. No value would have been shown for the property.)

Any goods or services you may have received in connection with this gift were solely intangible religious benefits.

(Editor's Note: It is very important to use wording of this nature when no goods or services were given in exchange for the gift.)

Receipt issued on: March 31, 2026

Receipt issued by: Harold Morrison, Treasurer
Castleview Church of God
1008 High Drive
Dover, DE 19901

Example 1: Receipt issued for each gift of \$250 or more. No goods or services were provided by the church to the donor in exchange for the gift.



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Attachment J

(TRS500)

Charitable Gift Receipt

Cash received:

Received on April 1, 2026

\$100

Property received described as follows:

(Editor's Note: If property was given instead of cash or check, the property would have been described here. No value would have been shown for the property.)

In return for your gift described above, we provided you with a Study Bible *(Editor's Note: Insert the description of goods and/or services provided in exchange for the gift.)* which we estimate has a value of \$30. You may have also received goods or services consisting solely of intangible religious benefits, but these benefits do not need to be valued for tax purposes.

The deductible portion of your contribution for federal income tax purposes is limited to the excess of your contribution over the value of goods and services we provided to you. Your cash payment of \$100 less the \$30 value of benefits received makes a net charitable contribution of \$70. *(Editor's Note: Do not calculate the net contribution for gifts of property to the church.)*

Receipt issued on: April 30, 2026

Receipt issued by: Harold Morrison, Treasurer
Castleview Church of God
1008 High Drive
Dover, DE 19901

Example 2: Goods or services were provided by the church to the donor in exchange for the gift.



Attachment K

(TRS600)

Charitable Gift Receipt

Cash received as an absolute gift:

<u>Date Cash Received</u>	<u>Amount Received</u>
1/2/26	\$250.00
1/16/26	50.00
3/13/26	300.00
3/27/26	100.00
6/12/26	500.00
7/10/26	150.00
8/21/26	200.00
10/16/26	400.00
11/20/26	350.00
	<u>\$2,300.00</u>

Property received described as follows:

Received on May 1, 2026: one 2011 Honda Civic, 4 door
Sedan LX, automatic transmission, 94,231 miles, vehicle
ID #1G4HP53L2NH440968.

Any goods or services you may have received in connection with these gifts were
solely intangible religious benefits. *(Editor's Note: It is very important to use wording
of this nature when no goods or services were given in exchange for the gift.)*

Receipt issued on: January 10, 2027
Receipt issued by: Harold Morrison, Treasurer
Castlevew Church of God
1008 High Drive
Dover, DE 19901

Example 3: Annual receipt issued covering all gifts, including property, whether
over or under \$250. No goods or services were provided by the
church to the donor in exchange for the gifts.



Attachment L

(TRS700)

Charitable Gift Receipt

Cash received as an absolute gift:

Date Cash Received	Gross Amount Received	Value of Goods or Services	Net Charitable Contribution
1/23/26	\$80.00	\$25.00 ⁽¹⁾	\$55.00
3/20/26	300.00		300.00
4/24/26	60.00		60.00
6/19/26	500.00	100.00 ⁽²⁾	400.00
9/04/26	275.00		275.00
10/30/26	200.00		200.00
12/18/26	1000.00		<u>1000.00</u>
			\$2,290.00

Property received described as follows:

Received on October 22, 2026: twelve (12) brown Samsonite folding chairs.
In return for certain gifts listed above, we provided you with the following goods or services:

(1) Christian music tapes	\$25.00
(2) Limited edition art print	100.00

You may have also received goods or services consisting solely of intangible religious benefits, but these benefits do not need to be valued for tax purposes.

The deductible portion of your contribution for federal income tax purposes is limited to the excess of your contribution over the value of goods and services we provided to you, i.e. net charitable contribution.

Receipt issued on: January 10, 2027
Receipt issued by: Harold Morrison, Treasurer
Castleview Church of God
1008 High Drive
Dover, DE 19901

Example 4: Annual receipt issued covering all gifts whether over or under \$250. Goods or services were provided by the church in exchange for certain gifts.