

INFORMATION FOR COMPLETING FORM W-2 FOR CLERGY

The purpose of this document is to give some general information on completing Form W-2 for clergy. More specific instructions on completing Form W-2 are available at the IRS website (www.irs.gov).

Boxes A, C, E & F are self-explanatory.

Box B is the Employer Identification Number. Each local church (or charge) should have its own Employer Identification Number (EIN). Employer Identification Numbers can be obtained by filing IRS Form SS-4.

Box D, Control Number does not have to be completed.

Box 1 contains certain items of compensation paid by the church. Set forth below are two lists, one for items that are reported in box 1 and the other for items that are not reported in box 1.

ITEMS WHICH NEED TO BE REPORTED IN BOX 1

1. Salary, wages and bonuses
2. Most gifts which are paid through a church account
3. Allowances (other than the housing allowance) must be reported as well as reimbursements which are made under a non-Accountable Reimbursement Policy.
4. If a per diem arrangement is used, payments in excess of IRS rates
5. If the standard mileage rate is used, any amounts in excess of those rates (If the IRS rate was \$.345 per mile and a pastor were paid \$.36 per mile, the difference, \$.015 per mile, would have to be reported here.)
6. Taxable fringe benefits, the most common are:
 - a. the cost of employer-provided group term life insurance that exceeds \$50,000 (Note: This applies to the \$50,000 CPP death benefit together with any PPP death benefit or policy purchased by either the church or provided through an annual conference group plan. Conference treasurers or pension officers will need to supply information from conference plans. (If the total insurance coverage does not exceed \$50,000, the cost of such coverage is not reported.)

- b. The value of the personal use of a church-provided automobile;
- 7. A social security allowance (or any portion of the minister's self-employment taxes paid by the church)
- 8. Reimbursements of non-qualified moving expenses (typically, a move less than 50 miles)

ITEMS NOT REPORTED IN BOX 1

- 1. Salary reduction contributions to the Board of Pensions and Health Benefits 403(b) Plan or other qualified plans
- 2. Properly designated (in advance) housing and utility allowance
- 3. Qualified health and medical plan premium payments
- 4. Reimbursement of business expenses under an Accountable Reimbursement Policy
- 5. Payments under a qualified salary reduction plan — for medical reimbursement accounts or dependent care assistance
- 6. Excludable Fringe Benefits:
 - a. Term life insurance (up to \$50,000 of life insurance coverage or CPP or BPP death benefit)
 - b. Qualified tuition payments
 - c. Qualified moving expenses

Box 2, the local church is not required to do any federal income tax withholding for clergy. However, some clergy may wish to request voluntary withholding by filing a Form W-4 with the church. Through voluntary income tax withholding, clergy may avoid the need to pay quarterly estimated taxes.

Box 3, 4, 5 & 6 are left blank for clergy. Clergy are defined as self-employed for Social Security or SECA purposes (under the Internal Revenue Code Section 3121 (b)(8)(A)). The church should not report Social Security/Medicare wages and must not do any Social Security/Medicare tax withholding. Any Social Security tax withholding done erroneously by the church (which comes from church funds) is additional reportable income to the pastor. If the church wishes to assist the pastor in paying all or a portion of his Social Security taxes, it should add an additional amount to the wages paid to the pastor.

Box 7, 8 & 9 are not applicable.

Box 10 would include any dependent care benefits that are paid.

Box 11 does not apply for most clergy. Amounts contributed to plans administered by the GBPHB or other 403(b) plans should not be included in this box. However, if a pastor is a participant in some other (non-qualified) plan, amounts may need to be reported here.

Box 12 is to be used to show codes and amounts of benefits or contributions for clergy. (See the IRS Form W-2 instructions for a complete list of codes.) The following codes are the most relevant for clergy:

1. **Code C** — If the pastor is provided more than \$50,000 in CPP and BPP death benefits or group term life insurance, you need to show the premiums attributed to benefits *in excess* of \$50,000. If CPP and BPP together provide more than \$50,000 in death benefits, the General Board of Pension and Health Benefits will supply this information on request to your conference treasurer who, in turn, should make this available to the local church. If the pastor has served more than one church during the year, typically this information is only included in the W-2 of the last church served.
2. **Code E** — 403(b) employee salary reduction contributions
3. **Code P** — Qualified moving expense reimbursements paid directly to the employee.

Box 13 is checked if the pastor is a participant in the church retirement plan(s)

Box 14 may be used for additional reporting. You may include information on a housing allowance or utility allowance here. If the church does not put that information here, the church should independently tell the pastor these amounts.

Box 16—20 state and local tax information — states and municipalities vary on what items are deducted from gross wages.

General Council on Finance and Administration is not engaged in providing legal or accounting services. If legal or tax advice is required, the service of a competent professional should be sought.