



Clergy Taxes

“The income tax has made more liars out of the American people than golf has.” – Will Rogers



Goals for this session

1. Increase awareness of tax challenges facing clergy
2. Learn of practical tax tips/strategies

SO THAT YOU

1. Have more money in your pocket
2. Spend an appropriate amount of time/energy worrying about tax issues



In a nutshell, why are clergy taxes so difficult?

“The hardest thing in the world to understand is the income tax.” – Albert Einstein




Are pastors employees of the church or self-employed?

Yes

IRS considers pastors employees of the church.
Wages reported on W-2.

Social Security Administration considers pastors to be self-employed and must file Schedule SE.



How do pastors make their tax payments?
Payroll withholding? Quarterly payments?

Yes

Most pastors make quarterly estimated payments.

Church can withhold for Income Tax but not for Social Security & Medicare.



Can pastors really opt out of Social Security?

Yes?

...if you are morally opposed to such public insurance programs.

NOTE: Opting out affects UMC retirement and disability benefits.



Is a parsonage or cash housing allowance
taxable or not?

Yes

Not taxable for Income Tax

Taxable for Social Security (Self-Employment)



Clergy Comp Form

“I’m proud to be paying taxes in the United States. The only thing is, I could be just as proud for half the money.” — Arthur Godfrey

Designate a Housing Exclusion

SECTION I: INCOME

Instructions: The Minimum Base Salary for a full-time clergy is: Full Connection - \$41,350; Less than Full Connection - \$39,442. Designated Housing Exclusion does not affect church financially but can reduce pastor's taxable income.

	2018
A. Base Salary	40,000
B. Other (e.g. social security or health ins. allowance) Describe:	+ 0
C. Total Compensation (Add lines A and B)	= 40,000
D. Designated Housing Exclusion	5,000

Do you have Medical or Dependent Care expenses?

SECTION II: SALARY REDUCTIONS

Instructions: Pastors in the UM pension plan must make a 1% contribution to their UMPIP to receive full pension credit. By default, eligible pastors are automatically enrolled to contribute 3% (see calculation table on next page). Enter either a percentage or an annual amount if the pastor wants to contribute a different amount.

Health Insurance

	2018
A. HealthFlex Pastor's Share (Fund 20/21).....	4,834
B. Medical Reimbursement Account (Fund 25/26).....	2,400
C. Dependent Care Account (Fund 30/31).....	1,200

Make a UMPIP contribution

Pastor's Contribution to UMPIP

D. Before-Tax (Tax Deferred) (Fund 35/36)	<u>1,500</u>
E. After-Tax (Taxable) (Fund 40/41)	<u> </u>
F. ROTH (Taxable) (Fund 45/46)	<u> </u>



Winning at Taxes

“If you get up early, work late, and pay your taxes, you will get ahead — if you strike oil.” – J. Paul Getty

Get your treasurer on board



Clergy Comp Form 2018.pdf
Adobe Acrobat Document
180 KB



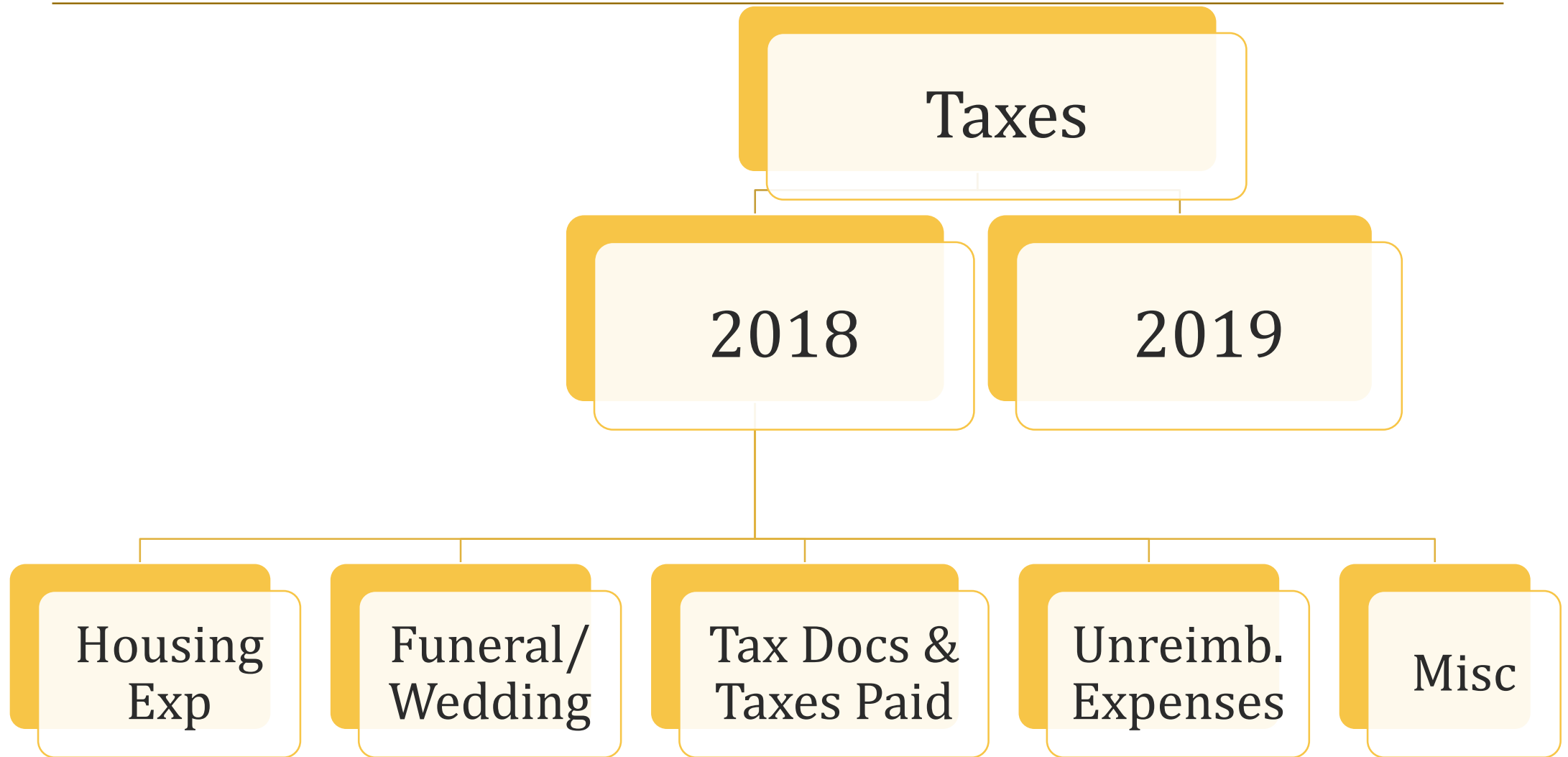
www.dakotasumc.org

A computer monitor with a black bezel and a silver stand. The screen is white and displays the website URL 'www.dakotasumc.org' in a black, sans-serif font.

Get a system that works for you



Get a system that works for you



Housing Expenses Digression

RECEIPTS/INVOICES/DOCUMENTATION TO KEEP **(if not reimbursed or paid for by church)**

- Down payment on a home
- Mortgage payments (including both interest and principal)
- Real estate taxes
- Property insurance
- Rent payments
- Utilities (electricity, gas, water, trash pickup, local telephone charges, internet access fees)
- Homeowners association dues
- Renters insurance
- Furnishings and appliances (purchase and repair)
- Decorations (curtains, blinds, wall hangings)
- Structural repairs and remodeling
- Yard maintenance and improvements
- Maintenance items (household cleansers, light bulbs, pest control, etc.)

Get a system that works for you

Sept 15

Jan 15

Apr 15

June 15

www.irs.gov/Payments/Direct-Pay

Or

Form 1040-ES

Get a tax professional

MARILYN PERRY

Anoka, MN

Home: 736-427-6080

Cell: 605-450-5400

Email: mzpcpa@centurylink.net

PERRY KUDRNA

Rapid City, SD

Phone: 605-716-8693

Email: perry@ktllp.com

JIM BROWN

Aberdeen, SD

Phone: 605-229-4359

Email: jbrown@klabobrown.com

CONNIE BUSKOHL

Sioux Falls, SD

Phone: 1-877-477-2623

Email: connie@cbuskohl.com

DANIELLE MICKELSON

Watertown, SD

Phone: 605-886-8425

Email: danielle@watertowncpa.com

JEANETTE GRAVESETH

Bismarck, ND

Phone: 701-471-5573

Email: gravseth@bis.midco.net

Questions?

Related to the topic of Clergy Tax

