

# GUIDE TO COMPLETING PASTOR'S W-2 AND PAYING YOUR PASTOR

Last Updated 12/12/18

On the back of this page is a sample Clergy Compensation Form that will be referred to in this guide. The sample form is for the fictitious Pastor Lang who is appointed to Horace UMC and lives in a church-owned parsonage. Horace UMC pays Pastor Lang's compensation semi-monthly on the 15<sup>th</sup> and last day of each month. Pastor Lang does not have Horace UMC withhold Federal Income Tax.

## PAYING YOUR PASTOR

To calculate the amount to pay your pastor, use your pastor's most current clergy compensation form. See the calculation and example to the right (*using the 2019 column for Pastor Lang*). If your pastor receives a cash housing allowance in lieu of a parsonage, it can be included in the regular paycheck or paid out separately.

CALCULATION	EXAMPLE
Total Compensation (Section I: C)	\$42,000
– Each Salary Reduction (Section II: A,B,C,D,E,F)	– 4,857
	– 2,000
	– 600
	– 1,000
= Annual Amount Paid to Pastor	= \$33,543
÷ Number of Pay Checks in the Year	÷ 24
= Amount of Each Pay Check	= \$1,397.63

## COMPLETING YOUR PASTOR'S W-2

In the example below, I'm using the 2018 column for Pastor Lang. When completing your pastor's W-2, you'll need to use the actual payroll records to confirm the amounts of compensation and withholdings.

**Box 1** = Total Compensation (Section I:C) – Housing Exclusion (Section I:D) – Tax Exempt/Deferred Salary Reduction (Section II:A,B,C,D but not E or F) + Bonus or Gifts Paid to the Pastor through Church

**Example:** 40,000 – 3,000 – 4,232 – 1,500 – 500 – 1,200 + 0 = \$29,568

22222		a Employee's social security number		OMB No. 1545-0008		
b Employer identification number (EIN) 46-1234567		1 Wages, tips, other compensation 29,568.00		2 Federal income tax withheld 0.00		
c Employer's name, address, and ZIP code HORACE UNITED METHODIST CHURCH 426 LIBERTY LN HORACE, ND 58047		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 Verification code		10 Dependent care benefits 500.00		
e Employee's first name and initial Last name JONNY LANG 425 LIBERTY LN HORACE, ND 58047		11 Nonqualified plans		12a E   1,200.00		
f Employee's address and ZIP code		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b		
		14 Other HOUSING: 3,000		12c 12d		
15 State ND	Employer's state ID number 46-1234567	16 State wages, tips, etc. 29,568.00	17 State income tax 0.00	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

2018

Department of the Treasury—Internal Revenue Service

**Box 2:** Zero unless your pastor has elected to have Federal Income Tax withheld

**Box 10:** The amount withheld for Dependent Care Account (Section II:C)

**Box 12:** Report Before-Tax and ROTH Contributions to UMPIP (Section II:D & F), enter the amount withheld. Use code "E" for Before-Tax. Use code "BB" for ROTH.

**Box 13:** Check "Retirement Plan"

**Box 14:** This box is not required. Churches may use it to report the Housing Exclusion Designated (Section I:D).

**Box 15, 16, 17:** For South Dakota churches, you can leave these blank. For North Dakota churches, enter "ND" and your North Dakota Tax ID into Box 15. Box 16 should be the same amount entered into Box 1. If State Income Tax was withheld, enter that amount into Box 17.

**DISCLAIMER:** For tax advice on your specific situation, contact a tax professional. This guide does not cover all the various situations, but should be a help to the majority of churches that are served by a full-time pastor.

## 2019 CLERGY COMPENSATION FORM

Pastor Name <p style="text-align: center; font-weight: bold; font-size: 1.2em;">JONNY LANG</p>	Status <p style="text-align: center; font-weight: bold; font-size: 1.2em;">PE</p>	Check One <input checked="" type="radio"/> Full-Time <input type="radio"/> ¾-Time <input type="radio"/> ½-Time <input type="radio"/> ¼-Time
Church/Parish <p style="text-align: center; font-weight: bold; font-size: 1.2em;">HORACE</p>	Effective Date <p style="text-align: center; font-weight: bold; font-size: 1.2em;">1/1/19</p>	

Breakdown of how Parish Expenses are shared among Churches				
Percent:	100%	%	%	%
Church Name:	HORACE			

SECTION I: INCOME			
<i>Instructions: The Minimum Base Salary for a full-time clergy is: Full Connection - \$42,923; Less than Full Connection - \$40,942. Designated Housing Exclusion does not affect church financially but can reduce pastor's taxable income.</i>			
		2018	2019
<b>A. Base Salary</b> .....		40,000	42,000
<b>B. Other</b> (e.g. social security or health ins. allowance) .....	+	_____	+
Describe:			
<b>C. Total Compensation</b> (Add lines A and B) .....	=	40,000	= 42,000
<b>D. Designated Housing Exclusion</b> .....		3,000	3,000

SECTION II: SALARY REDUCTIONS			
<i>Instructions: These amounts are subtracted from the pastor's paycheck and remitted to the Dakotas Conference. Lines A, B, C, and D will also reduce the pastor's taxable income as reported in Box 1 of the W-2.</i>			
		2018	2019
<b>Health Insurance</b>			
<b>A. HealthFlex Pastor's Share</b> (Fund 20/21) .....		4,232	4,857
<b>B. Medical Reimbursement Account</b> (Fund 25/26) .....		1,500	2,000
<b>C. Dependent Care Account</b> (Fund 30/31) .....		500	600
<b>Pastor's Contribution to UMPIP</b>			
<b>D. Before-Tax</b> (Tax Deferred) (Fund 35/36) .....		1,200	1,000
<b>E. After-Tax</b> (Taxable) (Fund 40/41) .....		_____	_____
<b>F. ROTH</b> (Taxable) (Fund 45/46) .....		_____	_____