

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

Last Updated 2/10/20

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 15th 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 2020 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
= Annual Amount Paid to Pastor	– 2,000
÷ Number of Pay Checks in the Year	– 600
= Amount of Each Pay Check	– 1,000
	= \$33,543
	÷ 24
	= \$1,397.63

COMPLETING YOUR PASTOR'S W-2

In the example below, I'm using the 2019 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

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. Use code "W" for Employer HSA contributions.

Box 13: Check "Retirement Plan"

22222		a Employee's social security number		OMB No. 1545-0008			
b Employer identification number (EIN)		46-1234567		1 Wages, tips, other compensation		2 Federal income tax withheld	
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		Suff.		11 Nonqualified plans	
						12a E 1,200.00	
f Employee's address and ZIP code		425 LIBERTY LN HORACE, ND 58047		13 Statutory employee		12b W 1,000.00	
				Retirement plan <input checked="" type="checkbox"/>		12c	
				Third-party sick pay <input type="checkbox"/>		12d	
		HOUSING: 3,000					
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	
ND	46-1234567	29,568.00	0.00				

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

2019

Department of the Treasury—Internal Revenue Service

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.

2020 CLERGY COMPENSATION FORM

Pastor Name <div style="text-align: center; font-weight: bold; font-size: 1.2em;">JONNY LANG (example)</div>	Status <div style="text-align: center; font-weight: bold; font-size: 1.2em;">PE</div>	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 <div style="text-align: center; font-weight: bold; font-size: 1.2em;">HORACE</div>	Effective Date <div style="text-align: center; font-weight: bold; font-size: 1.2em;">1/1/2020</div>	

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 - \$43,922; Less than Full Connection - \$41,895. Designated Housing Exclusion does not affect church financially but can reduce pastor's taxable income.</i>			
	2019	2020	
A. Base Salary	40,000	42,000	
B. Other (e.g. social security or health ins. allowance)	+	+	
Describe:			
C. Total Compensation (Add lines A and B)	= 40,000	= 42,000	
D. Designated Housing Exclusion	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>			
	2019	2020	
Health Insurance			
A. HealthFlex Pastor's Share (Fund 20/21)	4,232	4,857	
B. Medical Reimbursement Account (Fund 25/26)	1,500	2,000	
C. Dependent Care Account (Fund 30/31)	500	600	
(FYI: Employer Contribution to HSA: 2019: \$1,000)			
Pastor's Contribution to UMPIP			
D. Before-Tax (Tax Deferred) (Fund 35/36)	1,200	1,000	
E. After-Tax (Taxable) (Fund 40/41)			
F. ROTH (Taxable) (Fund 45/46)			