

IMPORTANT TAX AND SOCIAL SECURITY INFORMATION FOR CLERGY & CHURCHES

Elders, Provisional Members, Associate Members and Local Pastors (Both Full and Part-Time):

You are a “dual-status employee” according to the IRS –

You are an employee for income tax purposes, but self-employed for social security and medicare (self-employment tax) purposes

Therefore, churches cannot withhold and/or pay your social security/medicare taxes.

However, you can have churches withhold taxes from your compensation that will be reported on Form W-2 and used by you to offset your income and self-employment tax liability on your annual income tax return (Form 1040)

And/or you can make quarterly estimated tax payments using Form 1040-ES vouchers

Churches should have you fill out a Form W-4 (attached)

If you want taxes withheld from your paycheck, then you must enter an amount on Line 6 – Additional amount...you want withheld from each paycheck.

If you choose to have the church withhold taxes (which the church includes in the payroll tax deposits it makes for other employees) this is a deduction from your salary and not “extra pay from the church.”

The church must report your pay on its quarterly payroll tax returns and, at the end of the year, give you a Form W-2 (not a 1099) along with all other employees.

On your W-2, it will show only compensation for income tax purposes (Box 1) and any optional withholding (Box 2); the compensation for social security and medicare and the withholding boxes should be blank.

Supply Pastors (Full and Part-Time), i.e. pastors who do not have a “license to preach”:

You do not get the “benefits” of “ministerial status”

This means you must have income tax and social security/medicare taxes withheld from your pay in the same way as other “salaried or wage” earners.