

Church Financial Hot Topic

Taxable Wages

As a general rule, all church staff members including ministers are employees for federal and state income taxes and the church must give them a W-2 annually if they earn taxable wages. Below is a listing of income that qualifies as taxable or nontaxable wages.

Taxable Wages For Church Staff Members Include:

- Salary
- Most retirement gifts
- The personal use of a church-provided car
- Love offerings collected by the church
- The cost of sending an employee to the Holy Land
- Severance pay
- Cash
- Christmas and birthday bonuses
- Gift cards
- Payment of an employee's personal expenses by the church
- Non-accountable cell phone
- Car or other professional allowances not following *accountable reimbursement* guidelines
- The amount of debt a staff member owed to the church that the church has forgiven
- "Below-Market" interest rate to an employee on at least a \$10,000 loan creates taxable income for the difference between the "Below-Market" and fair market interest rate
- Payments to a minister from the church to offset the self-employment Social Security tax
- The purchase of the church parsonage for less than fair market value
- "Discretionary Funds" spent by an employee without church control
- Cost to the church for the premiums for whole or universal life insurance
- Gifts to an employee of any kind that the donor receives a contribution credit
- Individual medical insurance premiums
- Benevolence gifts to church employees that are larger than other benevolence gifts to similar needy individuals

Nontaxable Wages To Church Staff Members Include:

- Housing Allowance
- Retirement contributions made by the church to Church Retirement Plan at GuideStone Financial Resources of the SBC
- Church-provided benefits such as group medical insurance premiums paid by the church for the employee plus family coverage.
- The cost of church-provided group term life insurance up to \$50,000 of coverage
- Disability insurance premiums paid by the church to the insurance company
- Any qualified expenses reimbursed under an *accountable reimbursement plan* like travel, hospitality, books, cell phone, or convention expenses
- Gifts made by individuals given directly to another individual and not solicited or collected by the church up to \$14,000 per person annually
- Contributions made to the Church Retirement Plan at Guidestone Financial Resources through a salary reduction agreement by the employee

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