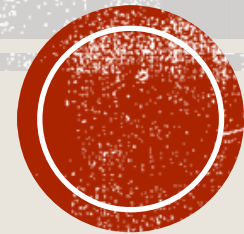




CLERGY SALARY, STATUS, & TAXES



NORMAL EMPLOYEE

- **Federal Income Tax (FIT)**
 - Company withholds from employee gross pay. The entire amount of FIT tax comes from the Employee - nothing comes from the business. The business simply collects it and gives it to the government.
- **FICA** (Social Security) & **Medicare**
 - Company withholds 7.65% from employee gross pay and gives it to the government.
 - Company **ALSO** pays **another** 7.65% of employee gross pay from it's own operating budget and gives it to the government. This is something Employees do NOT see on their paycheck stub.



SELF-EMPLOYED PERSONS

- **Federal Income Tax (FIT)**
 - FIT is calculated based on final taxable income at year-end.
- **FICA** (Social Security) & **Medicare**
 - It is called “SECA” (Self-Employed Contributions Act). The person pays **BOTH** the Employee portion (7.65%) **AND** the Employer portion (7.65%) for a total of 15.3%.

Clergy are Employees
for Federal Income Tax

AND

Self-Employed
for Social Security



	Employee	Clergyman
Base Salary	\$100,000	\$100,000
Federal Tax (15%)	(\$15,000)	(\$15,000)
Employee FICA	(\$7,650)	(\$7,650)
Employer FICA	(\$0)	(\$7,650)
Net Pay	\$77,350	\$69,700

EXAMPLE OF DIFFERENCE

A clergyman makes \$7,650 LESS
Take home pay than a normal employee



TAX BREAKS FOR CLERGY

- Housing Allowance
 - Tax-free from Federal Income Tax
 - Is Taxable for Self-Employment
 - Fair Rental Value vs. Allowance – both taxable for Self-Employment
 - Pastor **requests** amount from Vestry
 - Vestry **approves** MAXIMUM amount
 - Pastor reconciles on his own tax return
- Exemption from Self-Employment Tax (SECA)
 - Form 4361 – must be conscientiously opposed and file with IRS
 - Must be filed before you can claim exemption
 - Non-clergy wages are still subject to Social Security Tax
- Danger of exemption
 - Not included in your build up of Social Security retirement.
 - If not paying into Social Security, clergy should be saving the same amount in another vehicle.
 - Must have enough ‘quarters’ in SSA to qualify for any SSA retirement



TAX FILING REQUIREMENTS

- Proper filing with IRS using parish Employer Identification Number (EIN)
 - Quarterly 941
 - Annual W-2's & W-3's by January 31st
 - 1099's & 1096's by January 31st

**For more information
on Clergy status &
Taxation see
IRS Publication 517 or
IRS Topic 417**

- **Clergy Pension program**
 - 12% of clergy stipend & housing allowance (or FMRV)
 - Minimum of \$500 if 12% is less than \$500
 - This is IN ADDITION to the pastor's salary. No decrease from the pastor's salary to pay it!
 - Due each January based on the previous year's earnings
 - Sent to Board of Pensions & Relief in PA.
 - Submission form is available on the resources page of www.rechurch.org

- **Clergy Disability / Life program**
 - Yearly Premium \$560
 - Provides 60% of monthly salary up to \$2000
 - Provides \$50,000 in life insurance
 - Requires waiver to exclude parish, and exclusion may result in non-participation in future





Can be taxable or tax-free depending on situation

QSEHRA reimbursement plan must be established

Cannot be provided tax-free if spouse is paying premiums tax-free through their employment. Must be taxable.

May be more beneficial for clergy to take as taxable income if receiving Marketplace insurance supplement through the Affordable Care Act