

## Who is a Minister?

Congress has provided ministers with unique tax attributes. Complete this short checklist to determine whether an individual qualifies as a minister under the Internal Revenue Code.

- The individual is licensed, ordained, or commissioned by the denomination, *and*
- The individual meets some, but not necessarily all, of these four conditions as part of his or her call and job description:
  - Performs sacerdotal functions (as defined by the church)
  - Considered to be a religious leader by your church and ECC
  - Conducts religious worship
  - Has management/administrative responsibility for the church or denomination

Below are some additional considerations to be aware of.

## Minister Income

- The IRS considers virtually all ministers to be employees for income tax purposes
- Report minister income on Form W-2
- This is advantageous to the minister, because the following payments will then be tax-free:
  - Fringe benefits
  - Health insurance
  - Retirement plan contributions
  - Accountable expense plan reimbursements

## Minister W-2 Income

- Minister pays his or her own FICA via Schedule SE (unless exempt)
- If the church incorrectly pays FICA:
  - Have the church amend the W-2 and add to withholding, or
  - Add it to Form 1040, Line 7 wages and on Schedule SE
- If the church pays the minister an expense, car, or vestment allowance, this is also treated as income to the minister

## Minister Other Income

- Use Schedule C for self-employment income from counseling, weddings, funerals, etc.
  - Not gifts — payment for services performed
  - Non-taxable if given directly to the church
- “Love offerings” are taxable income
- Wages from outside jobs are taxable