



Enhancing Trust

10 ESSENTIALS OF
**THE MINISTER'S
HOUSING
EXCLUSION**

CHURCH ESSENTIALS SERIES

Introduction

Introduction

The minister's housing exclusion provides one of the most significant tax benefits for those who qualify as ministers of the gospel under the tax law. This exclusion from income tax is available to ministers who own their own homes and to those who live in church-provided housing, referenced in the Code as "parsonages."

The following pages contain basic concepts that all churches should understand related to this important tax provision. Why expend energy regarding salary and tax issues for ministers? Early in his ministry, the Apostle Paul wrote the churches in the region of Galatia and instructed them, saying that those that were taught God's Word should "share all good things with their instructor" (Galatians 6:6). We believe that includes their salary *and* sound tax advice.

This advice takes into account the fact that many ministers own a home, while others rent, and some reside in church-provided

housing. Interestingly, we see all three situations in the New Testament. Some of God's workers appear to have owned homes (cf. Peter's home in Matthew 8:14-16), others rented lodging (cf. Paul's apartment in Rome in Acts 28:30-31), and some resided in housing provided for them (cf. Philemon's guest room in Philemon 1:22). As ministers find themselves in each of these living arrangements today, the aim of this ebook is to equip churches to help each and every minister maximize the tax exclusion available to them.

Later, in writing his first letter to Timothy, the Apostle Paul added that those who "direct the affairs of the church" and labor in "preaching and teaching", are worthy of "double honor" (1 Timothy 5:17). This language can be understood as making every effort, or we might say in modern terms, "working double time," to supply the financial needs of "ministers of the gospel" so they are free to focus all their energy and attention on God's work. Churches honor their ministers when they assist them in taking advantage of this significant tax benefit.

On this biblical foundation, ECFA offers this helpful ebook, *10 Essentials of the Minister's Housing Exclusion*.

NOTE: While the constitutionality of the minister’s housing exclusion has occasionally been challenged in federal court, the exclusion has been successfully defended and remains in effect for qualifying ministers as of the date of this publication. Stay tuned to “[In the News](#)” at ECFA.org for the latest developments in these cases.

Eligibility



Only ministers are eligible for the housing exclusion

The tax law limits the benefit of the minister's housing exclusion to only those who meet the IRS's test for ministerial status.¹

Job title has little significance in determining who qualifies. A minister may have a job title that implies a ministry function. However, the actual responsibilities or duties of the position are the key factors in determining if the individual qualifies as a minister for tax purposes.

If a minister is employed by a local church and is ordained, commissioned, or licensed, four factors are generally applied by the IRS to determine whether the individual is a qualified minister under tax law.

It is the individual who

1. Administers sacerdotal functions such as performing marriage and funeral services, dedicating infants, baptizing, and serving communion,
2. Is considered to be a religious leader by his or her church or denomination,
3. Conducts religious worship, and
4. Has management responsibility in the control, conduct, or maintenance of a local church or religious denomination.

The IRS and the courts generally use a balancing approach in applying the four factors in which some, but not necessarily all, must be met in determining ministerial status. This flexible approach is beneficial to many ministers because some do not meet all four factors.

¹ Section 107 of the Internal Revenue Code; Treas. Reg. 1.107-1.

Tax treatment



The minister's housing exclusion relates to federal income tax but not social security tax

The minister's housing exclusion is an exemption from federal income tax only—not social security tax.

Under the U.S. social security tax framework, all ministers are considered self-employed (even though they are considered employees for income tax purposes). Therefore, ministers must pay the full amount of social security tax (without the benefit of the amount being matched by the employing church) on all forms of compensation up to the annual social security wage base—unless the minister has met the strict qualifications and has formally opted out of social security).

Regardless of whether a minister lives in church-provided housing (see Essential 3) or receives a housing allowance for a home they provide (see Essential 4), these forms of

compensation are subject to social security tax. *Planning tip:* To avoid having a big tax bill on April 15—mostly due to social security—pay your tax bill each month by having additional federal income tax withheld. Optionally, use the 1040-ES, quarterly tax payment method.

Example 1: Pastor Smith lives in a church-owned parsonage. The fair market value of living in the home plus utilities is \$20,000 per year. While Pastor Smith does not have to pay income tax on the \$20,000 value of living in the home, he is subject to 15.3% social security tax on the amount.

Example 2: Pastor Brown lives in a home she has purchased (i.e., not a church-owned parsonage). The church properly designates from Pastor Brown's salary a housing allowance of \$25,000 for her housing expenses during the year. While Pastor Brown does not have to pay income tax on the \$25,000 housing allowance used to provide her home, she is subject to 15.3% social security tax on the amount.

If the church voluntarily pays Pastor Brown all or a portion of self-employment social security tax, the payment is reportable as compensation on Form W-2. The amount is fully taxable for income and social security tax purposes.

One key exception: The rental value of a parsonage or a parsonage allowance provided after a minister retires is not subject to self-employment social security tax.

Church-provided housing

3

The impact of the housing exclusion for ministers who live in church-provided housing

Some churches own a home (or otherwise provide a home) where the minister may live as part of his or her compensation package. The fair rental value of living in a church-provided home is eligible for the housing exclusion within certain limits.

Additionally, a housing allowance may be provided to a minister living in church-provided housing to cover out-of-pocket, housing-related expenses paid by the minister (for example, utilities, furnishings, etc.). It is a designation of cash salary (similar to a housing allowance for a minister who provides his or her own home).

Alternatively, it is appropriate for the minister's out-of-pocket expenses for the maintenance of a church-owned parsonage to be reimbursed by the church if a full accounting is made to the

church. These reimbursements do not relate to a housing allowance.

If the church owns the parsonage, the church may wish to provide an equity allowance to help offset the equity not accumulated by the minister through home ownership. An equity allowance is taxable for both income and social security tax purposes unless directed to certain retirement programs, such as a 403(b) or 401(k) plan.

Minister-provided housing

4

The impact of the housing exclusion for ministers who own or rent a home

Ministers often provide their own homes rather than living in church-provided housing. In these cases, ministers may exclude, for income tax purposes (see Essential 2), a cash housing allowance that is the lowest of these factors:

- Reasonable compensation,
- Amount used from current ministerial income to provide the home (see Essential 6 for a worksheet of allowable housing expenses),
- Amount prospectively and officially designated by the church, or
- Fair rental value of the home including utilities and furnishings.

If a designated housing allowance exceeds any one of these four factors, the excess is reportable as additional income for income tax purposes.

The IRS does not place a percentage limitation on how much of a minister's compensation may be designated as a housing allowance by the employer. In a few instances, such as with bivocational ministers, 100% of cash compensation may be justified as a housing designation and exclusion.

It is often best for the church to over-designate a minister's housing allowance by a reasonable amount (e.g. 10% of anticipated costs), subject to the fair rental value limitation, to allow for unexpected housing expenses and increases in utility costs. However, the minister may only exclude the amounts actually paid within the year for housing-related expenses.

In addition to these limits, the housing exclusion may only apply to one residence at a time. Construction costs qualify as housing expenses. However, since the housing exclusion only applies to one home at a time, excluding construction costs expended while living in another home is problematic.

It is inappropriate for a church to directly reimburse expenses related to minister-owned housing because the expenses are not the responsibility of the church. Instead, these expenses are eligible for inclusion under a cash housing allowance paid by the church.

Action by the church

5

Housing allowances require action by the church

Ministers are eligible to exclude up to the fair rental value of church-provided housing (see [Essential 3](#)) for income tax purposes without any official action by the church.

However, a cash housing allowance (see [Essential 4](#)) is only excludable under the following rules:

- The allowance must be officially designated by the church. The designation should be stated in writing, preferably by resolution of the top governing body (or a committee of the board) in an employment contract. If the only reference to the housing allowance is in the church budget, the budget should be formally approved by the top governing body of the church.
- Tax law does not specifically say that an oral designation of the housing allowance is unacceptable. Still, the use of a written designation is highly recommended. The lack of a written designation significantly weakens the defense for the housing exclusion upon audit.

- The housing allowance must be designated prospectively (in advance) by the church. Cash housing allowance payments made prior to a designation of the housing allowance are fully taxable for income tax purposes. Carefully word the resolution so that it will remain in effect until a subsequent resolution is adopted.
- Only actual expenses can be excluded from income. The source of funds used to pay for a minister's housing expenses must be compensation earned by the minister in the exercise of ministry in the current year.
- Only an annual (not month-by-month or paycheck-by-paycheck) comparison by a minister of housing expenses to the housing allowance is required.

Example: A church designates a housing allowance in December, effective for the following year, of \$30,000 for Pastor Jones. The comparison of the \$30,000 allowance with actual housing expenses is only required at the end of the year by the minister.

Creation of the housing designation



Important steps in establishing a housing designation

Churches should follow these important steps in properly establishing a housing allowance designation for their ministers:

1. Verify the qualified tax status of the minister (see [Essential 1](#)).
2. Determine the extent to which the payment of housing expenses will be the responsibility of the minister—these expenses will vary based on whether the housing is provided by the church or the minister.
3. Request that the minister provide an estimate of housing-related expenses (see sample worksheet on page 16) expected in the coming year for which the minister will be responsible.
4. Adopt a written designation based on the minister's estimates (see sample form on page 17). This designation may be included in the minutes of the top

governing body, an employment contract, annual budget, or another appropriate document.

It is immaterial whether the payment of a properly designated cash housing allowance is a separate payment or is part of a payment that also includes other compensation.

Example: It is acceptable to include the amount designated as a housing allowance in the same paycheck with other compensation.

Some churches mistakenly believe that providing a housing allowance to their minister will increase the church budget. This is not true. If a portion of the minister's compensation is designated as a housing allowance, it costs the church nothing. The minister's income is simply divided between housing allowance and compensation.

Housing Exclusion Worksheet

Minister Living in Home Minister Owns or Is Buying

Minister's name: _____
For the period _____, 20__ to _____, 20__
Date designation approved _____, 20__

Allowable Housing Expenses *(expenses paid by minister from current income)*

	<u>Estimated Expenses</u>	<u>Actual</u>
Down payment on purchase of housing	\$ _____	\$ _____
Housing loan principal and interest payments	_____	_____
Real estate commission, escrow fees	_____	_____
Real property taxes	_____	_____
Personal property taxes on contents	_____	_____
Homeowner's insurance	_____	_____
Personal property insurance on contents	_____	_____
Umbrella liability insurance	_____	_____
Structural maintenance and repair	_____	_____
Landscaping, gardening, and pest control	_____	_____
Furnishings <i>(purchase, repair, replacement)</i>	_____	_____
Decoration and redecoration	_____	_____
Utilities <i>(gas, electricity, water)</i> and trash collection	_____	_____
Local telephone expense <i>(base charge)</i>	_____	_____
Homeowner's association dues/condominium fees	_____	_____
Subtotal	_____	
10% allowance for unexpected expenses	_____	
TOTAL	\$ _____	\$ _____ (A)
Properly designated housing allowance		\$ _____ (B)
Fair rental value of home, including furnishings, plus utilities		\$ _____ (C)

The amount excludable from income for federal income tax purposes is the lowest of A, B, or C (or reasonable compensation).

Ministerial Housing Allowance Declaration Applicable to Minister-Provided Housing

Name: _____ Minister's Name _____

The following resolution was duly adopted by the _____ Governing Body _____ of
_____ Name of Church _____.

Whereas, section 107 of the Internal Revenue Code permits a minister of the gospel to exclude from gross income (in computing federal income taxes) a church-designated allowance paid to the minister as part of their compensation to the extent used by the minister for actual expenses in owning or renting a home;

Whereas, the above minister is compensated by _____ Name of Church _____ exclusively for services as a minister of the gospel; and

Whereas _____ Name of Church _____ does not provide the above pastor with a parsonage; therefore,

Resolved, the portion of the minister's total income that is designated to be a housing allowance pursuant to section 107 of the Internal Revenue Code will be:

\$ _____ per _____ year _____ month (circle one)
All housing will be divided by 26 and paid on each pay period.

This designation of the above amount as a housing allowance shall apply to the calendar year _____ and all future years unless otherwise provided.

Minister's signature

Church representative signature

Ministerial Housing Allowance Declaration Applicable to Church-Provided Housing

Name: _____ Minister's Name _____

The following resolution was duly adopted by the _____ Governing Body _____ of
_____ Name of Church _____.

Whereas, the Internal Revenue Code permits a minister of the gospel to exclude from gross income "the rental value of a home furnished as part of compensation" or a church-designated allowance paid as a part of compensation to the extent that actual expenses are paid from the allowance to maintain a parsonage owned or rented by the church;

Whereas, the above minister is compensated by _____ Name of Church _____ exclusively for services as a minister of the gospel; and

Whereas _____ Name of Church _____ provides the minister with the rent-free use of a parsonage owned by (rented by) the church as a portion of the compensation for services rendered to the church in the exercise of ministry;

Resolved, the portion of the minister's total income that is designated to be a housing allowance pursuant to section 107 of the Internal Revenue Code will be:

\$ _____ per _____ year _____ month (circle one)
All housing will be divided by 26 and paid on each pay period.

This designation of the above amount as a housing allowance shall apply to the calendar year _____ and all future years unless otherwise provided.

Minister's signature

Church representative signature

Modifications to the housing designation



Churches should take these steps to modify a housing designation

To modify a housing designation during the year, the following steps should be taken:

1. The minister should keep records of allowable housing expenses paid, including receipts (scanned, copies, or original documents) for those expenses.
2. The minister should identify any significant change in housing expenses and estimate the amount by which the total actual expenses may exceed the amount designated as the housing allowance.
3. When housing expenses are running higher than anticipated or are expected to do so, the minister can ask the church to prospectively increase the housing allowance designation. The church can officially and prospectively amend the minister's housing allowance as appropriate to reflect the anticipated change in housing expenses.

Caution: When a church makes a mid-year increase in the ministerial housing designation, the increase only applies to expenses incurred subsequent to the designation change.

Designation reporting
to ministers



Reporting the housing allowance to ministers

A designated housing allowance for a minister-employee may be reflected on Form W-2 in Box 14 with the notation, “Housing Allowance.” Though not required, this reporting method is suggested by IRS Publication 517.

Alternatively, a church can report the designated housing allowance to a minister by providing a statement separate from Form W-2. This may be in a memo or letter. The statement need not be attached to income tax returns.

Using either reporting option, the calculation of the taxable income for federal income tax purposes is, for example:

Gross compensation	XXXX
Less designation housing allowance	<u>YYYY</u>
Taxable income for federal income tax purposes	<u><u>ZZZZ</u></u>

For ministers who are independent contractors, the housing exclusion is not reportable on Form 1099-MISC. The amount can be communicated to the minister by memo or in another form.

There is no requirement for the minister to account to the church for actual housing expenses.

Special circumstances



Housing allowances for retired ministers, evangelists, and teachers/administrators

Retired Ministers

Pension payments, retirement allowances, or disability payments paid to a retired minister from an established plan are generally taxable as pension income. However, denominations often designate a housing allowance for retired ministers to compensate them for past services to local churches of the denomination or to the denomination itself.

Withdrawals from a denominationally-sponsored 403(b) or 401(k) plan qualify for designation as a housing allowance. Withdrawals from a 403(b) or 401(k) plan not sponsored by a church are not eligible for designation as a housing allowance.

Retired ministers may also exclude the fair rental value of a home furnished by a church or a rental allowance paid by a church as compensation for past services. However, a surviving spouse of a retired minister cannot exclude a housing

allowance from income. If a minister's surviving spouse receives a rental allowance, it is includable in gross income.

Evangelists

Traveling evangelists may treat a portion of an honorarium received as an excludable housing allowance to the extent that the paying church designates all or a portion of the honorarium as a housing allowance in advance of the payment. Honoraria payments of \$600 or more in a calendar year to an evangelist require the church to issue Form 1099-MISC. The \$600 reporting threshold is after excluding any properly designated housing allowances and net of expense reimbursements based on adequate substantiation.

Teachers/Administrators

Ministers employed as teachers or administrators by a church-sponsored school, college, or university perform ministerial services for purposes of the housing exclusion. However, if the minister performs services as a teacher or administrator on the faculty of a non-church college, he or she cannot exclude from income a housing allowance related to the value of a home that is provided.

Accounting considerations

10

Accounting for the housing exclusion

Determining fair rental value

Determining the fair rental value of church-provided housing for self-employment social security tax purposes is solely the responsibility of the minister. The fair value should be based on comparable rental values of similar residences in the immediate community, comparably furnished.

One of the best methods to establish the fair rental value of housing is to request that a local realtor estimate the value in writing. The minister should retain the estimate in a tax file and annually adjust the value for inflation and other local real estate valuation factors.

Determining actual expenses

The actual amount expended for housing and furnishings is limited to amounts expended in the current calendar year. Amounts expended in a prior year cannot be carried forward to a following year through depreciation or because the prior

year's expenses exceeded that year's designation. Housing expenses in prior years that are not used to justify a housing exclusion simply have no value in future years.

Home equity loans and second mortgages

Ministers who own their homes and itemize their deductions are eligible to deduct mortgage interest and property taxes on Schedule A even though these items are also excluded from taxable income as part of the housing allowance. This is sometimes referred to as a “double deduction.”

Without a home mortgage, a minister has no mortgage principal and interest amounts to exclude under a housing allowance. Therefore, there would be no “double deduction” of the mortgage interest as an itemized deduction and as a housing expense for purposes of the housing allowance exclusions.

Loan payments on home equity loans and second mortgages qualify as housing expenses only in certain instances. The use of the loan proceeds as housing expenses vs. non-housing expenses determines whether the loan payments may be excluded for income tax purposes.

Now what?

Action Steps to Excellence

Now what?

Action Steps to Excellence

Action Steps for Churches

- Help your minister(s) focus time, resources, and energy on ministry by assisting them in maximizing the provision in the tax code for the minister's housing exclusion whether they own, rent, or live in church-provided housing.
- Establish who is eligible for the housing exclusion based on ministerial duties, not based on job titles.
- Differentiate between church-provided housing and a housing allowance for minister-provided housing.
- Determine the extent to which payment of housing expenses will be the responsibility of the minister – these expenses will vary based on church vs. minister provided housing.

- Request that the minister provides an estimate of housing related expenses (sample worksheet [Page 17](#)).
- Adopt a housing designation, approved by the governing body and put in writing in the employment contract (not just the church budget). The designation can be a portion of the minister's existing salary, and should represent reasonable compensation and fair market value.
- Modify the designation if needed, based on documentation of significant changes in expenses, as provided by the minister.
- Consider any special circumstances such as retired ministers, traveling evangelists and church-sponsored school/university teachers and administrators.
- Provide proper reporting of housing designations to ministers on W-2's or separate memos.

Action Steps for Ministers

- Verify with the church your eligibility for the housing exclusion based on ministerial duties, not on job title.
- Understand that the housing exclusion is an exemption from federal income tax only – not social security tax. To avoid a big tax bill on April 15 due to social security, pay your tax bill monthly by having additional federal income tax withheld.
- Differentiate between church-provided housing and a housing allowance for housing you own or rent. If you are in church-provided housing, you may exclude the fair rental value of the home, as well as any housing allowance you may receive for out-of-pocket housing related expenses.
- For any housing allowance (whether for a home you own or rent, or for out-of-pocket housing related expenses) provide the church with an estimate of expenses for the coming year (sample worksheet [Page 17](#)). This estimate will be used to determine a reasonable and fair housing designation.

- Ensure that the designated housing allowance is approved by the governing board and is provided in writing in your employment contract (not just in the church budget).
- Once the housing designation is established, keep records of allowable expenses paid, including receipts for those expenses, so that you can provide documentation should a modification to the designation be necessary.
- Refer to the rules for special circumstances if you are a retired minister, traveling evangelist, or a teacher/administrator in a church-sponsored school or university.
- Follow the calculation below for federal income tax purposes:

Gross Compensation	XXXX
Less Housing Designation	<u>-YYYY</u>
Taxable Income for Federal Income Tax Purposes	ZZZZ

Resources



Other ECFA Press Books in the Church Series



10 Essentials of Forming a Church

Churches form to give followers of Christ the opportunity to worship together, grow in faith, and meet the needs of the local community. There are also practical legal and financial consequences that arise when organizing a church. This book provides an overview of the ten most fundamental issues to consider when starting a new church.



10 Essentials of Social Security for Ministers

Social security tax is one of the most complicated issues for many clergy in the U.S. It all starts with two types of social security—and a minister might be subject to both types of social security in the same tax year. The tax forms do not provide a convenient way to calculate the amount subject to social security tax. Understanding these ten fundamentals provides a good grasp of the social security basics that are often puzzling to ministers.



10 Essentials of Taxes for Ministers

This book provides a cogent overview of the ten most basic fundamentals of clergy tax. Clergy who understand these ten fundamentals will have a better understanding of the Federal tax issues impacting them. Some of these crucial issues include the clergy housing allowance, expense reimbursements, social security tax, and more.



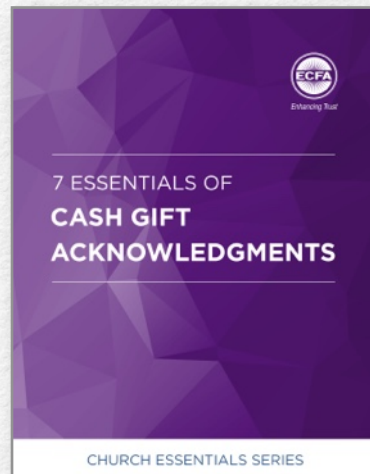
7 Essentials of Related-Party Transactions

Conflict of interest situations are common with churches—when a person who is responsible for promoting church interests is involved at the same time in a competing personal interest. A church should only enter into related-party transactions if strict guidelines are met. Even then, the risk of misperceptions may cause church leaders to choose to avoid related-party transactions.



10 Essentials of Giver-Restricted Gifts to Churches

Givers often make gifts to churches for specific purposes and many of these gifts are in response to resource-raising opportunities shared by churches. These gifts, often called “restricted” or “designated,” must be expended consistently with giver intent. This booklet outlines the way churches can handle giver-restricted gifts with integrity.



7 Essentials of Cash Gift Administration

It is a privilege for ministries to express appreciation to givers for their generosity. Thanking givers for their contributions seems simple. But it is often not so. The complexity comes because U.S. tax law only allows charitable deductions for certain gifts, and charitable gift acknowledgements must meet strict substantiation requirements. This booklet guides a ministry through these challenging issues.



5 Essentials of Reimbursing Ministerial Expenses

How a church handles the payment of business expenses incurred by staff speaks volumes about the integrity of the church. Adequate substantiation is the starting point to qualify business expense reimbursements for tax-free treatment. This booklet covers the steps for churches to maximize stewardship for both the church and staff.



9 Essentials of Avoiding Church Fraud

Fraud and misuse of church resources can create sensational news and cause a diminished witness for Jesus Christ. While it is almost impossible to eliminate all fraud, churches should find a reasonable balance between preventive efforts and risks. This booklet helps churches understand how to identify fraud risks and implement fraud prevention.



10 Essentials of Church Accounting

The accounting for church financial resources is the basis for accurately documenting revenue and expense. A sound accounting system provides the data to determine if a church is on track in comparison to the budget. The consistent recording of accounting data reveals financial trends and allows comparison to previous years. This booklet covers the basics for optimizing the church accounting system.



7 Essentials of Noncash Gift Administration

Most gifts to churches are in an electronic form with some additional gifts coming in the form of checks and currency. Noncash gifts—gifts of stock, real estate, other property, plus gifts of services—are often very helpful to fulfill a church's mission. Most of these gifts are tax-deductible, but some are not. This booklet is helpful in addressing accounting and charitable gift receipting of noncash gifts.



10 Essentials of Church Budgeting

Preparing and utilizing budgets for a church is not as easy as it might seem. There may be several types of budgets: operating, cash, and capital. Budgets provide the guardrails to build cash reserves and keep expenses within certain limits, and assure there is adequate cash to pay operating, mortgage, and capital expenses. This booklet provides the keys to maximize the benefits from church budgets.



10 Essentials of Church Internal Controls

Internal controls are the procedures and practices implemented to help churches achieve their mission. They promote efficiency, reduce the risk of financial loss, help ensure financial reports are accurate, and establish compliance with laws and regulations. This booklet helps churches find an appropriate balance between effective controls and operational effectiveness.



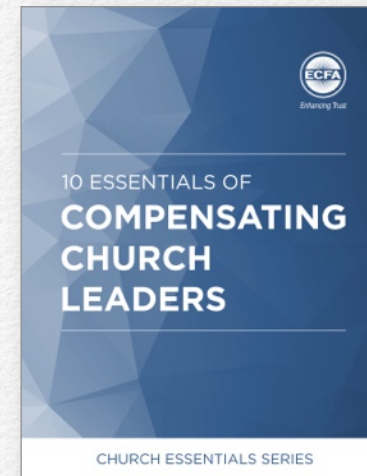
10 Essentials of Church Internal Audits

While larger churches often have an external audit by a Certified Public Accountant, many churches find it challenging to pay for these external services. Yet, very few of them conduct an internal audit, missing an excellent opportunity to demonstrate accountability in handling God's resources. This booklet provides the basic steps to conduct a church internal audit and provide oversight for church resources.



10 Essentials of Church Financial Reporting

Church financial reporting is important in several respects. Monthly financial reporting to the church governing board is an important part of accountability. Periodic, especially annual, reporting to the congregation is often used. Reporting to givers on special projects is another opportunity. This booklet covers the basic on meaningful church financial reporting.



10 Essentials of Compensating Church Leaders

Setting the compensation of church leaders should meet high standards that will enhance our Christian witness. These standards include utilizing comparability data to ensure reasonable compensation, approving compensation independently of the person whose compensation is being set, and properly documenting compensation, including fringe benefits. This booklet covers all of this and much more.



8 Essentials of Church Fringe Benefits

Fringe benefits are taxable and must be included in the recipient's taxable pay except for those the law specifically excludes. Therefore, it is important for churches to design fringe benefit plans to model stewardship for the church and structure fringe benefit plans to allow employees to maximize compensation. This booklet will help you understand how to effectively use fringe benefits.



9 Essentials of Church Cash Reserves

Adequate cash reserves are necessary for a church to pay its obligations on time in spite of fluctuations in monthly revenue. Still, developing and maintaining appropriate cash reserves is often one of the most overlooked and misunderstood issues for a church. This booklet provides an overview of the different types of reserves and how a church may achieve them.



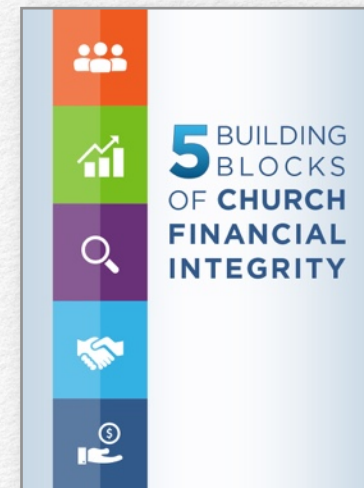
10 Essentials of Church IRS Filings

Almost every church is required to make certain filings with the IRS, such as quarterly payroll tax returns and W-2s. But there are other filings with the IRS that may be required for churches. This booklet helps church leaders understand if and when filings are required with the IRS.



10 Essentials of Church Financial Leadership

Church financial leadership takes on many forms, including budgeting, cash management, cash reserves, debt management, financial reporting—internal and external, financial filings and much more. This booklet highlights these key responsibilities for church leaders.



5 Building Blocks of Church Financial Integrity

When it comes to building a church's financial integrity, many leaders simply don't know where to start. Some think that establishing a strong financial foundation is too difficult, or perhaps only possible for large churches. The good news is building a church's financial integrity is not as complicated as some might think. It is all about properly adding one building block at a time.

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Notes

This text is provided with the acknowledgment that the authors and the publisher are not engaged in rendering legal, accounting, or other professional advice or service. Professional advice on specific issues should be sought from an accountant, lawyer, or other professional.

Ministers who are members of a religious order are subject to special rules not discussed in this document. Additionally, this information does not relate to churches and qualified church-controlled organizations that are opposed to the payment of social security and Medicare taxes for religious reasons and have elected to exclude all their employees from FICA coverage.

More Information

- *The Zondervan Minister's Tax & Financial Guide* by Dan Busby, Michael Martin, and John Van Drunen, revised annually
- IRS Publication 517 – Social Security and Other Information for Members of the Clergy and Religious Workers



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ISBN: 978-1-936233-37-3

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