



Wabash Conference Office
Jody L. Belton, Finance/Business Manager

Notes for Preparing Pastor's W-2s

Boxes 1, 16, & 18 (& only boxes 1, 16, & 18) - The following are subject to Federal, State & County Tax and to be included in these boxes:

- Salary
- Self-Employment Tax (commonly referred to as social security tax)
- Any designated parsonage allowance (NOT housing allowance) minus actual housing costs; i.e. unused portion of parsonage allowance.
- Insurance premiums paid for by the church or given to the pastor for individual insurance coverage.
- Any group insurance premiums handled outside of a church established Health Reimbursement Arrangement (HRA) policy. (See information from FMCUSA regarding the set up of HRAs)
- Any premium cost of employer/local church provided life insurance that exceeds \$50,000, or any premium cost of dependent life insurance. If provided by the Conference office, we will notify you in January of this amount (see Box 12, code C below)

All pastor wages are EXEMPT from Social Security and Medicare withholdings. When completing the W-3, be sure that all pastor wages are NOT listed in the Social Security & Medicare wages boxes (3 & 5)

Box 2, 3, 4, 5, 6, 7, 8, 11, 17, 19, and 20 - should be blank unless the church is **withholding** taxes from the pastor's paycheck

Box 12 (a, b, c, d, etc.):

- C – Group term life insurance premium cost over \$50,000 (add to box 1, 16 & 18)
- E – Any individual 403(b) retirement amount (non-taxable deferrals only). Do NOT include the amount paid for the FMCUSA pension plan on the W-2. (The FM pension amount is reported on form 1099-R by FMCUSA.)
- L – Employee business/professional expenses **in excess of substantiated** amount (**Expenses paid or reimbursed without receipts are taxable**)
- P – Moving Expenses paid directly to an Employee by the church (non-qualified if move is less than 50 miles)
- W- Employer portion of any Health Savings Account (H.S.A.) Do NOT list this amount in taxable boxes (1,16, & 18)

Box 13: If Pastor is a participant in the FMCNA pension plan for any part of the year, put an X in the "Retirement Plan" box. No dollar amounts are to be listed on the W-2.

Box 14 - List the following:

"Taxpayer is a Minister NOT subj to FICA tax or W/H requirements"

(W/H stands for withholding)

The following should be either reported in Box 14 or on a separate sheet of paper. IRS does not require this information on the W-2, and we prefer that it be on a separate sheet of paper, but it is very helpful for you to provide the information as the taxpayer may be required to report this information on their individual tax return.

- Housing
- Medical insurance premiums and Flex Spending (Medical Spending Account)

Notes:

- **All copies (employee and government) are due January 31.**
- IRS prefers that tax forms be prepared in 12 pt, courier font.
- **The above instructions are not inclusive but specific to clergy earnings; please see IRS Instructions for Forms W-2 and W-3 for further information.**
- Keep copies of all payroll tax forms for 7 years.

Government reporting:

W-3 form (Federal transmittal/cover for IRS copies of the W-2):

Box 1 Include all pastor and any other employee earnings, do not include 403b

Box 3 & 5 All NON-Pastoral earnings only

Box 16 & 18 Includes all earnings (including pastor's) except 403b

IRS requires their special printed red ink (copy A) that is acquired directly from them. They will reject any copies that you print on your printer, even if from their website.

Copy 1 of each W-2 is the state copy. Send with the appropriate state transmittal/cover form. For Indiana, use form WH-3; Illinois & West Virginia would have similar transmittal forms.

Ordering Forms: There is NO CHARGE for tax forms from the government.

Federal tax forms should be acquired from the IRS as follows:

1. Download Federal tax forms, including 1099-MISC, W-2, and W-4 (Employee's Withholding Allowance Certificate), etc. from: <http://www.irs.gov/formspubs/index.html>
NOTE> Most of the downloadable forms can be typed in and printed directly from the IRS website. However, IRS will not honor printed red copies from the internet. Actual paper copies of the following 4 forms (all government copies) must be ordered from IRS:
 - W-2 - Copy A
 - W-3
 - 1099-MISC - Copy A
 - Form 1096
2. Or order from IRS (via their website above, US mail, or by phone (*1-800-TAX-FORM* or *1-800-829-3676*)). Allow at least 7 to 15 days for them to process and ship your order.
3. Order State tax forms via their appropriate state site.

Disclaimer: While every attempt has been made to ensure the accuracy of the information presented here, no guarantee is given. Be sure to seek the advice and assistance of a qualified tax preparer for your needs.

Contact Jody Belton, Business Manager at Wabash Conference for additional assistance...