Financial Planning for Ministers

www.benefitsboard.com

A. Who is a Minister for Federal Tax Purposes?

- Must be "ordained, commissioned, or licensed"
- Must be "Eligible" to participate in the administration of the sacraments
- Must participate in the conducting of religious worship
- Must have "management responsibilities" in the local church or denomination
- Must be "considered to be a religious leader" by the church or denomination

B. Minister's Dual Tax Status

- Tax purposes Employee
- Social Security Self-employed

C. Fringe Benefits

- Retirement Plan Contributions
- Medical Insurance
- Social Security Reimbursement (Taxable Fringe Benefits)



D. Business and Professional Expenses (Accountable Reimbursement)

- Auto Expenses
- Educational Expenses
- Travel
- Entertainment (list is not inclusive)

E. Allowable Housing Expenses

- Down payment
- Mortgage payments (interest and principal)
- Furnishings and appliances
- Yard work, snow removal, etc.
- Repairs and remodeling; maintenance
- Utilities (electricity, gas, water, trash collection, local phone charges)
- Real estate taxes; insurance; Homeowners Dues



F. What Constitutes Reportable Income for a Minister?

- Salary
- Bonuses, love offerings, gifts, weekends away
- Social Security paid by the church to the minister (and maybe health insurance??)
- Business expense reimbursement under a non-accountable plan
- Personal use of church-provided auto

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Minister's Taxable Compensation at a Glance

Compensation	Income Taxes Owed	Social Security/ Medicare (SECA) Owed
Fringe Benefits		
Retirement Plan Contributions	No	No
Medical Insurance	Yes, unless "only employee" or in a group plan	Yes, unless "only employee" or in a group plan
Social Security Reimbursements	Yes	Yes
Business and Professional Expenses		
Accountable Plan	No	No
Non-Accountable Plan	Yes	Yes
Ministerial Housing		
Parsonage Provided	No	Yes
Housing Allowance	No	Yes
Salary		
Salary	Yes	Yes
Bonus, Love Offerings, Gifts from Church	Yes	Yes
Personal Use of Church-Provided Auto	Yes	Yes

MINISTERS' RETIREMENT PLAN



WHO IS ELIGIBLE TO PARTICIPATE?

- Pastors
- Evangelist and Chaplains
- Church-related Employees

HOW CAN I PARTICIPATE?

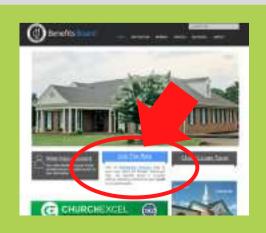
- Church Contributions, and/or
- Salary Reduction Contributions

HOW MUCH, OR HOW LITTLE, CAN I CONTRIBUTE?

- No minimum contribution requirement
- Maximum contribution limits set by law

INCENTIVES FOR NEW MEMBERS

For new members who join the Plan, the Board will match dollar for dollar up to \$500 in contributions. Join now and get 100% return for the first \$500 contributed this year!





Tools of the Trade Resources

To provide financial guidance to the pastor, treasurer, and church, the following "tools" should be available to the church leadership:

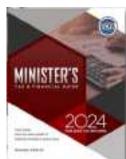
- Informational manuals from the Benefits Board, available without charge on the Benefits Board's web site: (www.benefitsboard.com)
 - Minister's Compensation Manual
 - Church Treasurer's Manual
 - Church Construction and Financing
 - o Ministers' Retirement Plan Summary
 - Church Budgeting Manual
 - Tax Information Manual
 - The Church as a Taxpayer
 - Minister's Tax and Financial Guide (ECFA)
 - Church and Nonprofit Tax and Financial Guide (ECFA)







- Internal Revenue Service publications, available on the forms section of the Benefits Board's web site:
 - o Tax Guide for Churches and Religious Organizations (Pub. 1828)
 - o Charitable Contribution Guide (Pub. 1771)
 - o **Audit Guidelines for Ministers** (Training Manual 3149-101)
- The *Church and Clergy Tax Guide* by Richard R. Hammar, updated annually, published by Christianity Today, and available for purchase from the Benefits Board.
- The *Minister's Tax & Financial Guide* by Michael Martin, updated annually, and published by Zondervan
- The Church and Nonprofit Organization Tax & Financial Guide by Michael Martin, updated annually, and published by Zondervan
- ChurchEXCEL App and Resources at www.ChurchEXCEL.org/BenefitsBoard



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