

Example of Form W-2 for Clergy

This is an example of how to fill out a Form W-2 for Rev. Sue Service. Rev. Service has a salary of \$25,000 from the local church. Rev. Service is provided a parsonage and the church pays a \$1,500 housing (parsonage/utility) allowance to her pursuant to an estimate of such expenses and a properly adopted resolution (this is in addition to her \$25,000 salary). The parsonage allowance is not included as income in Box 1 on Form W-2 but it may be reported in box 14. If the church does not report the amount in box 14, it should report it independently to the pastor because this amount must be included in self-employment (Social Security) earnings (along with the fair rental value of the parsonage).

Rev. Service receives a non-accountable travel allowance of \$3,000. This entire sum is included as income and must be added to her \$25,000 salary, giving a total of \$28,000 in income from the church.

There is also an accountable reimbursement policy for other professional business expenses in the amount of \$2,500. None of this amount is reported on the Form W-2. (Note: travel/vehicle expenses can be handled by an accountable reimbursement policy as well but that would be in lieu of a travel allowance).

The local church makes a Ministerial Pension Plan (MPP) contribution of \$2,750. This is not reported as income. There is a 403(b) pension contribution of \$500 by the church, out of the pastor's salary, to the pastor's personal account and that amount is treated as an after-tax contribution which does not reduce income. Additionally, the pastor made a voluntary 403(b) salary reduction (pre-tax) contribution of \$900. This voluntary contribution reduces her reportable income from \$28,000 to \$27,100. (Note in box 13, the Retirement Plan box should be checked.)

Rev. Service has not requested any voluntary federal income tax withholding by the church but rather has assumed the obligation of making quarterly estimated payments.

The church pays (*out of the church's own budget, and not as a salary reduction*) a medical insurance premium under the conference plan in the amount of \$3,000, which is not reportable income.

Box 1 of Form W-2 reports wages and tips of \$27,100, consisting of the salary and the travel allowance (less the pension salary reduction contribution). (If the minister wishes to take deductions for the travel expenses, those deductions must be taken on Schedule A as opposed to Schedule C.) None of the accountable reimbursement amount is included in Box 1 and these expenses are not reported on the minister's tax return.

Reportable Income Items

Cash salary (which includes the personal pension contribution of \$500)	\$25,000.00
Travel allowance	3,000.00
Value (if any) of life insurance provided in excess of \$50,000 under CPP	—

Reductions of Income (before tax)

Salary reduction for pension plan	900.00
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Non Reportable Funds

Accountable reimbursement policy for business expenses	2,500.00
Parsonage allowance (for utilities for the parsonage)	1,500.00
Medical insurance premium	3,000.00
Ministerial Pension Plan (MPP)	2,750.00

Box 2 is not completed, as Rev. Service did not choose to have any voluntary income tax withholding, but rather paid estimated taxes directly. If the church withheld income taxes pursuant to a filed Form W-4, such amounts would be reported here.

Box 3-6 should *not* have any entries (leave blank, do *not* insert "0"s).

Box 12 should show the code and amount reflecting the voluntary salary reduction contribution, in this case, E \$900. (If Rev. Service received the benefit of life insurance in excess of \$50,000, the amount of the premium would be included in box 1 and shown here together with the code letter C.)

Box 13 should show an X in the box for Retirement Plan.

Box 14 may include the housing allowance of \$1,500

Box 16-20 should be completed according to your own state's requirements.

The General Council on Finance and Administration is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice. In addition, GCFA is not recommending any particular salary, housing allowance, or travel allowance. The examples here are merely illustrative.