

Tips for completing a W-2 for your pastor:

Taxable income includes:

pastor's base salary (if the pastor participates in salary reduction contribution to pension that amount should be deducted from the base salary before it is entered)

Social Security allowance

non-accountable expense allowance (car, furnishing, utilities, etc.)

Housing allowance (pastor without parsonage):

the housing allowance amount may be entered in box 14 but is not required; the housing allowance is not taxable income

Box a: leave blank

Box b: your church's federal employer ID number

Box c: church's name and address

Box d: employee's Social Security number

Box e: employee's name as it appears on Social Security card – do not use titles (Rev, Dr, etc)

Box f: employee's address and zip code

Box 1: taxable income (do not include housing allowance)

Box 2: amount of taxes withheld (if any)

Box 12: enter Code E if the pastor participates in a voluntary salary reduction to the Board of Pensions – this amount is not included in box 1

Box 13: "retirement plan" should be checked because the pastor is covered under the churchwide pension plan

Box 14 is optional. You may use it to provide information. Use this box to report housing allowance. It is not necessary to put "ordained minister" in this box

Boxes 15-20 are used to report state and local taxes

- pension and medical plan contributions paid by the congregation are not taxable; these amounts are not put on the W-2
- the fair rental value of a parsonage is not taxable

Pastor alert: When calculating your Social Security tax include: salary (including salary reduction contribution to pension), housing allowance OR fair rental value of the parsonage, furnishings and utilities allowance, and the Social Security allowance.

Note about the car allowance:

The IRS suggests that congregations not supplying an auto for the pastor's use adopt a policy statement stating that the congregation will not furnish a car and that it expects the pastor to furnish his or her own car in order to minister to the needs of the parish. It is advisable to adopt a statement no matter which accounting plan your pastor uses for tax purposes.

The best plan is for the congregation to reimburse the pastor at the end of the month or at least quarterly for any business miles driven.

If you have questions about how to set up an accountable reimbursement plan, please call the synod office.

Disclaimer: These tips are meant to answer some of the frequently asked questions received about W-2's for pastors. This is information gleaned from reading information on the Board of Pensions web site and other miscellaneous sources. **This information is not meant to replace advice of an accountant.**