



Enhancing Trust

XPastor
Expanding the Business Brain + Pastoral Heart

10 Biggest Tax Mistakes Made by Pastors and Churches



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Today's Presenter



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Compensation Planning





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Why Care About Tax Compliance?

“For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of man.”

2 Corinthians 8:21, NIV



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MISTAKE #1

Ministers filing as self-employed for income tax purposes on the church salary, using tax benefits only available to employees, and becoming vulnerable to reclassification by the IRS to employee status.



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MISTAKE #2

Ministers insisting that the church deduct FICA-type Social Security from ministerial compensation.



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MISTAKE #3

Ministers improperly opting out of Social Security because of the belief that it is not a good investment.



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MISTAKE #4

Failure of ministers (and churches) to use an accountable expense reimbursement plan.



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MISTAKE #5

Minister's failure to have at least a modest housing allowance designated when living in a church-provided parsonage (... or otherwise failing to fully leverage the housing allowance benefit).



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MISTAKE #6

Minister's failure to understand the implications of the fair rental value test associated with the housing exclusion.



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MISTAKE #7

**Church's failure to file Form 1099-NEC
for independent contractors.**



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MISTAKE #8

Church's not reporting taxable fringe benefits and Social Security reimbursements as additional compensation to ministerial employees.



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MISTAKE #9

Church's failure to issue a proper gift acknowledgment (including the fair market value of the goods or services provided) when a donor makes a payment of more than \$75 and receives good or services.



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MISTAKE #10

**Providing improper charitable gift acknowledgements
under these scenarios:**

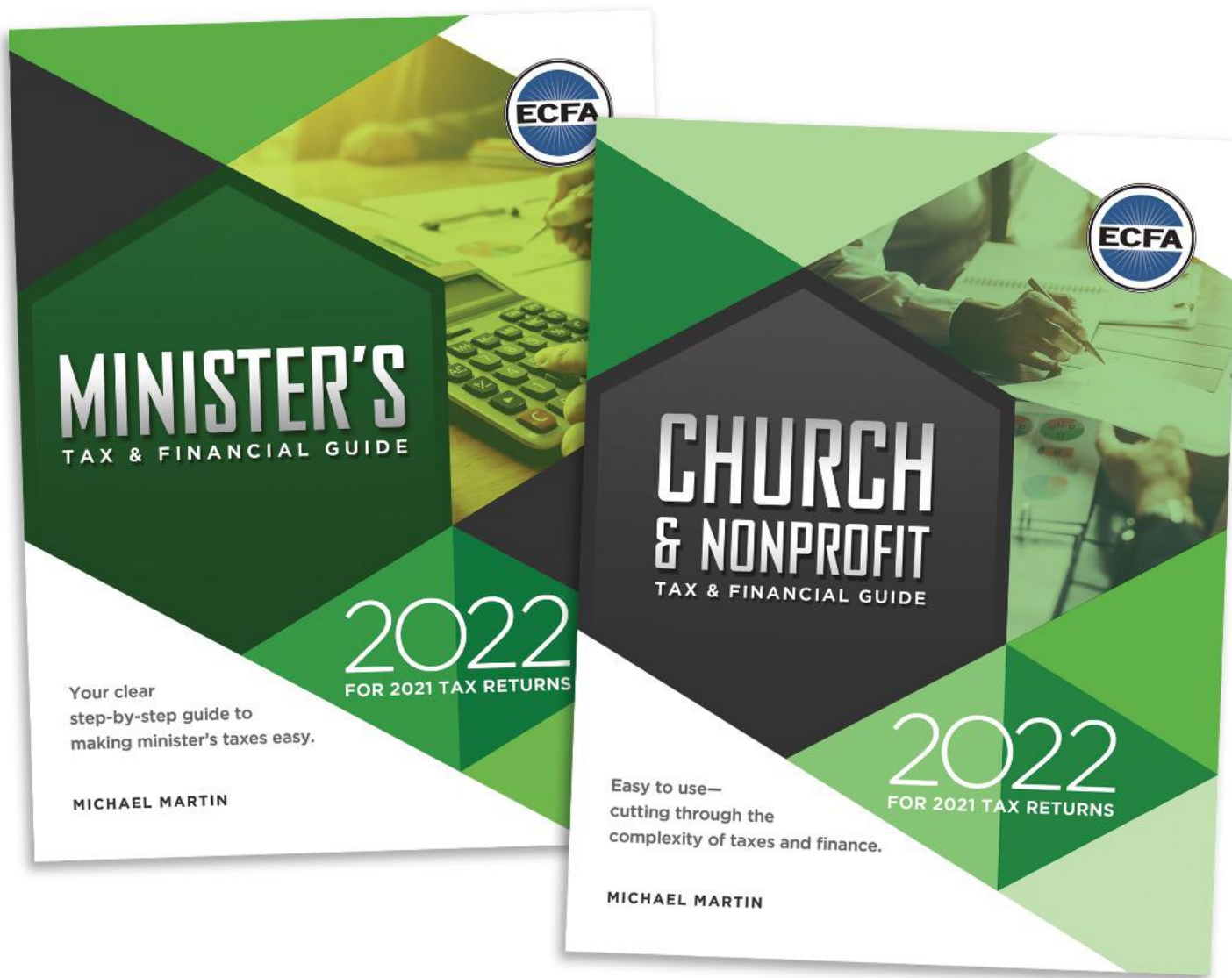
- Donation of services or the rent-free use of property
- Contributions earmarked for individuals without proper discretion and control by the church
- Placing values on non-cash gifts



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Recent Tax Updates

- **Congressional COVID-relief measures in 2021**
 - Economic Impact Payments
 - Expanded Child Tax Credit
- **Enhanced charitable giving incentives in 2021**
 - “Universal” charitable contribution deduction
 - Increased percentage limits on charitable contributions
- **Public Service Loan Forgiveness (PSLF) now available for religious nonprofit workers**
- **Watching... possible reintroduction of “Clergy Act” in 2022**



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