

Tips For Treasurers



THE DIOCESE OF COLORADO

December 16, 2009

Year End Tips for Treasurers From the Finance Department

Greetings from the finance department!

This newsletter comes to the treasurers and any other interested members of our congregations to help with questions you may have about year end procedures.

Included in this newsletter is information about W-2's vs. 1099's and how to determine which form to use. Also included are W-2 preparation tips and important housing allowance designation information on page 2.

Additional information regarding taxable portion of life insurance policies, taxable Christmas gifts, donor contributions deductions, year end contribution reports and 2010 W-4 forms is on page 3.

Watch the mail after the first of the year for the updated 2010 Congregational Reporting information notebook and parochial reports.

Please be sure to contact either Pam Greenfield or Kay Ward
pgreenfield@coloradodiocese.org or
kward@coloradodiocese.org in the finance office if you have any questions.

303-837-1173

Or

800-446-3081

Inside:

- **What to do about W2s**
- **Housing Resolution Reminder**
- **Year-End Odds and Ends**

IRS announces 2010 Standard Mileage Rates

Beginning January 1, 2010 the standard mileage rates for the use of a car will be:

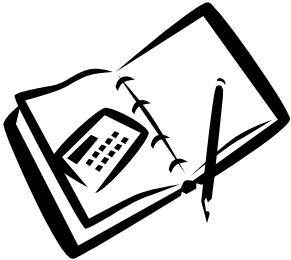
- 50 cents per mile for business miles driven;
- 20 cents per mile driven for medical or moving purposes; and,
- 14 cents per mile driven in service of charitable organization.

The standard mileage rates for business are used to reimburse employees for actual miles traveled. If not reimbursed, employees may itemize on their tax return as a business expense. Mileage for medical or moving expenses and for volunteer service to the church may also be itemized.



Tips For Treasurers

Year End Practicalities: What To Do About W2s



W-2 or 1099 - Which do I use???? All clergy and lay employees must have their respective wages reported on a form W-2. This also includes retired clergy who are regularly serving a congregation. The only clergy to receive a 1099 are supply clergy who serve on call or on a temporary basis. A Form 1099 must be issued to any contractual person who earned more than \$600 during the year. Forms W-2 and 1099 must contain the respective church's FEIN. Do not use the Diocesan number. All W-2's and 1099's must be in the hands of or mailed to the individual by January 31. Questions - Call Pam Greenfield at the Diocesan Finance Office.

W-2 Preparation Tips: In order to properly prepare a priest's taxable income, gather the following information:

- Salary, not including the housing allowance
- Value of personal use of a church owned or leased automobile
- Self Employment Tax Reimbursement, if applicable
- Auto Allowance or any other non-accountable allowances
- **Excess Group Term Life Insurance** - Church Pension provides active clergy up to \$100,000; if the church also provides life insurance, this is excess could be \$100,000 and the value of the excess is taxable. In addition to being included in box 1, also report in box 12, Code C. **This applies to all active clergy.**

- Bonus

All of the above amounts are included in box 1 of the Form W-2. Other considerations include:

- A salary reduction contribution to a Tax Sheltered Annuity is deducted from the salary in box 1 and reported in box 12, Code E.
- The Housing Allowance is reported in box 14 and should be marked "housing allowance". Although not taxable, this number is required to reconcile the total paid to the W-2. Additionally, the clergy need this number in order to calculate and pay self employment tax, thus, it is Diocesan Policy that it be reported here. The fair rental value of church provided housing is also subject to the self employment tax and should be included in box 14. (Suggestion, protect your clergy in the event of an audit by entering into a written agreement regarding the fair rental value supported by a written opinion of a local rental property management company.)

If the priest chooses to have Federal and/or State tax withheld, those amounts would be entered in box 2 and 17.

NOTHING should ever be entered in box 4 or 6 on a clergy W-2 form!

If you have questions on how to properly prepare a Form W-2, don't hesitate to call Pam Greenfield, the Diocesan Controller.

Remember the Housing Allowance!



Housing Resolutions: Churches must designate a portion of each minister's compensation as a housing allowance by December 31 (or prior to the first payday in January) in order for ministers who own or rent their homes to receive the full benefit of a housing allowance exclusion for calendar year. The designation should be adopted during a regular or special meeting of the vestry or bishop's committee and included in the written minutes. Give a copy of these minutes to the minister for his personal records. Churches should also designate a parsonage allowance for any priest who

lives in church owned housing and who is expected to pay some of the expenses of maintaining the rectory such as utilities, furnishings, repairs, improvements, yard care, etc. Sample Housing Resolutions are available on the Diocesan Website at www.coloradodiocese.org.

Other Year-End Tax Tips and Odds and Ends

The Value of Insurance over \$50,000 is taxable: Subject to some limitations and eligibility, the Clergy Pension Fund provides up to \$100,000 coverage for all clergy active in the Fund. Accordingly, there is imputed income for almost all active clergy in the Diocese. CPG provides our office with a list of imputed income applicable to each church which has purchased additional insurance through them. **Please call Pam Greenfield in the Diocesan Finance Office for this information** or you may calculate for yourself, using the following table:

Cost Per \$1,000 of All Group Life Insurance Coverage Exceeding the \$50,000 Exclusion

<u>Age</u>	<u>Rate</u>
Under 25	\$.05
25 to 29	.06
30 to 34	.08
35 to 39	.09
40 to 44	.10
45 to 49	.15
50 to 54	.23
55 to 59	.43
60 to 64	.66
65 to 69	1.27
Over 70	2.06



Taxable Christmas Gifts: Be certain to correctly handle Christmas gifts made by the church or congregation to a priest or staff member. A cash gift from an employer to an employee is almost always taxable income, whether it be for Christmas, a birthday, anniversary, or even retirement. The principal exception would be if the church were only acting as a collection point for voluntary gifts from parishioners. In this case it is recommended that the church instruct the donors that (1) cash and checks will be accepted and checks should be made payable directly to the priest or lay employee and (2) no contribution will be receipted by the church as a charitable contribution. Except when the church is collecting gifts in such a manner as a convenience to the parishioners, such gifts must be included as income on the W-2 (or 1099 in the case of contractors).

Donor contributions are deductible when delivered! A check deposited in the collection plate after year end to apply to the 2009 pledge cannot be credited to the donor on the 2009 Contributions Report, even if backdated! The only exception is when the check is actually mailed and **postmarked** in 2009, even though it is not received until 2010. Some parishioners may give in 2009 toward their 2010 pledge. Again, these checks would be included on the donor's 2009 Contribution Report, even if the church recognized it as a "deferred income item" for recognition in the church's financial statements as a 2010 pledge!

Year End Contribution Report: Advise your parishioners in the church bulletin, newsletter or letter from the church NOT to file their federal income tax return before they receive their Contributions Report. Some donors may not be able to deduct certain contributions if they file before receiving the church Contributions Report. To assist your parishioners, be prompt in sending the Contributions Report, remembering to include the wording "no benefits received by the donor other than intangible religious benefits".

2010 W-4 Forms: The Diocese recommends that all employees be asked to fill out new W-4 forms at the beginning of each year. If not done, the previous form is still active. However, by filling out a new form each year the employee will be reminded to watch for any change in circumstances which might cause deductions to change. Although not required of clergy since withholding taxes are optional, doing so will give the clergy an opportunity to at least withhold the equivalent of the self employment tax, thereby eliminating the need to file quarterly estimates or incur penalties for underpayment at the end of the year.