

Clergy Tax Illustration



Everence[®]

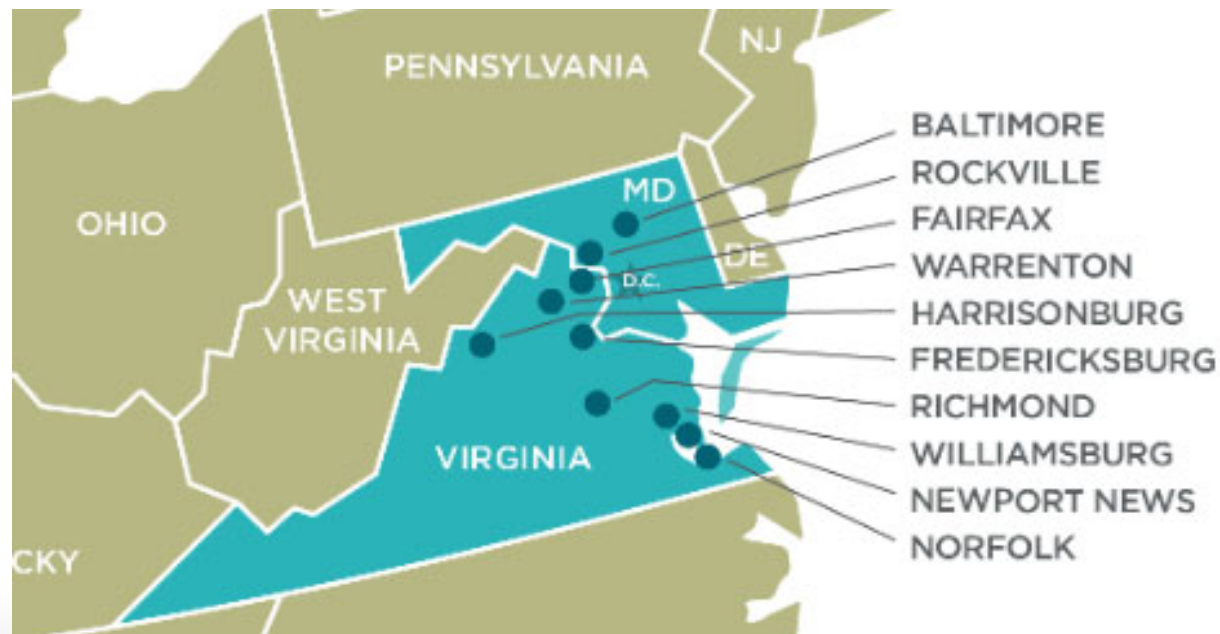


Your Future. Our Focus.

Presented by:
Ed Yoder, CPA, MSA, Partner
Harrisonburg, Virginia

Certified Public Accountants & Consultants

- PBMares is ranked at 96 of the top 100 Firms
- Ed Yoder is a CPA with 22 years of public accounting experience, based in the Harrisonburg, Virginia



Disclaimer




This material is intended to provide general information about understanding the federal tax system for ministers. It is not intended as legal or tax advice. Please consult your tax attorney or accountant on specific questions related to your situation, or contact me after this seminar.

References


- [IRS Publication 517 Information for Clergy](#)
- [IRS Ministers Audit Techniques Guide](#)
- [MRT Housing Allowance for Retired Ministers](#)
- [EFCA Preparing Tax Returns for Clergy](#)

- Zondervan Minister's Tax & Financial Guide (ECFA)
- There are several other ministers guides available for free online

22222		a Employee's social security number 011-00-2222		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-0246810				1 Wages, tips, other compensation 31000.00		2 Federal income tax withheld			
c Employer's name, address, and ZIP code First United Church 1042 Main Street Hometown, TX 77099				3 Social security wages		4 Social security tax withheld			
				5 Medicare wages and tips		6 Medicare tax withheld			
				7 Social security tips		8 Allocated tips			
d Control number				9		10 Dependent care benefits			
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12	
John E. White 1040 Main Street Hometown, TX 77099						13 Statutory employee <input type="checkbox"/>		12b	
						Retirement plan <input type="checkbox"/>		Third-party sick pay <input type="checkbox"/>	
						14 Other Parsonage Allowance 9600.00 Utilities Allowance 1200.00		12c	
f Employee's address and ZIP code								12d	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name			

Form **W-2** Wage and Tax Statement

Department of the Treasury—Internal Revenue Service

22222		a Employee's social security number 011-00-2222		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-1357913				1 Wages, tips, other compensation 3400.00		2 Federal income tax withheld 272.00					
c Employer's name, address, and ZIP code Hometown College 40 Honor Road Hometown, TX 77099				3 Social security wages 3400.00		4 Social security tax withheld 210.80					
				5 Medicare wages and tips 3400.00		6 Medicare tax withheld 49.30					
				7 Social security tips		8 Allocated tips					
d Control number				9		10 Dependent care benefits					
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12			
John E. White 1040 Main Street Hometown, TX 77099						13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b			
						14 Other		12c			
								12d			
f Employee's address and ZIP code											
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name					

Form **W-2** Wage and Tax Statement

Department of the Treasury—Internal Revenue Service



Housing Allowance Worksheet	Estimated	Actual
Down payment on purchase	-	-
Loan principal and interest	5,500	5,572
Real estate commission, escrow fees	-	-
Real property taxes	1,800	1,800
Personal property taxes on contents	-	-
Homeowner's insurance	400	405
Personal property insurance on contents	-	-
Umbrella liability insurance	-	-
Repairs and maintenance	268	417
Landscaping, gardening, and pest control	200	441
Furnishings	-	500
Decorations and redecoration	-	-
Utilities and trash collection	1,200	960
Local telephone expense	300	305
Homeowner's association dues	150	160
Subtotal	9,818	
10% allowance for unexpected expenses	982	
Total	10,800	10,560
Fair rental value of home		18,000
Amount deductible as housing allowance		10,560

Deason Adjustment Example



Line	Source of Income	Actual	Taxable	Tax-free	Total
1	W-2 salary as a minister (box 1 of W2)		31,000		31,000
2	Schedule C - weddings, writing, speaking		3,400		3,400
3a	FRV of parsonage provided by church				
3b	Utility allowance, if any				
3c	Actual expenses for utilities				
3d	Enter the smaller of 3b or 3c				
3e	Excess utility allowance (subtract 3d from 3b)				
4a	Parsonage or rental allowance	9,600			
4b	Utility allowance, if separate	1,200			
4c	Total allowance	10,800			
4d	Actual expenses for parsonage	9,600			
4e	Actual expenses for utilities	960			
4f	Total actual expenses	10,560			
4g	FRV of home, plus the cost of utilities	10,800			
4h	Enter the smaller of line 4c, 4f, or fg			10,560	10,560
4i	Excess allowance (subtract line 4h from line 4c)		240		240
5	Ministerial income		34,640	10,560	45,200
6	Percentage of tax-free income				23%

Filing status: <input type="checkbox"/> Single <input checked="" type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Head of household <input type="checkbox"/> Qualifying widow(er)					
Your first name and initial JOHN E.		Last name WHITE		Your social security number 011 00 2222	
Your standard deduction: <input type="checkbox"/> Someone can claim you as a dependent <input type="checkbox"/> You were born before January 2, 1954 <input type="checkbox"/> You are blind					
If joint return, spouse's first name and initial SUSAN R.		Last name WHITE		Spouse's social security number 011 00 1111	
Spouse standard deduction: <input type="checkbox"/> Spouse is blind		<input type="checkbox"/> Someone can claim your spouse as a dependent <input type="checkbox"/> Spouse was born before January 2, 1954		<input checked="" type="checkbox"/> Full-year health care coverage or exempt (see inst.)	
Home address (number and street). If you have a P.O. box, see instructions. 1040 MAIN STREET				Apt. no. Presidential Election Campaign (see inst.) <input type="checkbox"/> You <input type="checkbox"/> Spouse	
City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. HOMETOWN, TX 77099				If more than four dependents, see inst. and <input checked="" type="checkbox"/> here <input type="checkbox"/>	
Dependents (see instructions):					
(1) First name		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see inst.):	
Last name		Child tax credit	Credit for other dependents		
JENNIFER WHITE		111-00-1113	DAUGHTER	<input checked="" type="checkbox"/>	
Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.					
Your signature Joint return? See instructions. Keep a copy for your records.		Date	Your occupation MINISTER	If the IRS sent you an Identity Protection PIN, enter it here	
Spouse's signature. If a joint return, both must sign.		Date	Spouse's occupation HOMEMAKER	If the IRS sent you an Identity Protection PIN, enter it here	
Paid Preparer Use Only		Preparer's name	Preparer's signature	PTIN	Firm's EIN
		EDWARD T. YODER	EDWARD T. YODER	P00239134	54-0737372
Firm's name PBMARES, LLP				Phone no. 540 434-5975	
Firm's address 558 SOUTH MAIN STREET					
HARRISONBURG, VA 22801				Check it: <input checked="" type="checkbox"/> 3rd Party Designee <input checked="" type="checkbox"/> Self-employed	

		STMT 1		1	34,640.
Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	34,640.
	2a	Tax-exempt interest	2a	2b	Taxable interest
	3a	Qualified dividends	3a	3b	Ordinary dividends
	4a	IRAs, pensions, and annuities	4a	4b	Taxable amount
	5a	Social security benefits	5a	5b	Taxable amount
		6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	3,716.
		7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	38,356.
		8	Standard deduction or itemized deductions (from Schedule A)	8	35,146.
		9	Qualified business income deduction (see instructions)	9	24,000.
		10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	11,146.
		11	a Tax (see inst) <u>1,113.</u> (check if any from: 1 <input type="checkbox"/> Form(s) 8814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/>)	11	1,113.
		12	b Add any amount from Schedule 2 and check here <input type="checkbox"/>	12	1,113.
		13	a Child tax credit/credit for other dependents <u>1,113.</u> b Add any amount from Sch. 3 and check here <input type="checkbox"/>	13	0.
		14	Subtract line 12 from line 11. If zero or less, enter -0-	14	6,419.
		15	Other taxes. Attach Schedule 4	15	6,419.
		16	Total tax. Add lines 13 and 14	16	272.
		17	Federal income tax withheld from Forms W-2 and 1099	17	7,909.
		18	Refundable credits: a EIC (see inst.) <u>22.</u> b Sch 8812 <u>887.</u> c Form 8863	18	8,181.
		19	Add any amount from Schedule 5 <u>7,000.</u>	19	1,762.
		20a	Add lines 16 and 17. These are your total payments	20a	
		21	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	21	1,762.
		22	Refund a Amount of line 19 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	22	
		23	b Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	23	
		24	d Account number <input type="text"/>	24	
		25	Amount of line 19 you want applied to your 2019 estimated tax	25	
		26	Amount You Owe 22 Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	26	
		27	23 Estimated tax penalty (see instructions)	27	

Standard Deduction for -

- Single or married filing separately, \$12,000
- Married filing jointly or Qualifying widow(er), \$24,000
- Head of household, \$18,000
- If you checked any box under Standard deduction, see instructions.

CLERGY

Direct deposit? See instructions.



FORM 1040 WAGES RECEIVED AND TAXES WITHHELD STATEMENT 1

T S EMPLOYER'S NAME	AMOUNT PAID	FEDERAL TAX WITHHELD	STATE TAX WITHHELD	CITY SDI TAX W/H	FICA TAX	MEDICARE TAX
T FIRST UNITED CHURCH	31,000.					
T HOMETOWN COLLEGE	3,400.	272.			211.	49.
T FIRST UNITED CHURCH	240.					
TOTALS	34,640.	272.			211.	49.

Part I		Income	
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	4,000.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	4,000.
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	4,000.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	4,000.

Part II		Expenses. Enter expenses for business use of your home only on line 30.	
8	Advertising	8	
9	Car and truck expenses (see instructions) STMT 3	9	267.
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest (see instructions):		
	a Mortgage (paid to banks, etc.)	16a	
	b Other	16b	
17	Legal and professional services	17	
18	Office expense	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
	a Vehicles, machinery, and equipment	20a	
	b Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
	a Travel	24a	
	b Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27	a Other expenses (from line 48)	27a	17.
	b Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	284.
29	Tentative profit or (loss). Subtract line 28 from line 7	29	3,716.
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 .	31	3,716.

Nondeductible to Sch C



Line	Description	Percentage	Limit	Amount
1	Percentage of expenses that are nondeductible	23.00%		
2	Business use of car	490	miles x .545	267
3	Meals		x 50%	-
4	Other expenses			
a	Marriage and family booklets	102		102
b	Dues and Subscriptions			
c	Office Supplies			
d	Travel			
e	Miscellaneous			
f	Total other expenses			102
5	Total expenses			369
6	Nondeductible part of Schedule C			(85)
7	Deduction allowed on Schedule C			284

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

- 43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ 01 / 01 / 18
- 44 Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:
 a Business 490 b Commuting 0 c Other 7,247
- 45 Was your vehicle available for personal use during off-duty hours? Yes No
- 46 Do you (or your spouse) have another vehicle available for personal use? Yes No
- 47 a Do you have evidence to support your deduction? Yes No
 b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

MARRIAGE AND FAMILY BOOKLETS	102.
NONDEDUCTIBLE DEASON ADJUSTMENT	-85.
48 Total other expenses. Enter here and on line 27a	48 17.

Section A-Short Schedule SE. Caution: Read above to see if you can use Short Schedule SE.

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1a	
b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code AH	1b	
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report STMT 4	2	45,431.
3 Combine lines 1a, 1b, and 2	3	45,431.
4 Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; don't file this schedule unless you have an amount on line 1b Note: If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	4	41,956.
5 Self-employment tax. If the amount on line 4 is: <ul style="list-style-type: none"> • \$128,400 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55 • More than \$128,400, multiply line 4 by 2.9% (0.029). Then, add \$15,921.60 to the result. Enter the total here and on Schedule 4 (Form 1040), line 57, or Form 1040NR, line 55 	5	6,419.
6 Deduction for one-half of self-employment tax. Multiply line 5 by 50% (0.50). Enter the result here and on Schedule 1 (Form 1040), line 27, or Form 1040NR, line 27	6	3,210.

Net Self-Employment Income



Schedule	Self-Employment Tax	Amount	Total
1	W2 salary as a minister		31,000
2	Net profit from Schedule C		3,716
3a	Parsonage or rental allowance	9,600	
3b	Utility allowance	1,200	
3c	Total allowances		10,800
4	Add 1, 2, and 3c		45,516
5	Schedule C expenses allocable to tax-free income	85	
6	Total business expenses not disallowed		85
7	Net self-employment income		45,431

Contact



Ed Yoder

Partner

Phone: (540) 434-5975, ext. 1231

eyoder@pbmares.com