## FAQ For Treasurers, Administrators, Bookkeepers, and Others

### Who qualifies for the clergy housing allowance?

Clergy who serve churches, clergy who serve other religious groups, clergy who are seminary professors, Commissioned Ruling Elders (CREs) who administer the sacraments at the church they serve.

### How do I report the clergy housing allowance on the W-2?

To help ensure the accuracy of your returns, consult the Board of Pension’s Federal Reporting Requirements for Churches. In the current edition of that publication, it shows that Box 14 is set aside for “other” information on Form W-2. Use it to provide information to the church employee. Some churches report a church-designated housing allowance in this box (for ministers who report their income taxes as employees).

### What documentation is required to declare clergy housing allowance?

Churches and employing organizations may designate a housing allowance in a written resolution or terms of call. The amount must be designated in advance of payment to the minister. The housing allowance may be a dollar amount or a percentage of salary. The way to provide this documentation is to give the minister a copy of the governing body’s minutes or the approved terms of call. There are no dollar or percentage limits as to how much may be declared.

It is the minister’s responsibility to provide all other documentation to substantiate the amount used for qualified housing expenses. More information can be found on the IRS website (irs.gov)

### What kind of information regarding Social Security offsets is helpful to know?

By law, clergy are considered self-employed for Social Security tax purposes and, therefore, cannot have any of their Self-Employment Contributions Act (SECA) tax paid for them on a tax-favored basis. If clergy receive any allowance or SECA “offset,” unfortunately it will be subject to federal income tax and added to the teaching elder’s SECA tax base.

To the extent that any such SECA allowance is 1⁄2 or less of the estimated amount due in any given year, the employer does not need to include the allowance in calculating the minister’s effective salary reported to the Board. Amounts greater than 1⁄2 of the estimated SECA amount are reportable and subject to plan dues. This dues adjustment is designed to treat clergy and lay church workers — who have 1⁄2 of their Social Security tax (FICA) paid by the employer on a non-dues-bearing basis — equally.

### How do we set up a Flexible Spending Account and to whom must it be offered?

A Flexible Spending Account (FSA) enables an employee to be reimbursed with his or her own pre-tax dollars for eligible expenses not covered by the Medical Plan. Only an employer can establish an FSA. The Board offers an overview and sample FSA documents in the Forms & Publications section of pensions.org.

### How do I set up the salary deferral on a tax-free basis needed to fund a 403(b)(9) retirement savings plan for our employees and/or ministers?

The Retirement Savings Plan offered through the Board is easy to set up for your church or employing organization. Obtain the enrollment packet, including instructions, by calling Fidelity at 800-343-0860 or from the Board’s website, pensions.org.

The church or employing organization completes and returns an application to participate, along with the individuals’ applications and salary deferral agreements. Once the account has been established, the church will receive invoices monthly for the amounts the individual employees have elected to defer. All you have to do is pay the invoice.

There are no other forms or reports to complete. All other paperwork required by such plans is handled by the Board of Pensions and Fidelity Investments.

### How do I report the honoraria or fees that our clergy or lay church workers receive for special events (when these are separate from their pay)?

If the honoraria are paid directly to the employee (clergy or lay), the church has no responsibility to report this. Typically, honoraria are not paid by an employer and are not reportable by the employer.

In most cases, the employee will report this income on Schedule C [Profit or Loss from Business (Sole Proprietorship)] of Form 1040. If the money is paid through the church, it should be added to its other income subject to federal income tax and reported on the employee’s W-2.