WELCOME!

Filing the UM Pastor's W-2

FORM #6

2021

Susquehanna Conference
The United Methodist Church

PASTOR:
CHARGE:
CHURCH:
DISTRICT:
CHARGE CONFERENCE DATE:

RECOMMENDATIONS FOR 2022 PASTORAL COMPENSATION

A.	**CHARGE INFORMATION** (Section A in instructions)			
1.	Staff-Parish Relations Chair			
2.	Phone of Chair			
3.	E-mail of Chair			
B.	**PASTOR INFORMATION** (Section B in instructions)			
1.	Name of Pastor			
2.	Conference Relationship			
3.	Years of Service	Multiply years of service by multiplier and place in column to the right		
	3.a. Years at Full-time	YEARS X 1 =		
	3.b. Years at ¾ time	YEARS X 3 / 4 =		
	3.c. Years at ½ time	YEARS X 1 / 2 =		
	3.d. Years at ¼ time	YEARS x 1 / 4 =		
	TOTAL YEARS OF SERVICE	Sum lines 3.a – 3.d		
4.	Appointment level for 2022	Enter: 1 for full-time, 3 / 4, 1 / 2, 1 /4		
5.	**Health Insurance for Full Time Pastors**	Church/charge pays $15,000 Pastor's portion based on his/her selecti		
6.	Minimum Base Salary Required for **2022** (Section B in instructions)	***Cost of living increases and increases for mer***		
C.	**NEGOTIATED BASE COMPENSATION AND SOCIAL SECURITY TAX OFFSET** (Section C in instructions)		**2021 (Actual)**	**2022 (Proposed)**
1.	**Negotiated Base Salary** -- If the pastor has elected either a Flexible Spending Account (FSA); Dependent Care Account (DCA); or a Medical Reimbursement, then that amount is INCLUDED here in the base salary.		$	$
2.	***Social Security Tax Offset** -- 7.65% of the line above shall be paid to offset the difference between self-employment tax rate and the employee Social Security tax rate. (Multiply C.1 by .0765)		$	$
3.	**TOTAL SALARY (C.1 & C.2)**		$	$

D.	**HOUSING** (Section D in instructions)		
1.	If a parsonage is provided, do this:	Multiply LINE C.3 for 2022 by 0.25	$
2.	If a parsonage is not provided, do this:	Enter the amount of the Housing Allowance to be paid in 2022.	$

*Social Security offset is not available to pastors who opt out of the Social Security program.

Page 1 of 2

2021 Form 6

Copy to District Superintendent, S/PPRC Chair, Pastor and Charge Recording Secretary

How to get from here to here

22222 VOID ☐ a Employee's social security number — For Official Use Only ► OMB No. 1545-0008

b Employer identification number (EIN) | 1 Wages, tips, other compensation | 2 Federal income tax withheld

c Employer's name, address, and ZIP code | 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

9 | 10 Dependent care benefits

11 Nonqualified plans | 12a See instructions for box 12

13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐ | 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 2021

Department of the Treasury—Internal Revenue Service

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A WORKSHOP FOR CHURCH TREASURERS

Agenda

- Understanding UM terminology VS IRS Tax Terminology
- Reviewing the W-2 box by box
- Other Information Your Pastor Will Need to Complete Taxes
- Other Pastoral Compensation Issues/Final Notes

Who are clergy?

For IRS purposes, clergy are individuals duly ordained, commissioned, or licensed by a church/religious body.

A job title of "Worship Pastor" or "Children's Minister" does not qualify for IRS distinction. **The minister must have credentials of ordination, commissioning, or licensing.**

Why are clergy taxes so different?

Clergy are DUAL STATUS – considered an employee for Federal tax purposes, but self-employed for self-employment tax purposes (Social Security and Medicare taxes).

Clergy can also exclude certain compensation from taxable income according to IRS rules.

UM Terminology VS IRS Terminology

Charge Conference Pastoral Compensation Form

C.	NEGOTIATED BASE COMPENSATION AND SOCIAL SECURITY TAX OFFSET (Section C in instructions)	2021 (Actual)	2022 (Proposed)
1.	**Negotiated Base Salary** -- If the pastor has elected either a Flexible Spending Account (FSA); Dependent Care Account (DCA); or a Medical Reimbursement, then that amount is INCLUDED here in the base salary.	$	$
2.	***Social Security Tax Offset** -- 7.65% of the line above shall be paid to offset the difference between self-employment tax rate and the employee Social Security tax rate. (Multiply C.1 by .0765)	$	$
3.	TOTAL SALARY (C.1 & C.2)	$	$

"Base Salary" and "Social Security Tax Offset" are Susquehanna Conference United Methodist Terminology and do not line up with the W-2 form

W-2 Form EXAMPLE

22222 VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ►
OMB No. 1545-0008

b Employer identification number (EIN): 49-52314532

c Employer's name, address, and ZIP code:

Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

d Control number

e Employee's first name and initial: Madison | Last name: Smith | Suff.

4968 East Berlin Road
East Berlin PA 17316

f Employee's address and ZIP code

1 Wages, tips, other compensation	2 Federal income tax withheld
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
9	10 Dependent care benefits
11 Nonqualified plans	12a See instructions for box 12
13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	12b
14 Other	12c
	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

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Department of the Treasury—Internal Revenue Service

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Box 1 – Wages, Tips, other compensation

What should this include:

1. **<u>Base Salary + Social Security Offset</u> = Starting Point**

   Add together these two amounts from
   Charge Conference Pastoral Compensation Form

Box 1 – Wages, Tips, other compensation

What should this include:

1. Base Salary + Social Security Offset = Starting Point

Add together these two amounts from
Charge Conference Pastoral Compensation Form

2. Health Insurance Premium Salary Reduction Agreement

- Needs to be completed before salary starts
- Can be found on susumc.org – sent to pastors/churches annually

2022 SUSQUEHANNA CONFERENCE OF THE UNITED METHODIST CHURCH

HEALTH INSURANCE PREMIUM SALARY REDUCTION AGREEMENT

Participant Name: _____ SSN: _____

Salary-Paying Unit/Employer: _____

PURPOSE OF THIS AGREEMENT:

This agreement is to set forth the terms of making before-tax (salary reduction) contributions to the payment of health premiums owed by the participant named above to the Susquehanna Conference of the United Methodist Church for the conference's self-insured health coverage. This plan is a qualified 125 Cafeteria Plan, administered by the Susquehanna Conference of the United Methodist Church and Health Flex. Such contributions DO NOT and SHOULD NOT appear in Box 1 of the W-2 to the participant.

TERMS OF THE AGREEMENT

The term of this agreement is one year or shall end on the date the agreement is terminated or changed, the termination of the participant's employment with the salary-paying unit/employer, or the participant's death.

AGREEMENT

Beginning date of this agreement (specify month, day and year): _____

(NOTE: This must be a date subsequent to the date on which this agreement is signed. This agreement will be in effect until a new agreement is in place.)

The participant's annual eligible compensation (Base Salary+ SS Offset) on the beginning date of this agreement shall be reduced (deducted from paycheck) by the difference between the premium credit provided and the actual cost of medical and/or dental and vision plans selected during annual election. Additionally, if an FSA, HSA or DCA is selected during annual election, they will also be deducted and handled the same as the health insurance for payroll tax purposes.

The premium credits for 2022 are as follows:

Single - $7,875 per year	Actual Cost of Premiums (total before credit) _____
Participant +1 - $15,024 per year	Amount to be deducted annually by the salary paying unit
Family - $21,204 per year	(diff. between the Premium Credit and Actual Cost) _____

FSA _____ HSA _____ DCA _____

Payroll reductions in compensation will occur (select one): ___ twice a month; ___ bi-weekly; ___ monthly

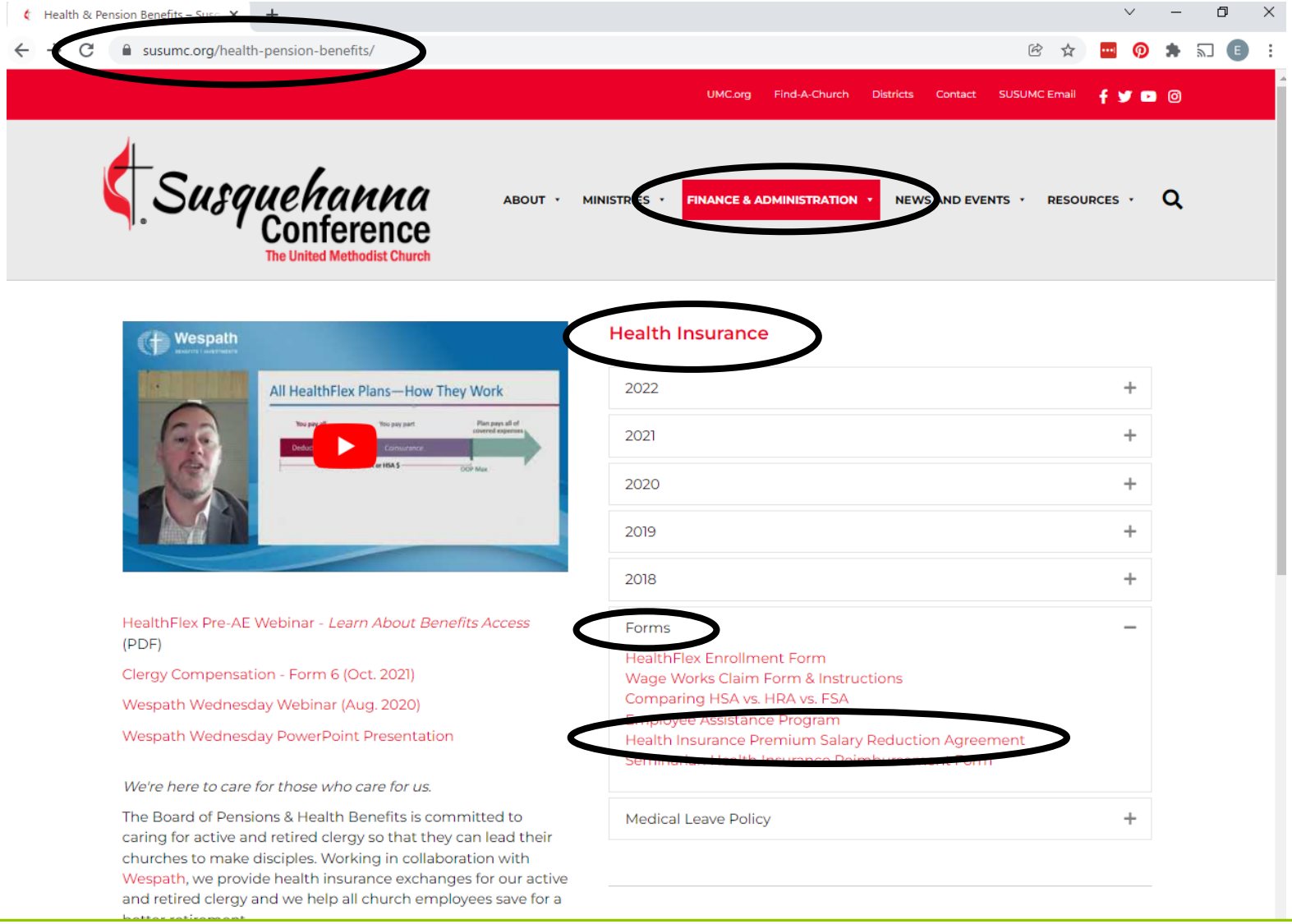
ACCEPTANCE BY THE SALARY-PAYING UNIT/EMPLOYER and the PARTICIPANT:

Salary-Paying Unit/Employer Signature: _____ Date: _____

Participant Signature: _____ Date: _____

susumc.org
Finance & Administration

Health Insurance Premium Salary Reduction Agreement



https://susumc.org/wp-content/uploads/2021/11/2022-HI-Salary-Reduction-Agreement.pdf

Box 1 – Wages, Tips, other compensation

What should this include:

1. Base Salary + Social Security Offset = Starting Point

2. Health Insurance Premium Salary Reduction Agreement

- Needs to be completed before salary starts
- Can be found on susumc.org
- **Recommend completing a new form annually before tax year**

The amount subtracted from the starting point is the amount deducted annually for health insurance premiums and any salary reductions for FSA or HSA. With the completing of the reduction agreement, these amounts are **EXCLUDED** from taxable income.

Starting Point
- Health Insurance salary reduction

Box 1 – Wages, Tips, other compensation

3. Pastor's Portion of Pension/UMPIP

(If the choice is pre-tax $$ - NOT ROTH or After-Tax)

The amount withheld from the salary.

Will be reported in Box 12 of W-2

Starting Point
- Health Insurance salary reduction
- Pastor's Portion of Pension (pre-tax contribution, not ROTH/After-tax)

****Double check your numbers to see if your answer at this point actually equals what you paid your pastor in cash salary last year.****

Box 1 – Wages, Tips, other compensation

4. Parsonage Exclusion

If a parsonage exclusion for furnishings was approved on the Charge Conference Pastoral Compensation form, Section G, line 2, this amount would be subtracted from the starting point.

G.	CHARGE CONFERENCE ACTION RELATIVE TO PASTOR'S TAX REPORTS (Section G in instructions)		
1.	Rental value of charge-owned parsonage per year	See G.1 in instructions	$
2.	Parsonage exclusion for furnishings	See G.2 in instructions	$

Starting Point
- **Health Insurance salary reduction**
- **Pastor's Portion of Pension (pre-tax contribution)**
- **Parsonage Exclusion**

Box 1 – Wages, Tips, other compensation

5. Parsonage Cash Allowance

If a **cash allowance** is given to the pastor in place of providing a parsonage and utilities, this amount **is not included in the Box 1 figure**.
This amount will be added into PA state income totals.

The pastor will account for this cash allowance on their Schedule SE, Form 1040 personal income tax.

Box 1 – Wages, Tips, other compensation

Starting Point (Base Salary + Social Security Offset)
- Health Insurance salary reduction
- Pastor's Portion of Pension (pre-tax)
- Parsonage Exclusion
+ Any other amount paid (e.g. gifts)**

Amount Entered in W-2, Box 1

****ANYTHING that was reimbursed IS NOT income and would not be included on the W-2 form.**

Example - Pastor Madison

Starting Point (Base Salary + Social Security Offset)
- Health Insurance salary reduction
- Pastor's Portion of Pension (pre-tax)
- Parsonage Exclusion
Amount Entered in W-2, Box 1

Pastor Madison's Pastor Compensation Form :
Negotiated Base Salary = $45,000
Social Security Tax Offset = $3442.50
Starting Point = $48,442.50

$48,442.50
- 6,768.00 Health Insurance/HSA Salary Reduction
- 3,245.00 UMPIP pre-tax pension contribution
- 1,500.00 Parsonage Exclusion

$36,929.50 W-2 Box 1

W-2 Form EXAMPLE

22222 | VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer identification number (EIN): 49-52314532

1 Wages, tips, other compensation: 36,929.50

2 Federal income tax withheld

c Employer's name, address, and ZIP code

Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

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: Madison | Last name: Smith | Suff.

11 Nonqualified plans

12a See instructions for box 12 — Code

13 Statutory employee ☐ | Retirement plan ☐ | Third-party sick pay ☐

12b Code

14 Other

12c Code

12d Code

4968 East Berlin Road
East Berlin PA 17316

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
PA	49-52314532					

Form **W-2** Wage and Tax Statement 2021

Department of the Treasury—Internal Revenue Service

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Box 2 – Federal Income Tax Withheld

Taxes are not required to be withheld for clergy. Clergy can request that their church withhold and pay taxes into the IRS instead of doing quarterly estimated tax payments personally.

If Federal taxes were **NOT withheld** and paid in on behalf of the clergy, this box should be **empty**.

If Federal taxes were **withheld** and paid in on behalf of the clergy, **that amount should be in this box.**

Boxes 3 - 10

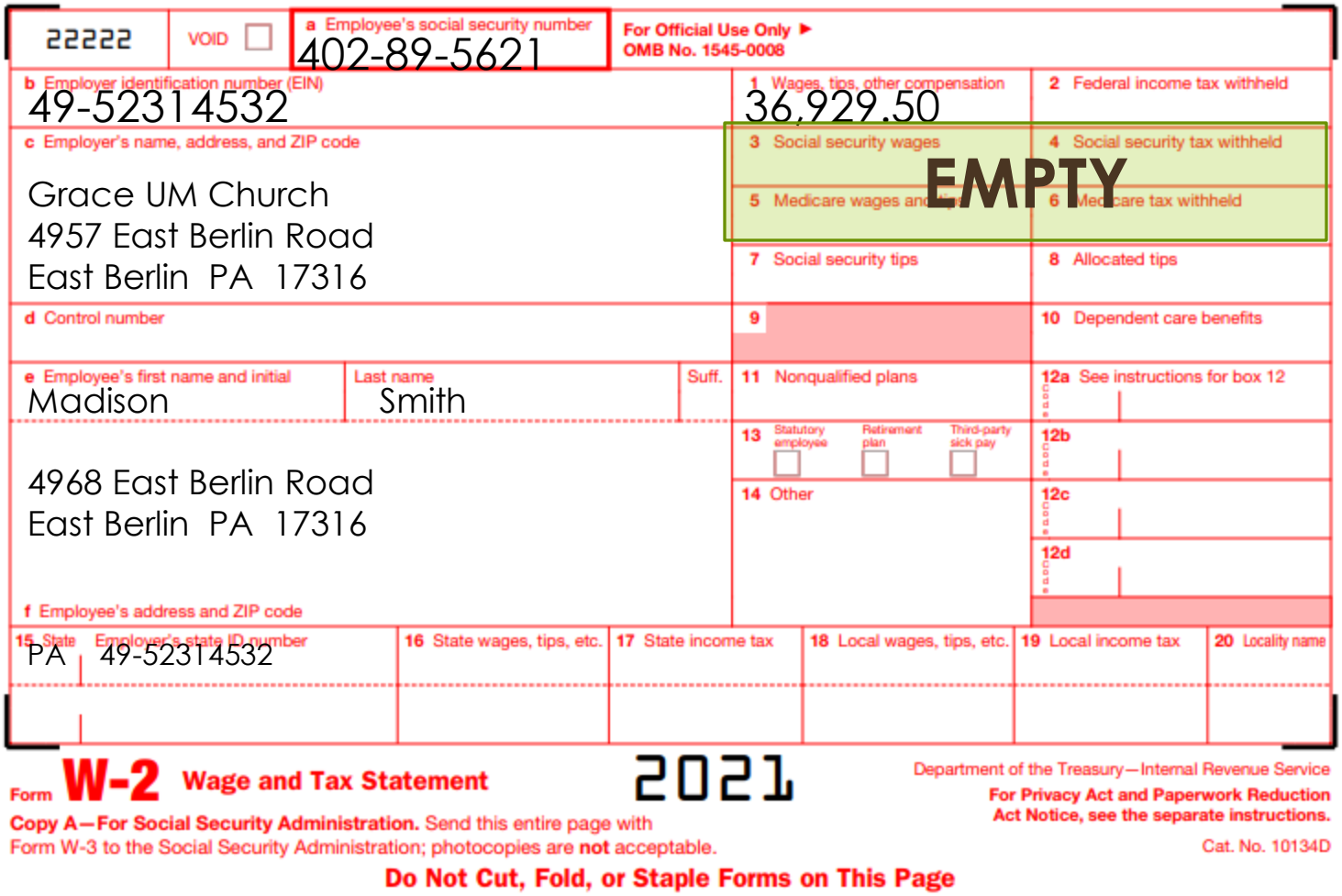
THESE BOXES ARE LEFT EMPTY.

DO NOT CARRY DOWN THE AMOUNT IN BOX 1 TO EITHER BOX 3 or 5.

The church **SHOULD NOT** be withholding Social Security tax or Medicare tax from clergy.

If this has been withheld in the past, this amount should be reimbursed to the clergy. They would have paid this as self-employment tax on previous tax returns.

Form W-2



22222 VOID ☐

a Employee's social security number 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer identification number (EIN) 49-52314532

1 Wages, tips, other compensation 36,929.50

2 Federal income tax withheld

c Employer's name, address, and ZIP code

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4957 East Berlin Road
East Berlin PA 17316

3 Social security wages

4 Social security tax withheld

EMPTY

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 Madison

Last name Smith

Suff.

11 Nonqualified plans

12a See instructions for box 12 Code

13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐

12b Code

4968 East Berlin Road
East Berlin PA 17316

14 Other

12c Code

12d Code

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
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Form **W-2** **Wage and Tax Statement** 2021

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W-2 Box 10, 12 & 13

Box 10 – Dependent Care Benefits (FSA Accounts)

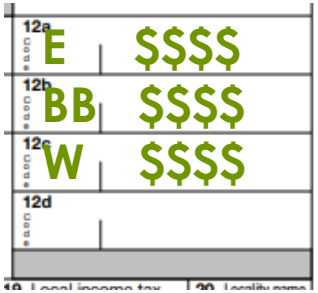
If the pastor contributes to a Flexible Spending Account for Dependent Care Expenses (this amount would be noted on the Health Salary Reduction Form), the amount contributed from the salary for FSA for Dependent Care Expenses should be noted in Box 10 of the W-2.

Box 12 – "See instructions for box 12"

Code E – Put amount of Pastor's Portion of Pension

Elective deferrals under a section 403(b) salary reduction agreement

You will also want to check the "Retirement Plan" box in Box 13.
NO OTHER BOX SHOULD BE CHECKED IN BOX 13.
Clergy ARE NOT "Statutory Employee."



403(b) plan – reduces the Federal income in Box 1
403(b) Roth (This denotes the contribution BUT DOES NOT REDUCE THE SALARY).
Health Savings Account Contribution

Form W-2 Box 12 Codes

Form W-2 Reference Guide for Box 12 Codes

A	Uncollected social security or RRTA tax on tips	**L**	Substantiated employee business expense reimbursements	**Y**	Deferrals under a section 409A nonqualified deferred compensation plan
B	Uncollected Medicare tax on tips (but not Additional Medicare Tax)	**M**	Uncollected social security or RRTA tax on taxable cost of group-term life insurance over $50,000 (former employees only)	**Z**	Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
C	Taxable cost of group-term life insurance over $50,000	**N**	Uncollected Medicare tax on taxable cost of group-term life insurance over $50,000 (but not Additional Medicare Tax) (former employees only)	**AA**	Designated Roth contributions under a section 401(k) plan
D	Elective deferrals under a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)	**P**	Excludable moving expense reimbursements paid directly to members of the Armed Forces	**BB**	Designated Roth contributions under a section 403(b) plan
E	Elective deferrals under a section 403(b) salary reduction agreement	**Q**	Nontaxable combat pay	**DD**	Cost of employer-sponsored health coverage
F	Elective deferrals under a section 408(k)(6) salary reduction SEP	**R**	Employer contributions to an Archer MSA	**EE**	Designated Roth contributions under a governmental section 457(b) plan
G	Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan	**S**	Employee salary reduction contributions under a section 408(p) SIMPLE plan	**FF**	Permitted benefits under a qualified small employer health reimbursement arrangement
H	Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan	**T**	Adoption benefits	**GG**	Income from qualified equity grants under section 83(i)
J	Nontaxable sick pay	**V**	Income from exercise of nonstatutory stock option(s)	**HH**	Aggregate deferrals under section 83(i) elections as of the close of the calendar year
K	20% excise tax on excess golden parachute payments	**W**	Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)		

If clergy has an HSA contribution this is noted in Box 12 with a Code W.

EXAMPLE

Example - Pastor Madison

Pastor Madison's Pastor Compensation Form :
Negotiated Base Salary = $45,000
Social Security Tax Offset = $3442.50
Starting Point = $48,442.50

$48,442.50
- 6,768.00 Health Insurance/HSA Salary Reduction
- 3,245.00 UMPIP **pre-tax** pension contribution (Code E)
- 1,500.00 Parsonage Exclusion

$36,929.50 W-2 Box 1

You would need to enter the UMPIP pension contribution in Box 12/Code E for $3245.00

W-2 Form EXAMPLE

22222 | VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer identification number (EIN): 49-52314532

1 Wages, tips, other compensation: 36,929.50

2 Federal income tax withheld:

c Employer's name, address, and ZIP code:

Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

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: Madison | Last name: Smith | Suff.:

11 Nonqualified plans:

12a See instructions for box 12 — Code: E | 3245.00

13 Statutory employee ☐ | Retirement plan ☐ | Third-party sick pay ☐

12b Code:

14 Other:

12c Code:

12d Code:

4968 East Berlin Road
East Berlin PA 17316

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
PA	49-52314532					

Form **W-2** **Wage and Tax Statement** 2021

Department of the Treasury—Internal Revenue Service

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Box 14 – "Other"

Nothing has to be put into this box.

- You can give information on the
  Fair Rental Value of the Parsonage and/or
  Parsonage Utilities Paid by Church
  or note cash Parsonage Allowance
  or note **Parsonage Exclusion Allowance**

BUT IT IS NOT REQUIRED to be reported to the IRS.

- If you are required to withhold a Local Services Tax, it can be reported here.

W-2 Form EXAMPLE #1
Box 14 "Other"

22222 VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer identification number (EIN): 49-52314532

1 Wages, tips, other compensation: 36,929.50

2 Federal income tax withheld:

c Employer's name, address, and ZIP code

Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

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: Madison

Last name: Smith

Suff.:

11 Nonqualified plans:

12a See instructions for box 12 — Code: E — 3245.00

13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐

12b Code:

4968 East Berlin Road
East Berlin PA 17316

14 Other
Parsonage FRV
$12,000.00
Par Utilities Paid
$10,986.00

12c Code:

12d Code:

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
PA	49-52314532					

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Least Preferred – Only supplemental information to Federal Return
Not directly involved in numbers on W-2

W-2 Form EXAMPLE #2
Box 14 "Other"

If pastor has CASH parsonage allowance

22222 VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer identification number (EIN): 49-52314532

1 Wages, tips, other compensation: 36,929.50

2 Federal income tax withheld

c Employer's name, address, and ZIP code:
Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

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: Madison | Last name: Smith | Suff.

11 Nonqualified plans

12a See instructions for box 12 — Code: E | 3245.00

13 Statutory employee ☐ | Retirement plan ☐ | Third-party sick pay ☐

12b Code

14 Other
Parsonage Allowance
$14,000.00

12c Code

12d Code

f Employee's address and ZIP code:
4968 East Berlin Road
East Berlin PA 17316

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
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Highly Recommended – Gives information needed by state and local authorities

W-2 Form EXAMPLE #3
Box 14 "Other"

If pastor has a parsonage exclusion amount

22222 VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer identification number (EIN): 49-52314532

1 Wages, tips, other compensation: 36,929.50

2 Federal income tax withheld:

c Employer's name, address, and ZIP code:
Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

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: Madison

Last name: Smith

Suff.:

11 Nonqualified plans:

12a See instructions for box 12 Code: E Amount: 3245.00

13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐

12b Code: Amount:

14 Other
Parsonage Exclusion Allowance $1500

12c Code: Amount:

12d Code: Amount:

4968 East Berlin Road
East Berlin PA 17316

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
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Boxes 15-17 PA Information

Box 15 shows PA and EIN of church

Box 16 – State Wages, tips, etc

Starting Point (Base Salary + Social Security Offset)
- Health Insurance salary reduction
- Pastor's Portion of Pension
- Parsonage Exclusion
Amount Entered in W-2, Box 1

PA taxable income is different from Federal taxable income.
To figure the amount for this box:

Amount Entered in W-2, Box 1
+ Pastor's Portion of Pension
+ Parsonage Exclusion
+ Cash Parsonage Allowance (in place of provided parsonage/utilities)
Amount Entered in W-2, Boxes 16

Boxes 17 PA State Income Tax Withheld

Box 17 – State Income Tax
If the church withholds PA state tax, it should be reported here.
PA state income tax is currently 3.07% of the amount in Box 16.

Note that Box 16 will most likely be more than Box 1 – make sure you are computing withholdings on the Box 16 amount, or your pastor will owe PA state income tax.

EXAMPLE

Example - Pastor Madison

$36,929.50	W-2 Box 1
+ 3,245.00	UMPIP Pension pre-tax
+ 1,500.00	Parsonage Exclusion
+ 0.00	Parsonage Allowance instead of parsonage/paid utilities
$41,674.50	**W-2 Box 16**

$41,674.50	
X 3.07%	PA State Income Tax Rate
$1,279.41	**W-2 Box 17**

State Income tax THAT SHOULD HAVE BEEN WITHHELD
If withholdings were not made correctly, report what was **ACTUALLY withheld.**

W-2 Form EXAMPLE

22222 VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer Identification number (EIN): 49-52314532

1 Wages, tips, other compensation: 36,929.50

2 Federal income tax withheld:

c Employer's name, address, and ZIP code:

Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

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: Madison

Last name: Smith

Suff.:

11 Nonqualified plans:

12a See instructions for box 12: E 3245.00

13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐

12b:

4968 East Berlin Road
East Berlin PA 17316

14 Other
Parsonage Exclusion
Allowance $1500

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
PA	49-52314532	41,674.50	1,279.41			

Form **W-2** Wage and Tax Statement 2021

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10134D

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Boxes 18 - 20 Local Information

Box 18 – Local Wages, tips, etc
PA Local taxable income is different from Federal and State taxable income. To figure the amount for this box:

Amount Entered in W-2, Box 1
+ Pastor's Portion of Pension
Amount Entered in W-2, Boxes 18

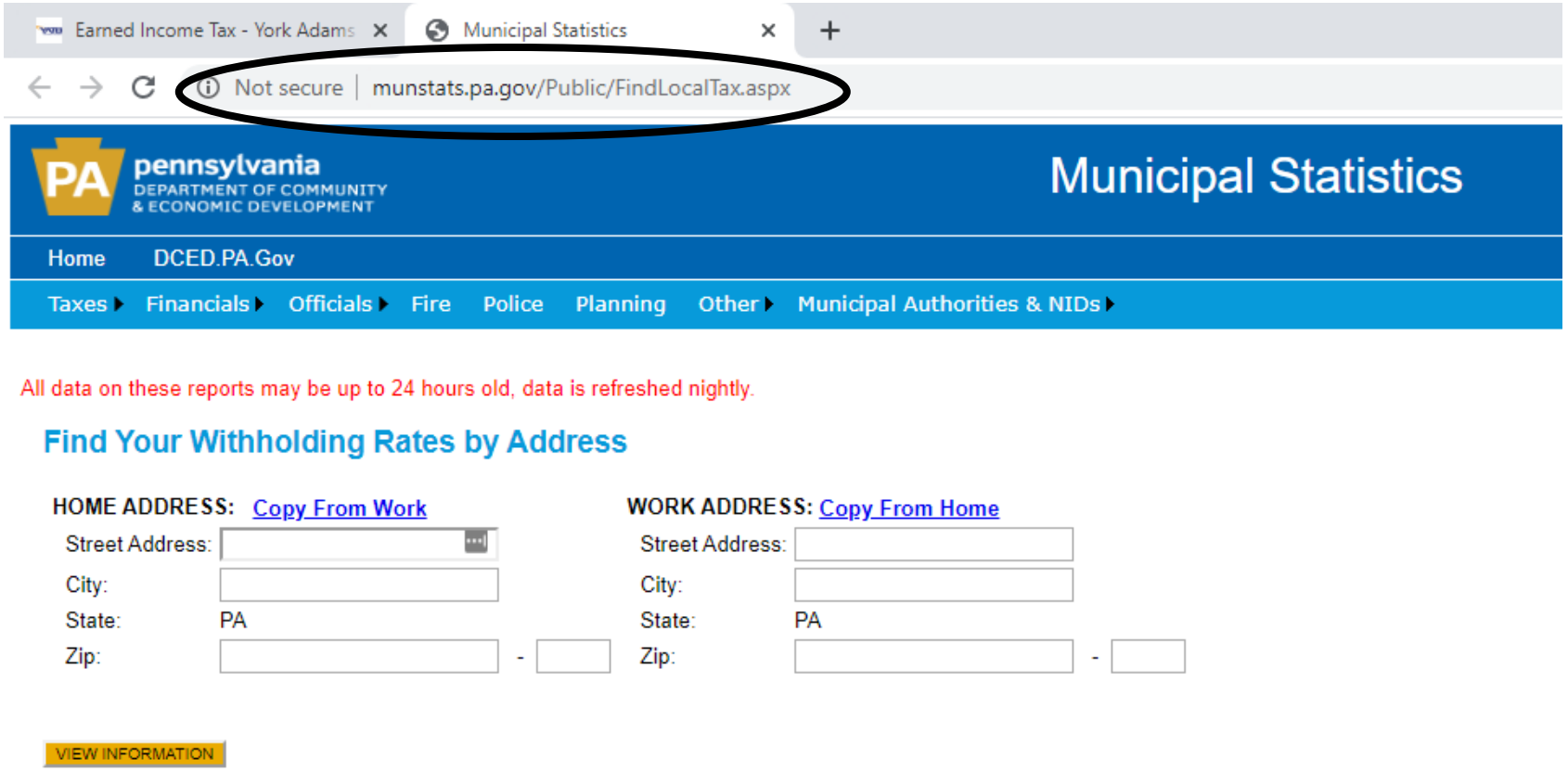
Parsonage Allowance and/or Exclusion are not taxable for local earned income tax purposes.

Box 19 – You will need to have the tax rate for the locality of the clergy's home to figure the tax to be withheld from income reported in Box 18.

Box 20 – Locality Name
Enter the locality code for the home address of the clergy.

Boxes 18 - 20 Local Information

To find locality information:



EXAMPLE

Example - Pastor Madison

$36,929.50 W-2 Box 1
+ 3,245.00 UMPIP Pension pre-tax
$ 40,174.50 W-2 Box 18

$40,174.50
X 1.70% Local Tax Rate for Reading Twp, Adams County
$ 682.97 W-2 Box 19
Local Income Tax THAT SHOULD HAVE BEEN WITHHELD
Report what was actually withheld.

Box 20 010105 (Code for Reading Township, Adams County)

W-2 Form EXAMPLE

22222 VOID ☐

a Employee's social security number: 402-89-5621

For Official Use Only ▶
OMB No. 1545-0008

b Employer identification number (EIN): 49-52314532

1 Wages, tips, other compensation: 36,929.50

2 Federal income tax withheld:

c Employer's name, address, and ZIP code

Grace UM Church
4957 East Berlin Road
East Berlin PA 17316

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: Madison | Last name: Smith | Suff.:

11 Nonqualified plans:

12a See instructions for box 12 — Code: E | 3245.00

13 Statutory employee ☐ | Retirement plan ☐ | Third-party sick pay ☐

12b Code:

4968 East Berlin Road
East Berlin PA 17316

14 Other
Parsonage Exclusion
Allowance $1500

12c Code:

12d Code:

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
PA	49-52314532	41,674.50	1,279.41	40,174.50	682.97	010105

Form **W-2** Wage and Tax Statement 2021

Department of the Treasury—Internal Revenue Service

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Cat. No. 10134D

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Other Information Your Pastor Will Need For Taxes

Pastors must pay self-employment tax on the **Fair Rental Value of the provided parsonage** AND on **all utilities** paid by the church for the parsonage.

Parsonage FRV is set at Charge Conference and reported on the Pastoral Compensation Form.

Utilities include (but are not limited to):
Phone, electricity, gas, internet, trash, water, cable

Please provide your pastor with all utility amounts. This can be reported on Box 14 of the W-2 **OR you can just provide the amounts to the pastor for their information**.

Other Information Your Pastor Will Need For Taxes

Pastors who receive a cash allowance instead of a provided parsonage/utilities will have to pay self-employment of this. Recommend that this is report in Box 14 “Other”.

Other Clergy Related Issues

If a pastor receives an honorarium for services performed, like a wedding or funeral, and immediately signs the check/gives the cash to the church, **THIS IS STILL SELF-EMPLOYMENT INCOME** that they must report on Schedule C of their 1040 form.

The church would treat this amount as a charitable contribution from the pastor and is required to give a receipt if the amount is $250 or more.

Other Clergy Related Issues

Can the pastor do a salary reduction to give their tithes/offerings to the church and reduce their taxable income?

NO

A clergy member may ask the church to withhold their giving from their check, but **it is still taxable income**.

Other Clergy Related Issues

Our church collects a love offering and gives it to our pastor at Christmas – does that effect taxes?

YES

Any time the church gives an amount to the pastor, the IRS considers this compensation (they get the gift because they are serving as your pastor).
This amount MUST BE INCLUDED in Boxes 1, 16 & 18.

Other Clergy Related Issues

Do we have to note any reimbursements on the W-2?

If the pastor has submitted a written mileage log for the standard mileage reimbursement or receipts for reimbursement, **this is not reportable income.**

Whatever was purchased in the receipts **is the property of the church** and not the pastor.

If the church gives the property to the pastor, they must include the FMV of property in taxable income in the year the gift is made.

How to File the W-2 with the IRS

It is recommended to e-file these forms.

You can go to **https://www.ssa.gov/employer/** to create a business account and e-file.

To paper file:
https://www.irs.gov/businesses/online-ordering-for-information-returns-and-employer-returns
to order W-2, W-3 transmittal form and instructions

REMEMBER:

These must be filed with SSA by 1/31/2022.