

EMPLOYEE COMPENSATION FOR CHURCHES AND MINISTRIES

The presentation will begin shortly...

CPE NEEDED?

- Within one week, send an email requesting CPE, complete the course evaluation and provide the list of CPE codes provided during the presentation to:

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REMOTE ACCOUNTING SERVICES


- We provide bookkeeping services to churches and Christian nonprofits, including:
 - Produce a monthly financial report for leadership
 - Process contributions and bills
 - Record all transactions in the general ledger
 - Reconcile bank accounts, credit cards, and close the books each month
 - Process payroll and file all quarterly and annual payroll forms
 - Provide budget and cash flow projection oversight
 - Give assistance with internal controls



REMOTE ACCOUNTING SERVICES

- **Why do we provide this service?**
 - With online software solutions dramatically improving, outsourced bookkeeping has become a popular alternative to in-house bookkeeping
- **Top reasons our clients use our remote accounting services:**
 - Managing finances distracts the organization from its mission
 - Leadership and member increased confidence in their finances
 - Tax and accounting regulations are complex and changing faster than ever
 - They want a trusted advisor to provide CPA oversight

MINISTER COMPENSATION

- Housing allowance
 - Designated by the church/ministry
 - Amount taxable
 - Severance
 - Retirement
 - **See recorded webinar on our website**
 - Receipts outside of employer
 - speaking
 - funerals
 - weddings
 - gifts
 - Secular earnings not related to ministry
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NONTAXABLE EMPLOYEE BENEFITS

- Health insurance
 - Group medical insurance qualifying under Affordable Care Act
 - Reimbursements of employee individual medical insurance
 - ▶ Individual coverage health reimbursement arrangement (ICHRA)
 - Available to employers of any size
 - Employee has medical insurance that covers preventive care and has no annual or lifetime limit – meets Affordable Care Act requirements
 - Provided on the same terms to employees by class

NONTAXABLE EMPLOYEE BENEFITS, CONTINUED

- Qualified small employer health reimbursement arrangement (QSEHRA)
 - Employee must have minimum essential coverage
 - Employer must have less than 50 FTE employees
 - Employer cannot offer a group health plan to its employees
- See 2023 Church & Clergy Tax Guide (CCTG) page 181 - 187

NONTAXABLE EMPLOYEE BENEFITS, CONTINUED

- Health Savings Accounts (HSA) Contributions
 - Employer contributions are generally nontaxable as long as it is reasonable to believe the amount would be excluded from the employee's income
 - The employee must be covered by a high a deductible health plan
 - Not covered by other health insurance except for permitted insurance
 - See nondiscrimination and other rules in IRS publication 15-B
- Long-term Care Coverage
 - Premiums are generally tax free to employee
 - Benefits are generally tax free

NONTAXABLE EMPLOYEE BENEFITS, CONTINUED

- Group Term Life Insurance
 - Excludes the cost of up to \$50,000 of coverage from wages
 - 10 employee rule (or all full-time employees)
 - See exceptions and requirements under IRS publication 15-B
- Employer Provided Cell Phones
 - Primarily for business reasons not related to compensation
 - Includes reasonable reimbursement for personal phones

NONTAXABLE EMPLOYEE BENEFITS, CONTINUED

- Employer Contribution 403(b) Retirement Plan
 - 2023 employee elective deferral limits
 - \$22,500 general limit
 - \$ 7,500 over 50 catch-up contribution
 - \$ 3,000 if employed by church for over 15 years (IRC 402(g)(7))
 - 2023 total 403(b) contribution limit
 - Lesser of:
 - 100% of employee's compensation
 - \$66,000 (\$73,500 including \$7,500 over 50 catch up) (IRC 415(c)(1))
 - Employer contribution can't exceed 25% of employee's taxable compensation
 - Churches - \$10K per year/\$40K lifetime max can exceed limits (IRC 415(c)(7)(A))
 - <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits>
 - Post Retirement Employer Contributions – 5 years for qualified nonprofits (includes Churches and Educational Organizations) – see 1.403(b)-4 (d)



NONTAXABLE EMPLOYEE BENEFITS, CONTINUED

- Free Non-minister On-campus Housing
 - Furnished for the convenience of the employer, for a substantial business reason other than to provide the employee with additional pay
 - Employee must accept it as a condition of employment
 - Example: Facilities staff



NONTAXABLE EMPLOYEE BENEFITS, CONTINUED

- School Tuition Reduction
 - For employees of educational institutions
 - Must be provided to non-highly compensated group on similar terms as highly compensated
 - See 2023 CCTG pages 211-214
- Education
 - Employer-provided educational assistance \$5,250 max
 - Business expense reimbursements




NONTAXABLE EMPLOYEE BENEFITS, CONTINUED

- Disability insurance – when is it taxable?

Who Pays the Insurance Premium?	Is the Benefit Taxable?	How Much of the Benefit is Taxable?
Employer pays 100%	Yes	100%
Employer pays portion and employee pays balance with post-tax dollars	Yes	Percentage of premium paid by employer
Employer pays portion and employee pays balance with pre-tax dollars	Yes	100%
Employee pays 100% with post-tax dollars	No	None
Employee pays 100% with pre-tax dollars	Yes	100%

TAXABLE EMPLOYEE BENEFITS

- If not reported as taxable, intermediate sanctions may apply (2023 CCTG p 115)
 - Moving expense reimbursements 1/1/2017 – 12/31/2025
 - Personal use of employer provided car
 - Car allowances
 - Below-market interest loans
 - Love gifts collected by the church from members
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TAXABLE EMPLOYEE BENEFITS, CONTINUED

- Books, curriculum
- Sabbatical pay
- Tuition reduction for children (when church employee does not work in church school)
- Travel as a form of education - study trip or trip to the Holy Land
- Travel costs for family members
- See IRS Publication 15 - <https://www.irs.gov/pub/irs-pdf/p15b.pdf>

REIMBURSEMENTS UNDER AN ACCOUNTABLE REIMBURSEMENT PLAN

- For business-related expenses
- Adequate accounting within a “reasonable period of time” (generally 60 days of purchase)
 - Includes purchases on organization’s credit cards
 - Amount, date, place, and business purpose
 - Receipts required for each expense of \$75 or more
- Excess reimbursements must be returned to the organization within 120 days
- Accountable reimbursements cannot be in the form of salary reductions
- See 2023 CCTG, chapter 7 pages 294 - 305



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Next Webinar:

IRS and WA State Reporting

December 13, 2023 12:00p.m. – 1:00p.m.

THANK YOU FOR JOINING US!

PLEASE REACH OUT WITH ANY QUESTIONS:
INFO@BATTERSHELLNICHOLS.CPA

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