

## Example one: active minister

**Note:** This example is based on an illustrated example contained at the end of IRS Publication 517.

Rev. John Michaels is the minister of the First Church. He is married and has one child. The child is considered a qualifying child for the child tax credit. Mrs. Michaels is not employed outside the home. Rev. Michaels is a common-law employee of the church, and he has not applied for an exemption from SE tax. The church paid Rev. Michaels a salary of \$45,000. In addition, as a self-employed person, he earned \$4,000 during the year for weddings, baptisms, and honoraria. He made estimated tax payments during the year totaling \$12,000. He taught a course at the local community college, for which he was paid \$3,400. Rev. Michaels owns a home next to the church. He makes a \$1,125 per month mortgage payment of principal and interest only. His utility bills and other housing-related expenses for the year totaled \$1,450, and the real estate taxes on his home amounted to \$1,750 for the year. The church paid him \$1,400 per month as his parsonage allowance. The home's fair rental value is \$1,380 per month (including furnishings and utilities).

The parts of Rev. and Mrs. Michaels' income tax return are explained in the order they are completed. They are illustrated in the order that Rev. Michaels will assemble the return to send it to the IRS.

### Form W-2 from church

The church completed *Form W-2* for Rev. Michaels as follows:

**Box 1.** The church entered Rev. Michaels' \$45,000 salary.

**Box 2.** The church left this box blank because Rev. Michaels did not request federal income tax withholding.

**Boxes 3 through 6.** Rev. Michaels is considered a self-employed person for purposes of FICA tax withholding, so the church left these boxes blank.

**Box 14.** The church entered Rev. Michaels' total parsonage allowance for the year and identified it.

**TurboTax® tips:** Listed below are tips for ministers who use TurboTax to complete their returns. We have listed our recommended responses to some of the questions asked by the software when entering your *W-2* from your church. These tips should not be construed as an endorsement or recommendation of the TurboTax software.

1. "Do any of these apply to this *W-2*?"

Be sure to check the box that says, "**Religious employment** — This income was for religious employment (clergy, non-clergy, religious sect)."

2. "About your religious employment."

Please note that ministers fall under the category of clergy employment.

3. "Tell us about your clergy housing."

TurboTax then asks for the parsonage or housing allowance, as well as the amount of qualifying expenses.

The amount you should enter for qualifying expenses is the lesser of your actual housing expenses, the annual fair rental value of your home (including furnishings and utilities), or the amount of your pay that was designated as ministerial housing allowance by your church.

4. "How would you like us to calculate clergy self-employment tax?"

Please note that self-employment tax should be paid on wages and housing allowance. See *Schedule SE* TurboTax tip for additional information.

### Form W-2 from college

The community college gave Rev. Michaels a *Form W-2* that showed the following:

**Box 1.** The college entered Rev. Michaels' \$3,400 salary.

**Box 2.** The college withheld \$272 in federal income tax on Rev. Michaels' behalf.

**Boxes 3 and 5.** As an employee of the college, Rev. Michaels is subject to FICA withholding on his full salary from the college.

**Box 4.** The college withheld \$210.80 in Social Security taxes.

**Box 6.** The college withheld \$49.30 in Medicare taxes.

### Schedule C-EZ (Form 1040)

Some of Rev. Michaels' entries on *Schedule C-EZ* are explained here.

**Line 1.** Rev. Michaels reports the \$4,000 from weddings, baptisms, and honoraria.

**Line 2.** Rev. Michaels reports his expenses related to the line 1 amount. The total consisted of \$87 for marriage and family booklets and \$253 for 469 miles of business use of his car, mainly

in connection with honoraria. Rev. Michaels used the standard mileage rate to figure his car expense. He multiplied the standard mileage rate of 54 cents by 469 miles for a total of \$253. These expenses total \$340 (\$253 + \$87). However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance. He attaches the required statement, *Attachment 1* (shown later), to his return showing that 25 percent (or \$85) of his business expenses are not deductible because they are allocable to that tax-free allowance. He subtracts the \$85 from the \$340 and enters the \$255 difference on line 2.

**Line 3.** He enters his net profit of \$3,745 both on line 3 and on *Form 1040*, line 12.

**Lines 4 through 8b.** Rev. Michaels fills out these lines to report information about his car.

**TurboTax tips:** TurboTax does not appear to calculate the non-deductible portion of the expenses which should be allocated to the tax-free portion of the housing allowance. The taxpayer will need to adjust the expenses (as shown in *Attachment 1*) and input the reduced figure into the software.

### **Form 2106-EZ**

Rev. Michaels fills out *Form 2106-EZ* to report the unreimbursed business expenses he had as a common-law employee of First Church.

**Line 1.** Before completing line 1, Rev. Michaels fills out Part II because he used his car for church business. His records show that he drove 2,648 business miles, which he reports in Part II. On line 1, he multiplies 2,648 miles driven by the mileage rate of 54 cents. The combined result of \$1,430 is reported on line 1.

**Line 4.** He enters \$219 for his professional publications and booklets.

**Line 6.** Before entering the total expenses on line 6, Rev. Michaels must reduce them by the amount allocable to his tax-free parsonage allowance. On the required *Attachment 1* (shown later), he shows that 25 percent (or \$412) of his employee business expenses are not deductible because they are allocable to the tax-free parsonage allowance. He subtracts \$358 from line 1 (\$1430 – \$358) and \$55 from line 4 (\$219 – \$55), then enters \$1072 and \$164 on lines 1 and 4, respectively. He also enters \$1,237 on line 21 of *Schedule A (Form 1040)*.

**TurboTax tips:** TurboTax does not appear to calculate the non-deductible portion of the expenses which should be allocated to the tax-free portion of the housing allowance. The taxpayer will need to adjust the expenses (as shown in *Attachment 1*) and input the reduced figure into the software.

### **Schedule A (Form 1040)**

Rev. Michaels fills out *Schedule A* as explained here.

**Line 5.** Rev. and Mrs. Michaels do not pay state income tax and therefore have elected to deduct state and local sales taxes that they paid during 2016. The Michaels elected to deduct actual sales taxes paid (instead of using the IRS tables found in the instructions to *Schedule A* to compute estimated sales taxes paid) and retained their actual sales tax receipts, showing that they paid \$1,175 in state and local sales taxes during 2016. They enter this amount on line 5 and check line 5b.

**Line 6.** Rev. Michaels deducts \$1,750 in real estate taxes.

**Line 10.** He deducts \$6,810 of home mortgage interest.

**Line 16.** Rev. and Mrs. Michaels contributed \$4,800 in cash during the year to various qualifying charities. Each individual contribution was less than \$250. For each contribution, Rev. and Mrs. Michaels maintain the required bank record (such as a cancelled check) or written communication from the charity showing the charity's name, the amount of the contribution and the date of the contribution. (This substantiation is required in order for any contribution of money (cash, check, or other monetary instrument) made in 2007 and thereafter to be deductible.)

**Line 21.** Rev. Michaels enters his unreimbursed employee business expenses from *Form 2106-EZ* (\$1237), line 6.

**Lines 25, 26 and 27.** He can deduct only the part of his employee business expenses that exceeds 2 percent of his AGI. He fills out these lines to figure the amount he can deduct.

**Line 29.** The total of all the Michaels' itemized deductions is \$14,814, which Rev. Michaels enters on line 29 and on *Form 1040*, line 40.

### **Schedule SE (Form 1040)**

After Rev. Michaels prepares *Schedule C-EZ* and *Form 2106-EZ*, he fills out *Schedule SE (Form 1040)*. He reads the chart on page 1 of the schedule, which tells him he can use Section A—Short *Schedule SE* to figure his self-employment tax. Rev. Michaels is a minister, so his salary from the church is not considered church employee income. Thus, he does not have to use Section B—Long *Schedule SE*. He fills out the following lines in Section A:

**Line 2.** Rev. Michaels attaches a statement (see *Attachment 2*, later) that explains how he figures the amount (\$63,811) he enters here.

**Line 4.** He multiplies \$63,811 by .9235 to get his net earnings from self-employment (\$58,929).

**Line 5.** The amount on line 4 is less than \$118,500, so Rev. Michaels multiplies the amount on line 4 (\$58,929) by .153 to get his self-employment tax of \$9,016. He enters that amount here and on *Form 1040*, line 57.

**Line 6.** Rev. Michaels multiplies the amount on line 5 by .50 to get his deduction for the employer-equivalent portion of self-employment tax of \$4,508. He enters that amount here and on *Form 1040*, line 27.

**TurboTax tips:** The software asks about self-employment tax on clergy wages. The taxpayer should check the box to pay self-employment tax on wages and housing allowance (assuming, as shown in this example, that the minister has not applied for exemption from the SE tax). Please note that the software does not appear to automatically reduce self-employment wages by the business expenses allocated to tax-free income. The taxpayer will need to adjust net self-employment income (as shown in *Attachment 2*) and input the reduced figure. Choose “Make Adjustments” and enter in the “Ministerial Business Expenses” item the additional expenses that were allocable to tax-free income (\$1,734 in this example — see *Attachment 2*).

## **Form 1040**

After Rev. Michaels prepares *Form 2106-EZ* and the other schedules, he fills out *Form 1040*. He files a joint return with his wife. First he fills out the address area and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the form as follows:

**Line 7.** Rev. Michaels reports \$48,640. This amount is the total of his \$45,000 church salary, \$3,400 college salary, and \$240, the excess of the amount designated and paid to him as a parsonage allowance over the lesser of his actual expenses and the fair rental value of his home (including furnishings and utilities). The two salaries were reported to him in box 1 of the *Forms W-2* he received.

**Line 12.** He reports his net profit of \$3,745 from *Schedule C-EZ*, line 3.

**Line 27.** He enters \$4,508, the deductible part of his SE tax from *Schedule SE*, line 6.

**Line 37.** He subtracts line 36 from line 22. This is his AGI, and he carries this amount forward to line 38.

**Line 40.** He enters the total itemized deductions from *Schedule A*, line 29.

**Line 42.** He multiplies the number of exemptions claimed (3 from line 6d) by \$4,050 and enters an exemption amount of


\$12,150 on line 42.

**Line 52.** The Michaels can take the child tax credit for their daughter, Jennifer. Rev. Michaels figures the credit by completing the *Child Tax Credit Worksheet* (not shown) contained in the *Form 1040* general instructions. He enters the \$1,000 credit. (Note: The Michaels are not required to attach *Schedule 8812* to claim the child tax credit since their daughter does not have an individual taxpayer identification number (ITIN). The IRS issues ITINs to foreign nationals and others who have federal tax reporting or filing requirements and do not qualify for Social Security numbers. Since Jennifer has a SSN, she is not required to obtain an ITIN and therefore *Schedule 8812* is not applicable.)

**Line 57.** He enters the self-employment tax from *Schedule SE*, line 5.

**Line 64.** He enters the federal income tax shown in box 2 of his *Form W-2* from the college.

**Line 65.** He enters the \$12,000 estimated tax payments he made for the year.

		<b>a</b> Employee's social security number 011-00-1111		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
<b>b</b> Employer identification number (EIN) 00-0246810				<b>1</b> Wages, tips, other compensation 45000.00		<b>2</b> Federal income tax withheld					
<b>c</b> Employer's name, address, and ZIP code  First Church 1042 Main Street Hometown, Texas 77099				<b>3</b> Social security wages		<b>4</b> Social security tax withheld					
				<b>5</b> Medicare wages and tips		<b>6</b> Medicare tax withheld					
				<b>7</b> Social security tips		<b>8</b> Allocated tips					
<b>d</b> Control number				<b>9</b>		<b>10</b> Dependent care benefits					
<b>e</b> Employee's first name and initial      Last name      Suff.  John E. Michaels 1040 Main Street Hometown, Texas 77099				<b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12					
				<b>13</b> Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>					
				<b>14</b> Other Parsonage Allowance \$16800		<b>12c</b>					
						<b>12d</b>					
<b>f</b> Employee's address and ZIP code											
<b>15</b> State      Employer's state ID number		<b>16</b> State wages, tips, etc.		<b>17</b> State income tax		<b>18</b> Local wages, tips, etc.		<b>19</b> Local income tax		<b>20</b> Locality name	
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Form **W-2** Wage and Tax Statement

2016

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

Sample: From church

		<b>a</b> Employee's social security number 011-00-1111		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
<b>b</b> Employer identification number (EIN)				<b>1</b> Wages, tips, other compensation 3400.00		<b>2</b> Federal income tax withheld 272.00					
<b>c</b> Employer's name, address, and ZIP code Hometown College 40 Honor Road Hometown, Texas 77099				<b>3</b> Social security wages 3400.00		<b>4</b> Social security tax withheld 210.80					
				<b>5</b> Medicare wages and tips 3400.00		<b>6</b> Medicare tax withheld 49.30					
				<b>7</b> Social security tips		<b>8</b> Allocated tips					
<b>d</b> Control number				<b>9</b>		<b>10</b> Dependent care benefits					
<b>e</b> Employee's first name and initial      Last name      Suff.  John E. Michaels 1040 Main Street Hometown, Texas 77099				<b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12					
				<b>13</b> Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>12b</b>					
				<b>14</b> Other		<b>12c</b>					
						<b>12d</b>					
<b>f</b> Employee's address and ZIP code											
<b>15</b> State      Employer's state ID number		<b>16</b> State wages, tips, etc.		<b>17</b> State income tax		<b>18</b> Local wages, tips, etc.		<b>19</b> Local income tax		<b>20</b> Locality name	

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

2016

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

Sample: From college

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning , 2016, ending , 20 See separate instructions. Your first name and initial Last name Your social security number John E. Michaels 0 1 1 0 0 1 1 1 1 If a joint return, spouse's first name and initial Last name Spouse's social security number Susan R. Michaels 0 1 1 0 0 2 2 2 2 Home address (number and street). If you have a P.O. box, see instructions. Apt. no. 1040 Main Street Make sure the SSN(s) above and on line 6c are correct. City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Presidential Election Campaign Hometown, Texas 77099 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. Foreign country name Foreign province/state/county Foreign postal code You Spouse

Filing Status 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child

Exemptions 6a Yourself. If someone can claim you as a dependent, do not check box 6a. 6b Spouse. Boxes checked on 6a and 6b 2. c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if child under age 17 qualifying for child tax credit (see instructions). No. of children on 6c who: • lived with you 1 • did not live with you due to divorce or separation (see instructions) Jennifer Michaels 0 1 1 0 0 3 3 3 3 Daughter Dependents on 6c not entered above Add numbers on lines above 3

Income 7 Wages, salaries, tips, etc. Attach Form(s) W-2 Excess allowance \$240 7 48640 8a Taxable interest. Attach Schedule B if required 8a 8b Tax-exempt interest. Do not include on line 8a 9a Ordinary dividends. Attach Schedule B if required 9a 9b Qualified dividends 10 Taxable refunds, credits, or offsets of state and local income taxes 10 11 Alimony received 11 12 Business income or (loss). Attach Schedule C or C-EZ 12 3745 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 13 14 Other gains or (losses). Attach Form 4797 14 15a IRA distributions 15a 15b Taxable amount 15b 16a Pensions and annuities 16a 16b Taxable amount 16b 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17 18 Farm income or (loss). Attach Schedule F 18 19 Unemployment compensation 19 20a Social security benefits 20a 20b Taxable amount 20b 21 Other income. List type and amount 21 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income 22 52385

Adjusted Gross Income 23 Educator expenses 23 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24 25 Health savings account deduction. Attach Form 8889 25 26 Moving expenses. Attach Form 3903 26 27 Deductible part of self-employment tax. Attach Schedule SE 27 4508 28 Self-employed SEP, SIMPLE, and qualified plans 28 29 Self-employed health insurance deduction 29 30 Penalty on early withdrawal of savings 30 31a Alimony paid b Recipient's SSN 31a 32 IRA deduction 32 33 Student loan interest deduction 33 34 Tuition and fees. Attach Form 8917 34 35 Domestic production activities deduction. Attach Form 8903 35 36 Add lines 23 through 35 36 4508 37 Subtract line 36 from line 22. This is your adjusted gross income 37 47877

Tax and Credits

Standard Deduction for -

• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
• All others: Single or Married filing separately, \$6,300
Married filing jointly or Qualifying widow(er), \$12,600
Head of household, \$9,300

Table with 3 columns: Line number, Description, and Amount. Includes lines 38-56 for Tax and Credits and Standard Deduction.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 57-63 for Other Taxes.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, and Amount. Includes lines 64-74 for Payments.

Refund

Direct deposit? See instructions.

Table with 3 columns: Line number, Description, and Amount. Includes lines 75-77 for Refund.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 78-79 for Amount You Owe.

Third Party Designee

Form for Third Party Designee with fields for name, phone, and PIN.

Sign Here

Joint return? See instructions. Keep a copy for your records.

Signature section with fields for taxpayer and spouse signatures, dates, occupations, and phone numbers.

Paid Preparer Use Only

Form for Paid Preparer Use Only with fields for name, address, and firm information.

**SCHEDULE A  
(Form 1040)**

**Itemized Deductions**

OMB No. 1545-0074

**2016**  
Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service (99)

► **Information about Schedule A and its separate instructions is at [www.irs.gov/schedulea](http://www.irs.gov/schedulea).**  
► **Attach to Form 1040.**

Name(s) shown on Form 1040

John E. & Susan R. Michaels

Your social security number

011-00-1111

<b>Medical and Dental Expenses</b>		<b>Caution:</b> Do not include expenses reimbursed or paid by others.			
1	Medical and dental expenses (see instructions)	1			
2	Enter amount from Form 1040, line 38	2			
3	Multiply line 2 by 10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by 7.5% (0.075) instead	3			
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4			
<b>Taxes You Paid</b>		<b>5 State and local (check only one box):</b>			
a	<input type="checkbox"/> Income taxes, or	5	1175		
b	<input checked="" type="checkbox"/> General sales taxes				
6	Real estate taxes (see instructions)	6	1750		
7	Personal property taxes	7			
8	Other taxes. List type and amount ►	8			
9	Add lines 5 through 8	9			2925
<b>Interest You Paid</b>		<b>10 Home mortgage interest and points reported to you on Form 1098</b>			
	<b>11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►</b>	10	6810		
<b>Note:</b> Your mortgage interest deduction may be limited (see instructions).		11			
	<b>12 Points not reported to you on Form 1098. See instructions for special rules</b>	12			
	<b>13 Mortgage insurance premiums (see instructions)</b>	13			
	<b>14 Investment interest. Attach Form 4952 if required. (See instructions.)</b>	14			
	<b>15 Add lines 10 through 14</b>	15			6810
<b>Gifts to Charity</b>		<b>16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions.</b>			
	<b>17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500</b>	16	4800		
	<b>18 Carryover from prior year</b>	17			
	<b>19 Add lines 16 through 18</b>	18			
		19			4800
<b>Casualty and Theft Losses</b>		<b>20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)</b>			
<b>Job Expenses and Certain Miscellaneous Deductions</b>		<b>21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►</b>			
	<b>22 Tax preparation fees</b>	21	1237		
	<b>23 Other expenses—investment, safe deposit box, etc. List type and amount ►</b>	22			
		23			
	<b>24 Add lines 21 through 23</b>	24	1237		
	<b>25 Enter amount from Form 1040, line 38</b>	25	47877		
	<b>26 Multiply line 25 by 2% (0.02)</b>	26	958		
	<b>27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-</b>	27			279
<b>Other Miscellaneous Deductions</b>		<b>28 Other—from list in instructions. List type and amount ►</b>			
		28			
<b>Total Itemized Deductions</b>		<b>29 Is Form 1040, line 38, over \$155,650?</b>			
	<input checked="" type="checkbox"/> <b>No.</b> Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40.	29	14814		
	<input type="checkbox"/> <b>Yes.</b> Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.				
	<b>30 If you elect to itemize deductions even though they are less than your standard deduction, check here</b>				



**SCHEDULE C-EZ  
(Form 1040)**

**Net Profit From Business  
(Sole Proprietorship)**

OMB No. 1545-0074

**2016**  
Attachment  
Sequence No. **09A**

Department of the Treasury  
Internal Revenue Service (99)

▶ **Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.**  
▶ **Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on page 2.**

Name of proprietor  
**John E. Michaels**

Social security number (SSN)  
**011-00-1111**

**Part I General Information**

**You May Use  
Schedule C-EZ  
Instead of  
Schedule C  
Only If You:**

- Had business expenses of \$5,000 or less,
- Use the cash method of accounting,
- Did not have an inventory at any time during the year,
- Did not have a net loss from your business,
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee,

**And You:**

- Had no employees during the year,
- Do not deduct expenses for business use of your home,
- Do not have prior year unallowed passive activity losses from this business, and
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.

<b>A</b> Principal business or profession, including product or service <b>Minister</b>	<b>B</b> Enter business code (see page 2) 5   4   1   9   9   0
<b>C</b> Business name. If no separate business name, leave blank.	<b>D</b> Enter your EIN (see page 2)
<b>E</b> Business address (including suite or room no.). Address not required if same as on page 1 of your tax return. 1042 Main Street City, town or post office, state, and ZIP code Hometown, Texas 77099	
<b>F</b> Did you make any payments in 2016 that would require you to file Form(s) 1099? (see the Instructions for Schedule C) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>G</b> If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No	

**Part II Figure Your Net Profit**

<b>1</b> <b>Gross receipts. Caution:</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <i>Statutory employees</i> in the instructions for Schedule C, line 1, and check here <input type="checkbox"/>	<b>1</b>	4000	
<b>2</b> <b>Total expenses</b> (see page 2). If more than \$5,000, you <b>must</b> use Schedule C	<b>2</b>	255	*
<b>3</b> <b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you <b>must</b> use Schedule C. Enter on both <b>Form 1040, line 12</b> , and <b>Schedule SE, line 2</b> , or on <b>Form 1040NR, line 13</b> , and <b>Schedule SE, line 2</b> (see page 2). (Statutory employees <b>do not</b> report this amount on Schedule SE, line 2.) Estates and trusts, enter on <b>Form 1041, line 3</b>	<b>3</b>	3745	

**Part III Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 2.

**4** When did you place your vehicle in service for business purposes? (month, day, year) ▶ 7/15/09

**5** Of the total number of miles you drove your vehicle during 2016, enter the number of miles you used your vehicle for:

**a** Business 469      **b** Commuting (see page 2) 0      **c** Other 7478

**6** Was your vehicle available for personal use during off-duty hours?  Yes  No

**7** Do you (or your spouse) have another vehicle available for personal use?  Yes  No

**8a** Do you have evidence to support your deduction?  Yes  No

**b** If "Yes," is the evidence written?  Yes  No

**SCHEDULE SE  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Self-Employment Tax**

► Information about Schedule SE and its separate instructions is at [www.irs.gov/schedulese](http://www.irs.gov/schedulese).  
► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

**2016**  
Attachment  
Sequence No. **17**

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)

John E. Michaels

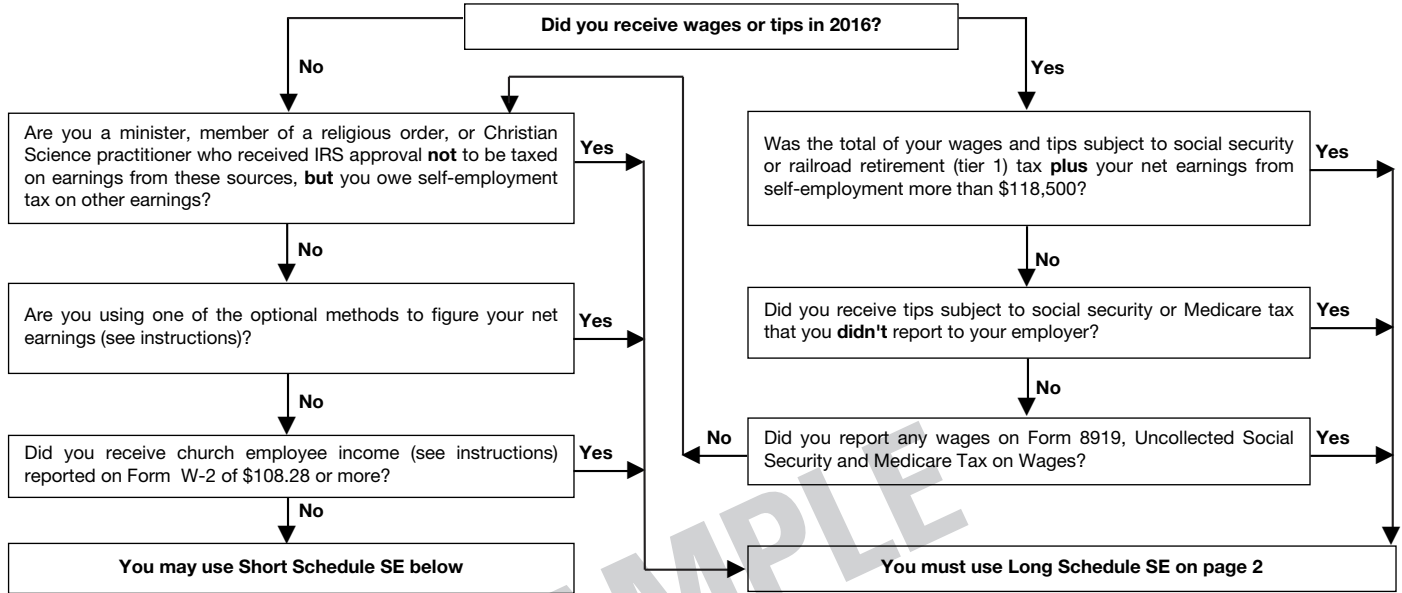
Social security number of person with self-employment income ►

011-00-1111

**Before you begin:** To determine if you must file Schedule SE, see the instructions.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note.** Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



**Section A—Short Schedule SE. Caution.** Read above to see if you can use Short Schedule SE.

<b>1a</b>	Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .		
<b>1b</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 Z . . . . .	(	)
<b>2</b>	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 . . . . .	63811	*
<b>3</b>	Combine lines 1a, 1b, and 2 . . . . .	63811	
<b>4</b>	Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; <b>don't</b> file this schedule unless you have an amount on line 1b. . . . . ►	58929	
<b>5</b>	<b>Self-employment tax.</b> If the amount on line 4 is: • \$118,500 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on <b>Form 1040, line 57, or Form 1040NR, line 55</b> • More than \$118,500, multiply line 4 by 2.9% (0.029). Then, add \$14,694 to the result. Enter the total here and on <b>Form 1040, line 57, or Form 1040NR, line 55</b> . . . . .	9016	
<b>6</b>	<b>Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on <b>Form 1040, line 27, or Form 1040NR, line 27</b> . . . . .	4508	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2016

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)

Social security number of person with self-employment income

Section B—Long Schedule SE

Part I Self-Employment Tax

Note. If your only income subject to self-employment tax is church employee income, see instructions. Also see instructions for the definition of church employee income.

A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I

Table with 13 rows (1a-13) for self-employment tax calculation. Includes columns for line numbers and values. Line 7 shows 118500 and 00. Line 13 shows 13.

Part II Optional Methods To Figure Net Earnings (see instructions)

Farm Optional Method. You may use this method only if (a) your gross farm income was not more than \$7,560, or (b) your net farm profits were less than \$5,457.

Table with 2 rows (14-15) for Farm Optional Method. Line 14 shows 5040 and 00. Line 15 is empty.

Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits were less than \$5,457 and also less than 72.189% of your gross nonfarm income, and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. Caution. You may use this method no more than five times.

Table with 2 rows (16-17) for Nonfarm Optional Method. Line 16 is empty. Line 17 is empty.

1 From Sch. F, line 9, and Sch. K-1 (Form 1065), box 14, code B.

2 From Sch. F, line 34, and Sch. K-1 (Form 1065), box 14, code A—minus the amount you would have entered on line 1b had you not used the optional method.

3 From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), box 14, code A; and Sch. K-1 (Form 1065-B), box 9, code J1.

4 From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), box 14, code C; and Sch. K-1 (Form 1065-B), box 9, code J2.

# Unreimbursed Employee Business Expenses

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.

**2016**  
Attachment  
Sequence No. **129A**

▶ Information about Form 2106-EZ and its instructions is available at [www.irs.gov/form2106ez](http://www.irs.gov/form2106ez).

Your name <b>John E. Michaels</b>	Occupation in which you incurred expenses <b>Minister</b>	Social security number <b>011 00 1111</b>
--------------------------------------	--	--

**You Can Use This Form Only if All of the Following Apply.**

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense doesn't have to be required to be considered necessary.
- You **don't** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 aren't considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2016.

**Caution:** You can use the standard mileage rate for 2016 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

**Part I Figure Your Expenses**

1 Complete Part II. Multiply line 8a by 54¢ (0.54). Enter the result here . . . . .	<b>1</b>	1430	
2 Parking fees, tolls, and transportation, including train, bus, etc., that <b>didn't</b> involve overnight travel or commuting to and from work . . . . .	<b>2</b>		
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. <b>Don't</b> include meals and entertainment . . . . .	<b>3</b>		
4 Business expenses not included on lines 1 through 3. <b>Don't</b> include meals and entertainment . . . . .	<b>4</b>	219	
5 Meals and entertainment expenses: \$ _____ × 50% (0.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (0.80) instead of 50%. For details, see instructions.)	<b>5</b>		
6 <b>Total expenses.</b> Add lines 1 through 5. Enter here and on <b>Schedule A (Form 1040), line 21</b> (or on <b>Schedule A (Form 1040NR), line 7</b> ). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.) . . . . .	<b>6</b>	1237	*

**Part II Information on Your Vehicle.** Complete this part **only** if you are claiming vehicle expense on line 1.

- 7 When did you place your vehicle in service for business use? (month, day, year) ▶ 07 / 15 / 09
- 8 Of the total number of miles you drove your vehicle during 2016, enter the number of miles you used your vehicle for:
- a Business 2648      b Commuting (see instructions) 0      c Other 5299
- 9 Was your vehicle available for personal use during off-duty hours? . . . . .  **Yes**  **No**
- 10 Do you (or your spouse) have another vehicle available for personal use? . . . . .  **Yes**  **No**
- 11a Do you have evidence to support your deduction? . . . . .  **Yes**  **No**
- b If "Yes," is the evidence written? . . . . .  **Yes**  **No**

**Attachment 1. Computation of expenses, allocable to tax-free ministerial income, that are non-deductible**

		Taxable	Tax-Free	Total
Salary as a minister		\$ 45000		\$ 45000
Parsonage allowance:				
Amount designated and paid by church (\$1400 x 12)	\$ 16800			
Actual expenses				
(Mortgage \$1125 x 12, Utilities/other \$1,450, Real estate taxes \$1750)	16700			
Fair rental value of home (including furnishings and utilities) (\$1380 x 12)	16560			
Taxable portion of allowance				
(excess of amount designated & paid over lesser of actual expenses or fair rental value)	<u>\$ 240</u>	240		240
Tax-free portion of allowance (lesser of amount designated, actual expenses or fair rental value)			16560	16560
Gross income from weddings, baptisms, and honoraria		<u>4000</u>		<u>4000</u>
Ministerial Income		<u>\$ 49240</u>	<u>\$ 16560</u>	<u>\$ 65800</u>
% of non-deductible expenses: \$16,560/\$65,800 = 25%				

**Schedule C-EZ Deduction Computation**

Marriage and family booklets	\$ 87
Business use of car:	
469 miles x 54¢	<u>253</u>
Unadjusted <i>Schedule C-EZ</i> expenses	340
Minus:	
Non-deductible part of <i>Schedule C-EZ</i> expenses (25% x \$340)	<u>(85)</u>
<i>Schedule C-EZ</i> deductions (line 2)	<u>\$ 255</u>

**Form 2106-EZ - Employee Business Expense Deduction Computation**

Car expenses for church business:	
2648 miles x 54¢	\$ 1430
Publications and booklets	<u>219</u>
Unadjusted <i>Form 2106-EZ</i> expenses	1649
Minus:	
Non-deductible part of <i>Form 2106-EZ</i> expenses (25% x \$1,649)	<u>(412)</u>
Employee business expense deduction - <i>Form 2106-EZ</i> line 6	<u>\$ 1237</u>

None of the other deductions claimed in the return is allocable to tax-free income.

**Attachment 2. Attachment to Schedule SE (Form 1040)**

Church wages		\$ 45000
Parsonage allowance		16800
Net profit from <i>Schedule C-EZ</i>		<u>3745</u>
		65545
Less:		
<i>Schedule C-EZ</i> expenses allocable to tax-free income		\$ 85
Ministerial employee business expenses		
(unadjusted <i>Form 2106-EZ</i> expenses)		<u>1649</u>
Net self-employment Income		<u>(1734)</u>
<i>Schedule SE</i> , Section A, line 2		<u>\$ 63811</u>

## Example two: retired minister

Rev. William K. Green is a retired minister. He is 69 years old. He is married to Sarah J. Green. She is 65 years old and is also retired. For 2016, Rev. Green received \$15,000 in annuity income, all of which was designated in advance by the Board of Pensions as a housing allowance. Rev. Green had housing expenses of \$13,000. The home's fair rental value is \$1,200 per month (including furnishings and utilities). Housing allowances for retired ministers are not taxable in computing federal income tax to the extent that they do not exceed the lesser of actual housing expenses or the annual fair rental value of the home (including furnishings and utilities). Retirement benefits, whether or not designated in advance as a housing allowance, are not subject to self-employment taxes.

Rev. Green received \$12,000 of Social Security benefits in 2016, and his wife received \$6,000. None of this income is taxable, however, because the Green's income is not enough to expose their Social Security benefits to tax.

In 2016, Rev. Green received \$2,000 from occasional guest preaching engagements. He incurred \$590 in expenses as a result of these activities (\$440 of travel expenses and \$150 of meal expenses). Note that Rev. Green will pay self-employment tax on this income (see *Schedule SE*), since it represents compensation from active ministry.

The parts of Rev. and Mrs. Green's income tax return are explained in the order they are completed. They are illustrated in the order that Rev. Green will assemble the return to send it to the IRS.

### Form 1099-R from GuideStone

The Board of Pensions completed *Form 1099-R* for Rev. Green as follows:

**Box 1.** The \$15,000 pension income Rev. Green receives from the Board of Pensions.

**Box 2a.** Taxable amount not determined. The Board of Pensions designated in advance 100 percent of pension income as a housing allowance. It is not taxable to the extent that it does not exceed the lesser of actual housing expenses or the annual fair rental value of the home (including furnishings and utilities).

**Box 7.** Rev. Green's pension income is a normal distribution.

### Schedule C-EZ (Form 1040)

Some of Rev. Green's entries on *Schedule C-EZ* are explained here.

**Line 1.** Rev. Green reports the \$2,000 from occasional guest preaching engagements.

**Line 2.** Rev. Green reports his expenses related to the line 1 amount. He drove 815 miles of business use of his car in connection with guest preaching. Rev. Green used the standard business mileage rate to figure his car expense. He multiplied the standard mileage rate of 54 cents by 815 miles for a total of \$440. He also incurred \$75 (\$150 x 50 percent non-deductible) in meal expenses in connection with the guest preaching for total expenses of \$515. However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance. He attaches the required statement, *Attachment 1* (shown later), to his return, showing that 76 percent (or \$391) of his business expenses are non-deductible because they are allocable to that tax-free allowance. He subtracts the \$391 from the \$515 and enters the \$124 difference on line 2.

**Line 3.** He enters his net profit of \$1,876 both on line 3 and on *Form 1040*, line 12.

**Lines 4 through 8b.** Rev. Green fills out these lines to report information about his car.

**TurboTax® tips:** Listed below are tips for ministers who use TurboTax to complete their returns. These tips should not be construed as an endorsement or recommendation of the TurboTax software.

TurboTax does not appear to calculate the non-deductible portion of the expenses which should be allocated to the tax-free portion of the housing allowance. The taxpayer will need to adjust the expenses (as shown in *Attachment 1*) and input the reduced figure into the software.

### Schedule SE (Form 1040)

After Rev. Green prepares *Schedule C-EZ*, he fills out *Schedule SE (Form 1040)*. He reads the chart on page 1 of the schedule, which tells him he can use Section A—Short *Schedule SE* to figure his self-employment tax. Ministers are not church employees under this definition. He fills out the following lines in Section A:

**Line 2.** Rev. Green attaches a statement (see *Attachment 2*, later) that calculates his net profit of \$1,485, and he enters that amount here.

**Line 4.** He multiplies the \$1,485 by .9235 to get his net earnings from self-employment (\$1,371).

**Line 5.** The amount on line 4 is less than \$118,500, so Rev. Green multiplies the amount on line 4 (\$1,371) by .153 to get his self-employment tax of \$210. He enters that amount here and on *Form 1040*, line 57.

**Line 6.** Rev. Green multiplies the amount on line 5 by .50 to

get his deduction for the employer-equivalent portion of self-employment tax of \$105. He enters that amount here and on *Form 1040*, line 27.

**TurboTax tips:** The software does not appear to reduce self-employment wages by the business expenses allocated to tax-free income. The taxpayer will need to adjust net self-employment income (as shown in *Attachment 2*) and input the reduced figure into the software.

## **Form 1040**

After Rev. Green prepares *Schedule C-EZ* and *Schedule SE*, he fills out *Form 1040*. Rev. Green files a joint return with his wife. First, he fills out the address area and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the form as follows:

**Line 12.** He reports his net profit of \$1,876 from *Schedule C-EZ*, line 3.

**Lines 16a and 16b.** Rev. Green reports his total annuity income of \$15,000 on line 16a. He reports the taxable amount (\$2,000) as computed on *Attachment 1* (shown later) on line 16b.

**Lines 20a and 20b.** Since none of Rev. Green's Social Security benefits is taxable, he does not report any amounts on line 20a or 20b.

**Line 27.** He enters \$105, the deductible part of his SE tax from *Schedule SE*, line 6.

**Line 37.** He subtracts line 36 from line 22. This is his AGI, and he carries this amount forward to line 38.

**Line 39a.** He checks the boxes indicating that he and his wife were born before January 2, 1950 and enters "2" in the "total" box.

**Line 40.** Rev. Green enters his standard deduction of \$15,100, which takes into consideration that he and his wife were born before January 2, 1952.

**Line 42.** He multiplies the number of exemptions claimed (2 from line 6d) by \$4,050 and enters an exemption amount of \$8,100 on line 42.

**Line 43.** Rev. Green has no taxable income.

**Line 57.** He enters the self-employment tax from *Schedule SE*, line 5.

**Line 64.** Rev. Green did not have any income tax withheld from his pension.

**Line 78.** Amount Rev. Green owes to the IRS.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code <b>GuideStone Financial Resources 2401 Cedar Springs Road Dallas, Texas 75201 1-800-984-8433</b>			<b>1</b> Gross distribution \$ <b>15000.00</b>		OMB No. 1545-0119 <b>2016</b> Form <b>1099-R</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
PAYER'S federal identification number <b>75-0939949</b>			<b>2a</b> Taxable amount \$ <b>0.00</b>			
RECIPIENT'S name <b>William K. Green</b>			<b>2b</b> Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>	
Street address (including apt. no.) <b>787 Adams Street</b>			<b>3</b> Capital gain (included in box 2a) \$		<b>4</b> Federal income tax withheld \$	
City or town, state or province, country, and ZIP or foreign postal code <b>Anytown, NY 10002</b>			<b>5</b> Employee contributions /Designated Roth contributions or insurance premiums \$		<b>6</b> Net unrealized appreciation in employer's securities \$	
<b>10</b> Amount allocable to IRR within 5 years \$			<b>7</b> Distribution code(s) <b>7</b>		<b>8</b> Other \$ %	
<b>11</b> 1st year of desig. Roth contrib.			<b>9a</b> Your percentage of total distribution %		<b>9b</b> Total employee contributions \$	
FATCA filing requirement <input type="checkbox"/>			<b>12</b> State tax withheld \$		<b>13</b> State/Payer's state no.	
Account number (see instructions)			<b>15</b> Local tax withheld \$		<b>14</b> State distribution \$	
			<b>16</b> Name of locality		<b>17</b> Local distribution \$	

**Copy B**  
**Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.**

This information is being furnished to the Internal Revenue Service.

Form **1099-R**

www.irs.gov/form1099r

Department of the Treasury - Internal Revenue Service

SAMPLE



For the year Jan. 1–Dec. 31, 2016, or other tax year beginning \_\_\_\_\_, 2016, ending \_\_\_\_\_, 20

Your first name and initial: **William K.** Last name: **Green** Your social security number: **2 0 2 2 0 2 2 0 0 2**

If a joint return, spouse's first name and initial: **Sarah J.** Last name: **Green** Spouse's social security number: **3 0 3 3 0 3 0 0 3**

Home address (number and street). If you have a P.O. box, see instructions. **787 Adams Street** Apt. no. **▲** Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **Anytown, New York 10002** Presidential Election Campaign

Foreign country name \_\_\_\_\_ Foreign province/state/county \_\_\_\_\_ Foreign postal code \_\_\_\_\_ Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status**

1  Single

2  Married filing jointly (even if only one had income)

3  Married filing separately. Enter spouse's SSN above and full name here. ▶ \_\_\_\_\_

4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ \_\_\_\_\_

5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a

b  Spouse

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here

d Total number of exemptions claimed **2**

Boxes checked on 6a and 6b **2**

No. of children on 6c who:

- lived with you
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above **2**

**Income**

7 Wages, salaries, tips, etc. Attach Form(s) W-2 **7**

8a Taxable interest. Attach Schedule B if required **8a**

b Tax-exempt interest. Do not include on line 8a **8b**

9a Ordinary dividends. Attach Schedule B if required **9a**

b Qualified dividends **9b**

10 Taxable refunds, credits, or offsets of state and local income taxes **10**

11 Alimony received **11**

12 Business income or (loss). Attach Schedule C or C-EZ **12** 1876

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here  **13**

14 Other gains or (losses). Attach Form 4797 **14**

15a IRA distributions **15a** **15b** Taxable amount

16a Pensions and annuities **16a** 15000 **16b** Taxable amount **16b** 2000

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E **17**

18 Farm income or (loss). Attach Schedule F **18**

19 Unemployment compensation **19**

20a Social security benefits **20a** 18000 **20b** Taxable amount

21 Other income. List type and amount \_\_\_\_\_ **21**

22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶ **22** 3876

**Adjusted Gross Income**

23 Educator expenses **23**

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ **24**

25 Health savings account deduction. Attach Form 8889 **25**

26 Moving expenses. Attach Form 3903 **26**

27 Deductible part of self-employment tax. Attach Schedule SE **27** 105

28 Self-employed SEP, SIMPLE, and qualified plans **28**

29 Self-employed health insurance deduction **29**

30 Penalty on early withdrawal of savings **30**

31a Alimony paid **31a** **31b** Recipient's SSN ▶ \_\_\_\_\_

32 IRA deduction **32**

33 Student loan interest deduction **33**

34 Tuition and fees. Attach Form 8917 **34**

35 Domestic production activities deduction. Attach Form 8903 **35**

36 Add lines 23 through 35 **36** 105

37 Subtract line 36 from line 22. This is your adjusted gross income ▶ **37** 3771

Tax and Credits

Standard Deduction for—

• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.

• All others: Single or Married filing separately, \$6,300

Married filing jointly or Qualifying widow(er), \$12,600

Head of household, \$9,300

38 Amount from line 37 (adjusted gross income) 38 3771
39a Check [X] You were born before January 2, 1952, [ ] Blind. Total boxes checked 2
[X] Spouse was born before January 2, 1952, [ ] Blind. 39a 2
b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b [ ]
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 40 15100
41 Subtract line 40 from line 38 41 0
42 Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions 42 8100
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43 0
44 Tax (see instructions). Check if any from: a [ ] Form(s) 8814 b [ ] Form 4972 c [ ] 44 0
45 Alternative minimum tax (see instructions). Attach Form 6251 45
46 Excess advance premium tax credit repayment. Attach Form 8962 46
47 Add lines 44, 45, and 46 47 0
48 Foreign tax credit. Attach Form 1116 if required 48
49 Credit for child and dependent care expenses. Attach Form 2441 49
50 Education credits from Form 8863, line 19 50
51 Retirement savings contributions credit. Attach Form 8880 51
52 Child tax credit. Attach Schedule 8812, if required. 52
53 Residential energy credits. Attach Form 5695 53
54 Other credits from Form: a [ ] 3800 b [ ] 8801 c [ ] 54
55 Add lines 48 through 54. These are your total credits 55
56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- 56 0

Other Taxes

57 Self-employment tax. Attach Schedule SE 57 210
58 Unreported social security and Medicare tax from Form: a [ ] 4137 b [ ] 8919 58
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 59
60a Household employment taxes from Schedule H 60a
b First-time homebuyer credit repayment. Attach Form 5405 if required 60b
61 Health care: individual responsibility (see instructions) Full-year coverage [X] 61
62 Taxes from: a [ ] Form 8959 b [ ] Form 8960 c [ ] Instructions; enter code(s) 62
63 Add lines 56 through 62. This is your total tax 63 210

Payments

If you have a qualifying child, attach Schedule EIC.

64 Federal income tax withheld from Forms W-2 and 1099 64
65 2016 estimated tax payments and amount applied from 2015 return 65
66a Earned income credit (EIC) 66a
b Nontaxable combat pay election [66b]
67 Additional child tax credit. Attach Schedule 8812 67
68 American opportunity credit from Form 8863, line 8 68
69 Net premium tax credit. Attach Form 8962 69
70 Amount paid with request for extension to file 70
71 Excess social security and tier 1 RRTA tax withheld 71
72 Credit for federal tax on fuels. Attach Form 4136 72
73 Credits from Form: a [ ] 2439 b [ ] Reserved c [ ] 8885 d [ ] 73
74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments 74 0

Refund

Direct deposit? See instructions.

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid 75
76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here [ ] 76a
b Routing number [ ] c Type: [ ] Checking [ ] Savings
d Account number [ ]
77 Amount of line 75 you want applied to your 2017 estimated tax 77

Amount You Owe

78 Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions 78 210
79 Estimated tax penalty (see instructions) 79

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? [ ] Yes. Complete below. [ ] No
Designee's name [ ] Phone no. [ ] Personal identification number (PIN) [ ]

Sign Here

Joint return? See instructions. Keep a copy for your records.

Your signature [William Green] Date [3/15/17] Your occupation [Retired Minister] Daytime phone number [212-333-4444]
Spouse's signature. If a joint return, both must sign. [Sarah Green] Date [3/15/17] Spouse's occupation [Retired]
If the IRS sent you an Identity Protection PIN, enter it here (see inst.) [ ]

Paid Preparer Use Only

Print/Type preparer's name [ ] Preparer's signature [ ] Date [ ] Check [ ] if self-employed PTIN [ ]
Firm's name [ ] Firm's EIN [ ]
Firm's address [ ] Phone no. [ ]

**SCHEDULE C-EZ  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

Name of proprietor

William K. Green

**Net Profit From Business**

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.  
▶ Attach to Form 1040, 1040NR, or 1041. ▶ See instructions on page 2.

OMB No. 1545-0074

**2016**  
Attachment  
Sequence No. **09A**

Social security number (SSN)

202-20-2002

**Part I General Information**

**You May Use  
Schedule C-EZ  
Instead of  
Schedule C  
Only If You:**

- Had business expenses of \$5,000 or less,
- Use the cash method of accounting,
- Did not have an inventory at any time during the year,
- Did not have a net loss from your business,
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee,

**And You:**

- Had no employees during the year,
- Do not deduct expenses for business use of your home,
- Do not have prior year unallowed passive activity losses from this business, and
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.

<b>A</b> Principal business or profession, including product or service Minister	<b>B</b> Enter business code (see page 2) 5 4 1 9 9 0
<b>C</b> Business name. If no separate business name, leave blank.	<b>D</b> Enter your EIN (see page 2)
<b>E</b> Business address (including suite or room no.). Address not required if same as on page 1 of your tax return. City, town or post office, state, and ZIP code	
<b>F</b> Did you make any payments in 2016 that would require you to file Form(s) 1099? (see the Instructions for Schedule C) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>G</b> If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No	

**Part II Figure Your Net Profit**

<b>1</b> <b>Gross receipts. Caution:</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <i>Statutory employees</i> in the instructions for Schedule C, line 1, and check here <input type="checkbox"/>	<b>1</b>	2000	
<b>2</b> <b>Total expenses</b> (see page 2). If more than \$5,000, you <b>must</b> use Schedule C	<b>2</b>	124	*
<b>3</b> <b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you <b>must</b> use Schedule C. Enter on both <b>Form 1040, line 12</b> , and <b>Schedule SE, line 2</b> , or on <b>Form 1040NR, line 13</b> , and <b>Schedule SE, line 2</b> (see page 2). (Statutory employees <b>do not</b> report this amount on Schedule SE, line 2.) Estates and trusts, enter on <b>Form 1041, line 3</b>	<b>3</b>	1876	

**Part III Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 2.

**4** When did you place your vehicle in service for business purposes? (month, day, year) ▶ 07/15/2009

**5** Of the total number of miles you drove your vehicle during 2016, enter the number of miles you used your vehicle for:

**a** Business 815      **b** Commuting (see page 2) 0      **c** Other 12682

**6** Was your vehicle available for personal use during off-duty hours?  Yes  No

**7** Do you (or your spouse) have another vehicle available for personal use?  Yes  No

**8a** Do you have evidence to support your deduction?  Yes  No

**b** If "Yes," is the evidence written?  Yes  No

**SCHEDULE SE  
(Form 1040)**

**Self-Employment Tax**

OMB No. 1545-0074

**2016**  
Attachment  
Sequence No. **17**

Department of the Treasury  
Internal Revenue Service (99)

► **Information about Schedule SE and its separate instructions is at [www.irs.gov/schedulese](http://www.irs.gov/schedulese).**  
► **Attach to Form 1040 or Form 1040NR.**

Name of person with **self-employment** income (as shown on Form 1040 or Form 1040NR)  
**William K. Green**

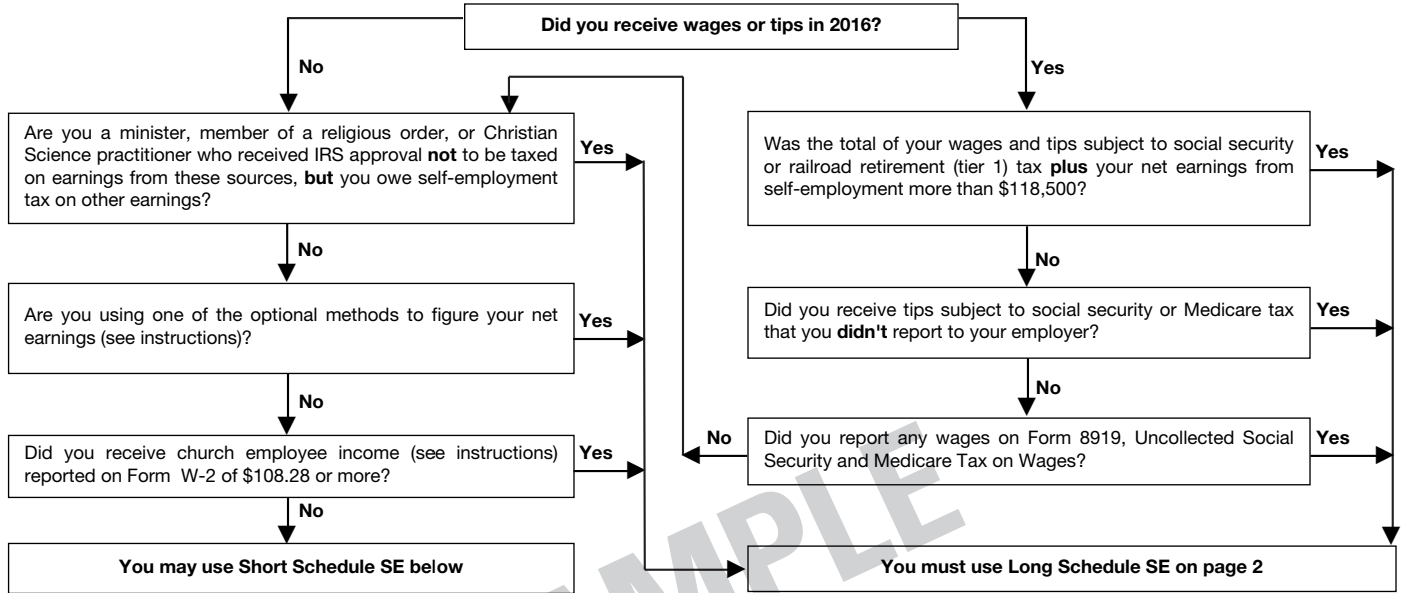
Social security number of person  
with **self-employment** income ►

**202-20-2002**

**Before you begin:** To determine if you must file Schedule SE, see the instructions.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note.** Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



**Section A—Short Schedule SE. Caution.** Read above to see if you can use Short Schedule SE.

<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .	<b>1a</b>		
<b>b</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 Z . . . . .	<b>1b</b>	(	)
<b>2</b> 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 . . . . .	<b>2</b>	1485	*
<b>3</b> Combine lines 1a, 1b, and 2 . . . . .	<b>3</b>	1485	
<b>4</b> Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; <b>don't</b> file this schedule unless you have an amount on line 1b. . . . . ►	<b>4</b>	1371	
<b>Note.</b> If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.			
<b>5 Self-employment tax.</b> If the amount on line 4 is: • \$118,500 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on <b>Form 1040, line 57, or Form 1040NR, line 55</b> • More than \$118,500, multiply line 4 by 2.9% (0.029). Then, add \$14,694 to the result. Enter the total here and on <b>Form 1040, line 57, or Form 1040NR, line 55</b> . . . . .	<b>5</b>	210	
<b>6 Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on <b>Form 1040, line 27, or Form 1040NR, line 27</b> . . . . .	<b>6</b>	105	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2016

Name of person with **self-employment** income (as shown on Form 1040 or Form 1040NR)

Social security number of person with **self-employment** income ▶

**Section B—Long Schedule SE**

**Part I Self-Employment Tax**

**Note.** If your only income subject to self-employment tax is **church employee income**, see instructions. Also see instructions for the definition of church employee income.

**A** If you are a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361, but you had \$400 or more of **other** net earnings from self-employment, check here and continue with Part I . . . . .

<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. <b>Note.</b> Skip lines 1a and 1b if you use the farm optional method (see instructions)	<b>1a</b>		
<b>b</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 Z	<b>1b</b> (		)
<b>2</b> 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. <b>Note.</b> Skip this line if you use the nonfarm optional method (see instructions)	<b>2</b>		
<b>3</b> Combine lines 1a, 1b, and 2	<b>3</b>		
<b>4a</b> If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3 <b>Note.</b> If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	<b>4a</b>		
<b>b</b> If you elect one or both of the optional methods, enter the total of lines 15 and 17 here	<b>4b</b>		
<b>c</b> Combine lines 4a and 4b. If less than \$400, <b>stop</b> ; you do not owe self-employment tax. <b>Exception.</b> If less than \$400 and you had <b>church employee income</b> , enter -0- and continue ▶	<b>4c</b>		
<b>5a</b> Enter your <b>church employee income</b> from Form W-2. See instructions for definition of church employee income	<b>5a</b>		
<b>b</b> Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0-	<b>5b</b>		
<b>6</b> Add lines 4c and 5b	<b>6</b>		
<b>7</b> Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2016	<b>7</b>	118500	00
<b>8a</b> Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$118,500 or more, skip lines 8b through 10, and go to line 11	<b>8a</b>		
<b>b</b> Unreported tips subject to social security tax (from Form 4137, line 10)	<b>8b</b>		
<b>c</b> Wages subject to social security tax (from Form 8919, line 10)	<b>8c</b>		
<b>d</b> Add lines 8a, 8b, and 8c	<b>8d</b>		
<b>9</b> Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	<b>9</b>		
<b>10</b> Multiply the <b>smaller</b> of line 6 or line 9 by 12.4% (0.124)	<b>10</b>		
<b>11</b> Multiply line 6 by 2.9% (0.029)	<b>11</b>		
<b>12</b> <b>Self-employment tax.</b> Add lines 10 and 11. Enter here and on <b>Form 1040, line 57, or Form 1040NR, line 55</b>	<b>12</b>		
<b>13</b> <b>Deduction for one-half of self-employment tax.</b> Multiply line 12 by 50% (0.50). Enter the result here and on <b>Form 1040, line 27, or Form 1040NR, line 27</b>	<b>13</b>		

**Part II Optional Methods To Figure Net Earnings** (see instructions)

<b>Farm Optional Method.</b> You may use this method <b>only</b> if <b>(a)</b> your gross farm income <sup>1</sup> was not more than \$7,560, <b>or (b)</b> your net farm profits <sup>2</sup> were less than \$5,457.			
<b>14</b> Maximum income for optional methods	<b>14</b>	5040	00
<b>15</b> Enter the <b>smaller</b> of: two-thirds ( <sup>2</sup> / <sub>3</sub> ) of gross farm income <sup>1</sup> (not less than zero) <b>or</b> \$5,040. Also include this amount on line 4b above	<b>15</b>		
<b>Nonfarm Optional Method.</b> You may use this method <b>only</b> if <b>(a)</b> your net nonfarm profits <sup>3</sup> were less than \$5,457 and also less than 72.189% of your gross nonfarm income, <sup>4</sup> <b>and (b)</b> you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. <b>Caution.</b> You may use this method no more than five times.			
<b>16</b> Subtract line 15 from line 14	<b>16</b>		
<b>17</b> Enter the <b>smaller</b> of: two-thirds ( <sup>2</sup> / <sub>3</sub> ) of gross nonfarm income <sup>4</sup> (not less than zero) <b>or</b> the amount on line 16. Also include this amount on line 4b above	<b>17</b>		

<sup>1</sup> From Sch. F, line 9, and Sch. K-1 (Form 1065), box 14, code B.

<sup>2</sup> From Sch. F, line 34, and Sch. K-1 (Form 1065), box 14, code A—minus the amount you would have entered on line 1b had you not used the optional method.

<sup>3</sup> From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), box 14, code A; and Sch. K-1 (Form 1065-B), box 9, code J1.

<sup>4</sup> From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), box 14, code C; and Sch. K-1 (Form 1065-B), box 9, code J2.

**Attachment 1. Computation of expenses, allocable to tax-free ministerial income, that are non-deductible**

<b>% of Non-deductible Expenses</b>				
		<u>Taxable</u>	<u>Tax-Free</u>	<u>Total</u>
Parsonage allowance:				
Ministerial retirement benefits designated as housing allowance	\$ 15000			
Actual expenses	\$ 13000			
Fair rental value of home (including furnishings and utilities) (\$1,200 x 12)	\$ 14400			
Taxable portion of allowance (excess of amount designated & paid over lesser of actual expenses or fair rental value)	\$ 2000	\$ 2000		\$ 2000
Tax-free portion of allowance (lesser of amount designated, actual expenses or fair rental value)			13000	13000
Gross income from occasional guest preaching engagements		2000		2000
Ministerial Income		<u>\$ 4000</u>	<u>\$ 13000</u>	<u>\$ 17000</u>
<b>% of non-deductible expenses: \$13,000/\$17,000 = 76%</b>				

<b>Schedule C-EZ Deduction Computation</b>			
Business use of car: 815 miles x 54¢			\$ 440
Meal expenses (\$150 less 50% reduction)			<u>75</u>
Unadjusted <i>Schedule C-EZ</i> expenses			\$ 515
Non-deductible part of expenses: \$515 X 76%			<u>(391)</u>
<i>Schedule C-EZ</i> deductions, line 2			<u>\$ 124</u>
None of the other deductions claimed in the return is allocable to tax-free income.			

**Attachment 2. Computation of Net Earnings from Self-Employment**

<b>Computation for <i>Schedule SE (Form 1040)</i></b>	
Gross income from <i>Schedule C-EZ</i>	\$ 2000
Less:	
Unadjusted <i>Schedule C-EZ</i> expenses	<u>(515)</u>
Net self-employment Income, <i>Schedule SE</i> , Line 2	<u>\$ 1485</u>

## HELPFUL NUMBERS AND RESOURCES

**1-800-TAX-FORM or 1-800-829-3676**

To request IRS forms

***IRS.gov***

IRS home page

***GuideStone.org/TaxGuide***

Find helpful resources about ministerial tax issues and frequently asked questions about minister's housing allowance.

***ChurchLawandTax.com***

*Christianity Today's* website featuring Richard Hammar and a host of other professionals who provide information on church law, tax, finance and risk management

***ChurchLawandTaxStore.com***

*Christianity Today's* online store with church management resources to keep your church safe, legal and financially sound

***Church & Ministry Tax Guide***

Richard Hammar's comprehensive tax guide published annually by Christianity Today International



  
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