

Ministers Tax Guide for 2009 Returns

Richard R. Hammar, J.D., LL.M., CPA

Senior Editor, CHURCH LAW & TAX REPORT



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This publication is intended to provide a timely, accurate and authoritative discussion of tax reporting compliance and the impact of recent changes in the tax laws. It is not intended as a substitute for legal, accounting or other professional advice. If legal, tax or other expert assistance is required, the services of a competent professional should be sought. Although we believe this book provides accurate information, there may be changes resulting from IRS or judicial interpretations of the Tax Code, new tax regulations or technical corrections that occurred after the printing of this edition that are not reflected in the text.



Welcome to the *Ministers Tax Guide for 2009 Returns*. We trust you will find this year's edition a useful tool as you prepare your federal income tax forms.

You will notice this year's tax guide has taken a slightly different form than in years past. We are using a different format provided by *Christianity Today*, the copyright holder of our annual tax guide. This year's tax guide continues to include the features you've come to expect, with important information about changes in the tax laws, and the important *Federal Reporting Requirements for Churches*. You'll notice some changes in layout, but we believe this guide will be as helpful as previous versions.

This year's guide is written once again by Richard Hammar, and has been edited by our legal and compliance staff to address the tax issues that impact ministers. Of course, as the tax laws continue to change and become more complex, it's harder to summarize so much information. You'll find additional assistance on the IRS website, www.IRS.gov. For specific tax advice, you'll want to consult an accountant or attorney who is familiar with the unique issues surrounding ministers' taxes.

Additional copies of this booklet may be ordered through our customer relations specialists by calling **1-888-98-GUIDE** (1-888-984-8433), weekdays from 7 a.m. to 6 p.m. CST. You can also download this booklet in its entirety, or by section, on our website, www.GuideStone.org.

This free annual *Ministers Tax Guide* is one of the tangible ways we strive to serve you as you minister to others. May God richly bless you in your ministry in 2010 and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read "O.S. Hawkins". The signature is stylized and written over a vertical line that extends down to the name below.

O.S. Hawkins

President—Chief Executive Officer

GuideStone Financial Resources of the Southern Baptist Convention

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Part 1. Introduction

How to use this guide

This book contains the basic information you need to complete your 2009 federal income tax return. It gives special attention to several forms and schedules and the sections of each form most relevant to ministers. This book also includes a supplement — *Federal Reporting Requirements for Churches* — to help churches comply with their federal tax reporting requirements.

 **Key Point.** Congress, the courts or the IRS may cause tax changes at any time, in some cases retroactively. This guide includes only the law in effect at the time of preparation. Be certain to refer to the final instructions to Form 1040 when completing your tax return.

This guide is divided into the following sections:

- **Part 1. Introduction.** This section reviews tax highlights for 2009 and presents several preliminary questions you should consider before preparing your tax return.
- **Part 2. Special Rules for Ministers.** In this section, you learn whether or not you are a minister for tax purposes, whether you are an employee or self-employed for both income tax and Social Security purposes, and how you pay your taxes.
- **Part 3. Step-By-Step Tax Return Preparation.** This section explains how to complete the most common tax forms and schedules for ministers.
- **Part 4. Comprehensive Examples and Sample Forms.** This section shows a sample tax return prepared for an ordained minister and spouse and for a retired minister and spouse.
- **Federal Reporting Requirements for Churches.** This section provides assistance to churches in filing federal tax forms. Please give this section to your church treasurer or bookkeeper.

Tax highlights for 2009

There were several tax developments in 2009 that will affect tax reporting by both ministers and churches for 2009 and future years. Here is a rundown of some of the key provisions:

1. The state and local sales tax deduction was extended through 2009.
2. The popular above-the-line deduction for higher education expenses was extended through 2009. This provision allows taxpayers to deduct up to \$4,000 (depending on their income) of higher education expenses in lieu of claiming the Hope or Lifetime Learning tax credits.
3. The above-the-line deduction for teacher classroom expenses was extended through 2009. This provision allows teachers to deduct up to \$250 of out-of-pocket costs incurred to purchase books, supplies and other classroom equipment.
4. Tax-free “qualified charitable distributions” of up to \$100,000 may be made from an IRA to a church or other charity by IRA owners who are age 70½ or older. This provision was extended through 2009.
5. You may be able to claim the earned income credit for 2009 if (1) you do not have a qualifying child, and you earned less than \$13,440 (\$18,440 if married); (2) a qualifying child lived with you and you earned less than \$35,463 (\$40,463 if married filing jointly); (3) two qualifying children lived with you and you earned less than \$40,295 (\$45,295 if married filing jointly); or (4) three or more qualifying children lived with you and you earned less than \$43,279 (\$48,279 if married filing jointly). The maximum earned income credit for 2009 is (1) \$457 with no qualifying child; (2) \$3,043 with one qualifying child; (3) \$5,028 with two qualifying children; and (4) \$5,657 with three or more qualifying children.
6. If you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified adjusted gross income (AGI) is more than \$89,000 but less than \$109,000 for a married couple filing a joint return or a qualifying widow(er), or more than \$55,000 but less than \$65,000 for a single individual. If you file a joint return, and your spouse is covered by a retirement plan at work, but you are not, your deduction is phased out if your modified AGI is more than \$166,000 but less than \$176,000. If your modified AGI is \$176,000 or more, you cannot take a deduction for contributions to a traditional IRA.
7. The dollar limit on annual elective deferrals an individual may make to a 403(b) retirement plan increased to \$16,500 in 2009. It remains at \$16,500 for 2010.
8. The catch-up contribution limit on elective deferrals to a 403(b) retirement plan for individuals who had attained age 50 by the end of the year was \$5,500 in 2009. It remains at \$5,500 for 2010.
9. The IRS has announced that it will not issue private letter rulings addressing the question of “whether an individual is a minister of the gospel for federal tax purposes.” This means taxpayers will not be able to obtain clarification from the IRS in a letter ruling on their status as a minister for any one or more of the following matters: (1) eligibility

- for a housing allowance; (2) eligibility for exemption from self-employment taxes (SECA); (3) self-employed status for Social Security; or (4) exemption of wages from income tax withholding. The IRS also has announced that it will not address “whether amounts distributed to a retired minister from a pension or annuity plan should be excludible from the minister’s gross income as a housing allowance.”
10. The standard business mileage rate was 55 cents per mile for business miles driven during 2009. The standard business mileage rate for 2010 is 50 cents per mile.
 11. The IRS maintains that a minister’s housing allowance is “earned income” in determining eligibility for the earned income credit for ministers who have not opted out of Social Security by filing a timely Form 4361. For ministers who have opted out of Social Security the law is less clear, and the IRS has not provided guidance.
 12. Recent tax cuts enacted by Congress will result in lower taxes, and lower estimated tax payments, for many taxpayers. Be sure your estimated tax calculations or withholdings take into account the most recent tax law changes. The same goes for tax cuts enacted in 2009.
 13. There are two developments concerning cell phones. First, legislation was introduced in 2009 to relax the strict substantiation rules that apply to cell phones. This legislation received significant support, including from the IRS Commissioner. It was pending at the time of publication of this text. Second, in 2009 the IRS revealed four optional methods for handling employer-provided cell phones that it is considering. Any of these options would simplify compliance with the tax law.
 14. Many churches employ retired persons who are receiving Social Security benefits. Persons younger than full retirement age may have their Social Security retirement benefits cut if they earn more than a specified amount. Full retirement age (the age at which you are entitled to full retirement benefits) for persons born in 1943–1954 is 66 years. In the year you reach full retirement age, your monthly Social Security retirement benefits are reduced by \$1 for every \$3 you earn above a specified amount (\$3,140 per month for 2010). No reduction in Social Security benefits occurs for income earned in the month full retirement age is attained (and all future months). Persons who begin receiving Social Security retirement benefits prior to the year in which they reach full retirement age will have their benefits reduced by \$1 for every \$2 of earned income in excess of a specified amount. For 2010 this annual amount is \$14,160.
 15. For 2009 the following three inflation adjustments took effect:
 - The amounts of income you need to earn to boost you to a higher tax rate were adjusted for inflation.
 - The value of each personal and dependency exemption, available to most taxpayers, is \$3,650, up \$150 from 2008.
 - The new standard deduction is \$11,400 for married couples filing a joint return (up \$500), \$5,700 for singles and married individuals filing separately (up \$250). Nearly two out of three taxpayers take the standard deduction, rather than itemizing deductions, such as mortgage interest, charitable contributions and state and local taxes.
 16. Will Congress give ministers another opportunity to revoke an exemption from Social Security? It does not look likely, at least for now. No legislation is pending that would provide ministers with this option.
 17. Congress enacted the alternative minimum tax (AMT) in 1969 in order to raise additional tax revenue for the Vietnam War. The goal was to stop 155 taxpayers with incomes above \$200,000 from completely avoiding taxes. Unfortunately, the tax was never adjusted for inflation, so it applies to an ever-increasing number of taxpayers. The American Recovery and Reinvestment Act provides that the individual AMT exemption amount for taxable years beginning in 2009 is \$70,950, in the case of married individuals filing a joint return and surviving spouses, and \$46,700 in the case of other unmarried individuals. Without this relief, congressional estimates indicated that as many as 20 million taxpayers would have been hit by the AMT in 2009. This temporary patch will result in a loss of \$62 billion in tax revenues that otherwise would have been collected.
 18. The maximum rate of tax on the adjusted net capital gain of an individual is 15%. Any adjusted net capital gain which otherwise would be taxed at a 10 or 15% ordinary income rate is taxed at a 5% rate (zero for taxable years beginning after 2007). Congress has extended these lower capital gains tax rates through 2010.
 19. In the past, only taxpayers who were able to itemize deductions on Schedule A (Form 1040) were able to deduct their state and local property taxes. Congress enacted legislation in 2008 that provided a limited tax deduction for state and local property taxes to non-itemizers by increasing their standard deduction for a taxable year beginning in 2008 by the lesser of (1) the amount allowable to the taxpayer as a deduction for state and local taxes, or (2) \$500 (\$1,000 in the case of a married individual filing jointly). This provision only applied to 2008. The Emergency Economic Stabilization Act of 2008 extended the additional standard deduction for real property taxes for another year, through 2009.

20. The IRS issued final regulations in 2007 that address the legal requirements that apply to 403(b) retirement plans. The regulations took effect on January 1, 2009. Among other things, the regulations mandated the adoption of a written plan by January 1, 2009, and limited the transferability of employees' 403(b) accounts to third-party vendors without employer authorization (and the adoption of an information-sharing agreement). Because of the administrative inconvenience associated with multiple third-party investment providers, most churches and public charities are only approving one provider. For many churches, this will be a denominational retirement plan. The IRS delayed the written plan requirement until the end of 2009 if certain conditions are met.
21. A \$3,500 or \$4,500 voucher under the CARS "cash for clunkers" program to buy or lease a new fuel-efficient automobile is not taxable for federal income tax purposes.
22. You may be mailing your tax return to a different address this year because the IRS has changed the filing location for several areas.
23. Congress made a number of other tax law changes that took effect in either 2009 or 2010. These include:
 - The American Opportunity Tax Credit modifies the Hope credit for taxable years beginning in 2009 or 2010. The allowable modified credit is up to \$2,500 per eligible student per year for qualified tuition and related expenses paid for each of the first four years of the student's post-secondary education in a degree or certificate program.
 - The American Recovery and Reinvestment Act extends the homebuyer credit for qualifying home purchases before December 1, 2009. In addition, it increases the maximum credit amount to \$8,000 and waives the recapture of the credit for qualifying home purchases after December 31, 2008 and before December 1, 2009.
 - If you bought a new motor vehicle after February 16, 2009, you may be able to deduct any state or local sales or excise taxes on the purchase. In states without a sales tax, you may be able to deduct certain other taxes or fees instead. If you are not itemizing deductions, these taxes increase your standard deduction and are claimed on Schedule L.
 - The Emergency Economic Stabilization Act of 2008 extends the exclusion of forgiven home mortgage debt from the end of 2009 through 2012.
 - A limited tax deduction for state and local property taxes is provided to non-itemizers by increasing their standard deduction by the lesser of (1) the amount allowable to the taxpayer as a deduction for state and local taxes or (2) \$500 (\$1,000 in the case of a married individual filing jointly). The increased standard deduction is determined by taking into account real estate taxes for which a deduction is allowable to the taxpayer. This deduction has been extended by Congress through 2009.

- Each personal casualty or theft loss is limited to the excess of the loss over \$500 for 2009.
- The amount of taxable investment income a child can have without it being subject to tax at the parents' rate has increased to \$1,900.

Expiring Tax Benefits

The following benefits are scheduled to expire and will not be available for 2010:

- Deduction for educator expenses.
- Tuition and fees deduction.
- Increased standard deduction for real estate taxes.
- Itemized deduction or increased standard deduction for state or local sales taxes on the purchase of a new motor vehicle.
- Deduction for state and local sales taxes.

Preliminary questions

- Q. Must ministers pay federal income taxes?**
- A. Yes. Ministers are not exempt from paying federal income taxes.
- Q. How much income must I earn to be required to file a tax return?**
- A. Generally, ministers are required to file a federal income tax return if they have earnings of \$400 or more. Different rules apply to some ministers who are exempt from self-employment (SECA) taxes.
- Q. Can I use the simpler Forms 1040A or 1040-EZ rather than the standard Form 1040?**
- A. Most ministers must use the standard Form 1040.
- Q. What records should I keep?**
- A. You should keep all receipts, canceled checks and other evidence to prove amounts you claim as deductions, credits or exclusions including amounts designated as minister's housing allowance.
- Q. What is the deadline for filing my federal income tax return?**
- A. April 15, 2010.
- Q. What if I am unable to file my tax return by the deadline?**
- A. You can obtain an automatic six-month extension (from April 15 to October 15, 2010) of time to file your 2009 Form 1040 if you file Form 4868 by April 15, 2010 with the IRS service center for your area. Your Form 1040 can be filed at any time during the six-month extension period. An extension only relieves you from the obligation to file your return; it is not an extension of the obligation to pay your taxes. Therefore, you must make an estimate of your tax for 2009 and pay the estimated tax with your Form 4868.

Q. Should I prepare my own tax return?

- A. The answer depends on your ability and experience in working with financial information and in preparing tax returns. Many ministers can prepare their own tax returns if they understand the unique tax rules that apply to ministers. Few of those rules are complex, but other events in 2009 could make your tax return more complicated. For example, if you purchased or sold a home, you may be prudent to seek professional tax help. You will find many helpful publications on the IRS website, *www.irs.gov*. The IRS will also answer questions by phone, but it is not liable if its agents answer your questions incorrectly.

Part 2. Special Rules for Ministers

Who is a minister for federal tax purposes?

Key Point. The IRS has its own criteria for determining who is a minister for tax purposes.

The criteria the IRS uses to determine who is a minister are not necessarily the same as those used by specific denominations. Whether or not one qualifies as a minister for tax purposes is a very important question, since special tax and reporting rules apply to ministers under federal tax law. These rules include:

- eligibility for housing allowances;
- self-employed status for Social Security purposes;
- exemption of wages from income tax withholding (ministers use the quarterly estimated tax procedure to pay their taxes, unless they elect voluntary withholding);
- eligibility under very limited circumstances to exempt themselves from self-employment taxes (SECA).

Who is a minister for tax purposes?

Ministers must know if they are ministers for tax purposes before they can comply with federal tax laws. Churches must know if any of their employees are ministers for tax purposes before they can comply with federal income tax reporting and withholding rules. Churches may think of a person as a minister, but the IRS may not consider the same person a “minister for tax purposes” under its criteria.

These special rules **only** apply with respect to services performed in the exercise of ministry.

Example. Pastor J is an ordained minister at his church. In addition, he works a second job for a secular employer. Assume that Pastor J qualifies as a minister for federal tax purposes. Since his church duties constitute services performed in the exercise of ministry, the church can designate a housing allowance for him. However, the secular employer cannot designate any portion of Pastor J’s compensation as a housing allowance, since this work would not be service in the exercise of ministry.

To determine if a person is a minister for federal tax purposes, the following five factors must be considered: (1) is the person ordained, licensed, or commissioned; (2) does the person administer the ordinances (baptism and the Lord’s supper); (3) does the person conduct religious worship; (4) does

the person have management responsibilities in the church; (5) is the person considered to be a religious leader by the church? The first of these factors is required, and the others are then evaluated on a case-by-case basis.

Key Point. The IRS has issued audit guidelines for its agents to follow when auditing ministers. The guidelines reject the narrow view that a minister must satisfy all five of the factors listed above. In general, to be considered a “minister” for federal tax purposes, you must be ordained, licensed, or commissioned and meet a majority of the remaining four factors.

Consult IRS Publication 517 for more specific information.

Are ministers employees or self-employed for federal tax purposes?

Key Point. Most ministers are considered employees for federal income tax purposes under the tests currently used by the IRS and the courts and should receive a Form W-2 from their church or employer reporting their taxable income. However, ministers are self-employed for Social Security (with respect to services they perform in the exercise of their ministry).

Ministers have a dual tax status. For federal income taxes they ordinarily are employees, but for Social Security they are self-employed with regard to services performed in the exercise of ministry. These two rules are summarized below:

1. **Income taxes.** For federal income tax reporting, most ministers are employees under the test currently used by the IRS. This means that they should receive a Form W-2 from their church at the end of each year (rather than a Form 1099). It also means that they report their business expenses on Schedule A rather than on Schedule C. A few ministers are self-employed, such as some traveling evangelists and interim pastors. Also, many ministers who are employees of a local church are self-employed for other purposes. For example, the minister of a local church almost always will be an employee, but will be self-employed with regard to guest speaking appearances in other churches and services performed directly for individual members (such as weddings and funerals).

📌 **Example.** Pastor B is a minister at First Church. He is an employee for federal income tax reporting purposes with respect to his church salary. However, he is self-employed with respect to honoraria he receives for speaking in other churches and for compensation church members give him for performing personal services such as weddings and funerals. The church issues Pastor B a Form W-2 reporting his church salary. Pastor B reports this amount as wages on line 7 of Form 1040. He reports his compensation from self-employment activities on Schedule C.

📌 **Key Point.** Most ministers will be better off being treated as employees, since the value of various fringe benefits will be tax free, the risk of an IRS audit is substantially lower, and reporting as an employee avoids the additional taxes and penalties that often apply to self-employed ministers who are audited by the IRS and reclassified as employees.

💰 **Tax savings tip.** Ministers and other church staff members should carefully review their W-2 form to be sure that it does not report more income than was actually received. If an error was made, the church should issue a corrected tax form (Form W-2c).

The Tax Court Test. The United States Tax Court has created a seven-factor test for determining whether a minister is an employee or self-employed for federal income tax reporting purposes. The test requires consideration of the following seven factors: (1) the degree of control exercised by the employer over the details of the work; (2) which party invests in the facilities used in the work; (3) the opportunity of the individual for profit or loss; (4) whether or not the employer has the right to discharge the individual; (5) whether the work is part of the employer's regular business; (6) the permanency of the relationship; and (7) the relationship the parties believe they are creating. Most ministers will be employees under this test.

2. **Social Security.** The tax code treats ministers as self-employed for Social Security with respect to services performed in the exercise of their ministry — even if they report their income taxes as an employee. This means that ministers must pay self-employment taxes (SECA) (Social Security taxes for the self-employed) unless they have filed a timely exemption application that has been approved by the IRS. As noted below, few ministers qualify for this exemption.

📌 **Key Point.** While most ministers are employees for federal income tax reporting purposes, they are self-employed for Social Security with respect to services they perform in the exercise of their ministry. This means that ministers are not subject to the employee's share of Social Security and Medicare taxes, even though they report their income taxes as employees and receive a Form W-2 from their church. Rather, they pay the self-employment tax (SECA).

Exemption from Social Security (self-employment) taxes

If ministers meet several requirements, they may exempt themselves from self-employment taxes (SECA) with respect to their ministerial earnings. Among other things, the exemption application (Form 4361) must be submitted to the IRS within a limited time period. The deadline is the due date of the federal tax return for the second year in which a minister has net earnings from self-employment of \$400 or more, any part of which comes from ministerial services. Further, the exemption is available only to ministers who are opposed on the basis of religious considerations to the acceptance of benefits under the Social Security program (or any other public insurance system that provides retirement or medical benefits). As a result, a minister who files the exemption application may still purchase life insurance or participate in retirement programs administered by nongovernmental institutions (such as a life insurance company).

A minister's opposition must be to accepting benefits under Social Security (or any other public insurance program). Economic or any other nonreligious considerations are not a valid basis for the exemption, nor is opposition to paying the self-employment tax.

The exemption is only effective when it is approved by the IRS. Few ministers qualify for exemption. Many younger ministers opt out of Social Security without realizing that they do not qualify for the exemption. A decision to opt out of Social Security is irrevocable. Congress did provide ministers with a brief "window" of time to revoke an exemption by filing a Form 2031 with the IRS. This opportunity expired in 2002, and has not been renewed.

An exemption from self-employment taxes (SECA) applies only to ministerial services. Ministers who have exempted themselves from self-employment taxes (SECA) must pay Social Security taxes on any non-ministerial compensation they receive. They remain eligible for Social Security benefits based on their non-ministerial employment assuming that they have worked enough quarters. Generally, 40 quarters are required. Also, the Social Security Administration has informed the author

of this text that ministers who exempt themselves from self-employment taxes (SECA) may qualify for Social Security benefits (including retirement and Medicare) on the basis of their spouse's coverage, if the spouse had enough credits. However, the amount of these benefits will be reduced by the so-called "windfall elimination provision." Contact a Social Security Administration office for details.

Key Point. The amount of earnings required for a quarter of coverage in 2010 is \$1,120. A quarter of coverage is the basic unit for determining whether a worker is insured under the Social Security program.

Key Point. Ministers who work after they retire must pay Social Security tax on their wages (unless they exempted themselves from Social Security as a minister and they are employed in a ministerial capacity).

How do ministers pay their taxes?

Key Point. Ministers must prepay their income taxes and self-employment taxes (SECA) using the estimated tax procedure, unless they have entered into a voluntary withholding arrangement with their church with respect to federal income tax only.

As noted above, ministers' wages are exempt from federal income tax withholding. This means that a church does not have to withhold income taxes from a minister's paycheck. And, since ministers are always self-employed for Social Security with respect to their ministerial services, a church does not withhold the employee's share of Social Security and Medicare taxes. Ministers must prepay their income taxes and self-employment taxes (SECA) by using the estimated tax procedure, unless they have entered into a voluntary withholding arrangement with their church. Estimated taxes must be paid in quarterly installments. If your estimated taxes for the current year are less than your actual taxes, you may have to pay an underpayment penalty. You can amend your estimated tax payments during the year if your circumstances change. For example, if your income or deductions increase unexpectedly, you should refigure your estimated tax liability for the year and amend your remaining quarterly payments accordingly.

You will need to make estimated tax payments for 2010 if you expect to owe at least \$1,000 in tax for 2010 after subtracting your withholding and credits and if you expect your withholding and credits to be less than the smaller of (1) 90% of the tax to be shown on your 2010 tax return or (2) 100% of the tax shown on your 2009 tax return (110% if adjusted gross income exceeds \$150,000). Your 2009 tax return must cover all 12 months.

The four-step procedure for reporting and prepaying estimated taxes for 2010 is summarized below.

Step 1. Obtain a copy of IRS Form 1040-ES before April 15, 2010. You can obtain forms by calling the IRS toll-free forms hotline at 1-800-TAX-FORM (1-800-829-3676), or from the IRS website (www.irs.gov).

Step 2. Compute estimated taxes for 2010. Compute your estimated tax for 2010 using the Form 1040-ES worksheet.

Step 3. Pay one-fourth of your total estimated taxes for 2010 in each of four quarterly installments as follows:

For the Period	Due Date
January 1–March 31	April 15, 2010
April 1–May 31	June 15, 2010
June 1–August 31	September 15, 2010
September 1–December 31	January 15, 2011

If the due date for making an estimated tax payment falls on a Saturday, Sunday or legal holiday, the payment will be on time if you make it on the next day that is not a Saturday, Sunday or legal holiday. You must send each payment to the IRS, accompanied by one of the four payment vouchers contained in Form 1040-ES.

Step 4. Compute actual taxes at the end of the year. After the close of 2010, compute your actual tax liability on Form 1040. Only then will you know your actual income, deductions, exclusions and credits. If you overpaid your estimated taxes (that is, actual taxes computed on Form 1040 are less than all of your estimated tax payments plus any withholding), you can elect to have the overpayment credited against your first 2010 quarterly estimated tax payment or spread it out in any way you choose among any or all of your next four quarterly installments. Alternatively, you can request a refund of the overpayment. If you underpaid your estimated taxes (that is, your actual tax liability exceeds the total of your estimated tax payments plus any withholding), you may have to pay a penalty.

Key Point. Ministers who report their income taxes as employees can request that their employing church *voluntarily* withhold income taxes from their wages. Simply furnish the church with a completed W-4 (withholding allowance certificate). Since ministers are not employees for Social Security purposes, the church must not withhold the employee's share of Social Security and Medicare taxes. However, ministers can request on Form W-4 (line 6) that an additional amount of income tax be withheld to cover their estimated self-employment tax liability for the year. The excess income tax withheld is a credit that can be applied against the minister's self-employment tax (SECA) liability.