

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 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 SECA 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 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® Tip: 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, nonclergy, 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 \$251 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 53.5 cents by 469 miles for a total of \$251. These expenses total \$338 (\$251 + \$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 \$338 and enters the \$253 difference on line 2.

Line 3. He enters his net profit of \$3,747 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 Tip: 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 53.5 cents. The combined result of \$1,417 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 \$409) of his employee business expenses are not deductible because they are allocable to the tax-free parsonage allowance. He subtracts \$409 from \$1,636 and enters the result, \$1,227, on line 6. He also enters \$1,227 on line 21 of *Schedule A (Form 1040)*.

TurboTax Tip: 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 2017. 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 2017. 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*, 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 \$14,804, which they enter 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 (\$63,826) he enters here.

Line 4. He multiplies \$63,826 by .9235 to get his net earnings from self-employment (\$58,943).

Line 5. The amount on line 4 is less than \$127,200, so Rev. Michaels

multiplies the amount on line 4 (\$58,943) by .153 to get his self-employment tax of \$9,018. 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 \$4,509. He enters that amount here and on *Form 1040*, line 27.

TurboTax Tip: 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 self-employment 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 into the software. This can be done by going into the “Business Taxes” section and selecting “Self-employment Tax.” Choose “Make Adjustments,” and enter in the “Ministerial Business Expenses” item the additional expenses that were allocable to tax-free income (\$1,721 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 \$3,747 from *Schedule C-EZ*, line 3.

Line 27. He enters \$4,509, the deductible part of his self-employment tax from *Schedule SE*, line 6.

Line 37. Subtract 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 Social Security number, 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.

a 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 Employer identification number (EIN) 00-0246810				1 Wages, tips, other compensation 45,000.00		2 Federal income tax withheld			
c Employer's name, address, and ZIP code First Church 1042 Main Street Hometown, Texas 77099				3 Social security wages		4 Social security tax withheld			
				5 Medicare wages and tips		6 Medicare tax withheld			
				7 Social security tips		8 Allocated tips			
d Control number				9 Verification code		10 Dependent care benefits			
e Employee's first name and initial Last name Suff. John E. Michaels 1040 Main Street Hometown, Texas 77099				11 Nonqualified plans		12a See instructions for box 12			
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b			
				14 Other Parsonage Allowance \$16,800		12c			
						12d			
f Employee's address and ZIP code									
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name			


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

2017

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

		a 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 Employer identification number (EIN)				1 Wages, tips, other compensation 3,400.00		2 Federal income tax withheld 272.00					
c Employer's name, address, and ZIP code Hometown College 40 Honor Road Hometown, Texas 77099				3 Social security wages 3,400.00		4 Social security tax withheld 210.80					
				5 Medicare wages and tips 3,400.00		6 Medicare tax withheld 49.30					
				7 Social security tips		8 Allocated tips					
d Control number				9 Verification code				10 Dependent care benefits			
e Employee's first name and initial Last name Suff. John E. Michaels 1040 Main Street Hometown, Texas 77099				11 Nonqualified plans				12a See instructions for box 12			
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b					
				14 Other				12c			
								12d			
f Employee's address and ZIP code											
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

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

2017

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, 2017, or other tax year beginning _____, 2017, ending _____, 20

Your first name and initial: **John E.** Last name: **Michaels** Your social security number: **0 1 1 0 0 1 1 1 1**

If a joint return, spouse's first name and initial: **Susan R.** Last name: **Michaels** Spouse's social security number: **0 1 1 0 0 2 2 2 2**

Home address (number and street). If you have a P.O. box, see instructions. **1040 Main Street** Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **Hometown, Texas 77099**

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

▲ Make sure the SSN(s) above and on line 6c are correct.

Presidential Election Campaign
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) (see instructions)

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a
 b 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) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
Jennifer	Michaels	0 1 1 0 0 3 3 3 3	Daughter	<input checked="" type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here

No. of children on 6c who:
 • lived with you **1**
 • did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above **3**

d Total number of exemptions claimed

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 Excess allowance \$240 **7** **48,640**

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** **3,747**

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** **16b** Taxable amount

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

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** **52,387**

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** **4,509**

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 Reserved for future use **34**

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

36 Add lines 23 through 35 **36** **4,509**

37 Subtract line 36 from line 22. This is your adjusted gross income ▶ **37** **47,878**

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, \$6,350 Married filing jointly or Qualifying widow(er), \$12,700 Head of household, \$9,350

Table with 3 columns: Line number, Description, and Amount. Includes lines 38-56 covering tax and credits.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 57-63 covering 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 covering payments.

Refund

Direct deposit? See instructions.

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

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 78-79 covering 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, signature, date, firm name, and address.

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0074

2017
Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

▶ Go to www.irs.gov/ScheduleA for instructions and the latest information.
▶ Attach to Form 1040.

Name(s) shown on Form 1040

John E. & Susan R. Michaels

Your social security number

011-00-1111

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30									
Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.																																							
	1 Medical and dental expenses (see instructions)																																							
	2 Enter amount from Form 1040, line 38		2																																					
	3 Multiply line 2 by 10% (0.10)																																							
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-																																								
Taxes You Paid	5 State and local (check only one box):																																							
	a <input type="checkbox"/> Income taxes, or																																							
	b <input checked="" type="checkbox"/> General sales taxes																																							
	6 Real estate taxes (see instructions)																																							
	7 Personal property taxes																																							
	8 Other taxes. List type and amount ▶																																							
	9 Add lines 5 through 8																																							
	10 Home mortgage interest and points reported to you on Form 1098																																							
	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 ▶																																							
12 Points not reported to you on Form 1098. See instructions for special rules																																								
13 Reserved																																								
14 Investment interest. Attach Form 4952 if required. See instructions.																																								
15 Add lines 10 through 14																																								
Gifts to Charity	16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions.																																							
	17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500																																							
	18 Carryover from prior year																																							
	19 Add lines 16 through 18																																							
Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. See instructions																																							
Job Expenses and Certain Miscellaneous Deductions	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. See instructions. ▶																																							
	22 Tax preparation fees																																							
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶																																							
	24 Add lines 21 through 23																																							
	25 Enter amount from Form 1040, line 38																																							
	26 Multiply line 25 by 2% (0.02)																																							
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-																																							
Other Miscellaneous Deductions	28 Other—from list in instructions. List type and amount ▶																																							
Total Itemized Deductions	29 Is Form 1040, line 38, over \$156,900?																																							
	<input checked="" type="checkbox"/> No. 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.																																							
	<input type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.																																							
30 If you elect to itemize deductions even though they are less than your standard deduction, check here																																								

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

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

OMB No. 1545-0074

2017
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.

<p>A Principal business or profession, including product or service Minister</p>	<p>B Enter business code (see page 2) 5 4 1 9 9 0</p>
<p>C Business name. If no separate business name, leave blank.</p>	<p>D Enter your EIN (see page 2)</p>
<p>E 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</p>	
<p>F Did you make any payments in 2017 that would require you to file Form(s) 1099? (see the Instructions for Schedule C) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	
<p>G If "Yes," did you or will you file required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	

Part II Figure Your Net Profit

1 Gross receipts. Caution: 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"/>	1	4,000	
2 Total expenses (see page 2). If more than \$5,000, you must use Schedule C	2	253	*
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 , and Schedule SE, line 2 (see page 2). (Statutory employees do not report this amount on Schedule SE, line 2.) Estates and trusts, enter on Form 1041, line 3	3	3,747	

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) ▶ 7/15/10

5 Of the total number of miles you drove your vehicle during 2017, enter the number of miles you used your vehicle for:

a Business 469 **b** Commuting (see page 2) 0 **c** Other 7,478

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

2017
Attachment
Sequence No. **17**

Department of the Treasury
Internal Revenue Service (99)

▶ Go to www.irs.gov/ScheduleSE for instructions and the latest information.
▶ Attach to Form 1040 or Form 1040NR.

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

Social security number of person
with self-employment income ▶

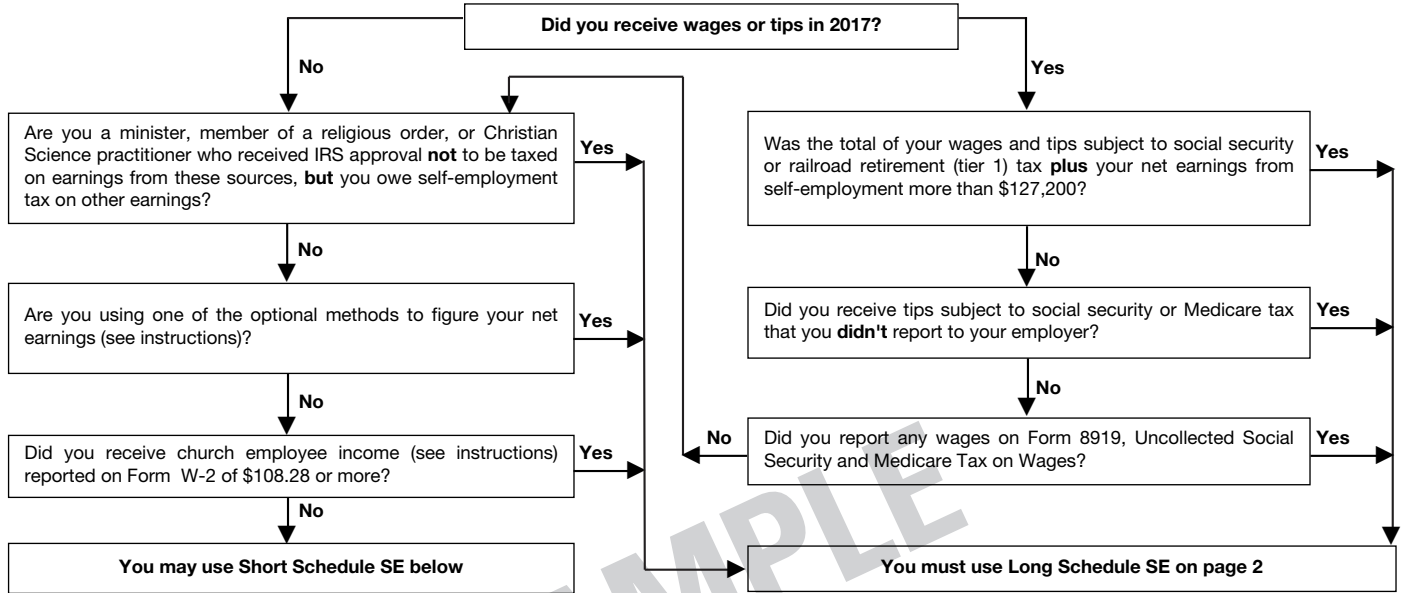
011-00-1111

John E. Michaels

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.

1a	Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A		
1b	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	()
2	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		63,826 *
3	Combine lines 1a, 1b, and 2		63,826
4	Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; don't file this schedule unless you have an amount on line 1b. ▶		58,943
5	Self-employment tax. If the amount on line 4 is: • \$127,200 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on Form 1040, line 57, or Form 1040NR, line 55 • More than \$127,200, multiply line 4 by 2.9% (0.029). Then, add \$15,772.80 to the result. Enter the total here and on Form 1040, line 57, or Form 1040NR, line 55		9,018
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27	6	4,509

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

Cat. No. 11358Z

Schedule SE (Form 1040) 2017

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

1a	Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. Note: Skip lines 1a and 1b if you use the farm optional method (see instructions)		
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	()
2	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. Note: Skip this line if you use the nonfarm optional method (see instructions)		
3	Combine lines 1a, 1b, and 2		
4a	If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3 Note: If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.		
b	If you elect one or both of the optional methods, enter the total of lines 15 and 17 here		
c	Combine lines 4a and 4b. If less than \$400, stop ; you don't owe self-employment tax. Exception: If less than \$400 and you had church employee income , enter -0- and continue ▶		
5a	Enter your church employee income from Form W-2. See instructions for definition of church employee income	5a	
b	Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0-	5b	
6	Add lines 4c and 5b	6	
7	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 2017	7	118500 00
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$127,200 or more, skip lines 8b through 10, and go to line 11	8a	
b	Unreported tips subject to social security tax (from Form 4137, line 10)	8b	
c	Wages subject to social security tax (from Form 8919, line 10)	8c	
d	Add lines 8a, 8b, and 8c	8d	
9	Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	9	
10	Multiply the smaller of line 6 or line 9 by 12.4% (0.124)	10	
11	Multiply line 6 by 2.9% (0.029)	11	
12	Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 57, or Form 1040NR, line 55	12	
13	Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27	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 ¹ wasn't more than \$7,800, or (b) your net farm profits ² were less than \$5,631.			
14	Maximum income for optional methods	14	5040 00
15	Enter the smaller of: two-thirds (2/3) of gross farm income ¹ (not less than zero) or \$5,200. Also include this amount on line 4b above	15	
Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits ³ were less than \$5,631 and also less than 72.189% of your gross nonfarm income, ⁴ 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.			
16	Subtract line 15 from line 14	16	
17	Enter the smaller of: two-thirds (2/3) of gross nonfarm income ⁴ (not less than zero) or the amount on line 16. Also include this amount on line 4b above	17	

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.**

▶ **Go to www.irs.gov/Form2106EZ for the latest information.**

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

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 2017.

Caution: You can use the standard mileage rate for 2017 **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 53.5¢ (0.535). Enter the result here	1	1,417	
2 Parking fees, tolls, and transportation, including train, bus, etc., that didn't involve overnight travel or commuting to and from work	2		
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Don't include meals and entertainment	3		
4 Business expenses not included on lines 1 through 3. Don't include meals and entertainment	4	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.)	5		
6 Total expenses. Add lines 1 through 5. Enter here and on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 7). (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.)	6	1,227	*

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 / 10
- 8** Of the total number of miles you drove your vehicle during 2017, enter the number of miles you used your vehicle for:
- a** Business 2,648 **b** Commuting (see instructions) 0 **c** Other 5,299
- 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		\$ 45,000		\$ 45,000
Parsonage allowance:				
Amount designated and paid by church (\$1,400 x 12)	\$ 16,800			
Actual expenses				
(mortgage \$1,125 x 12, utilities/other \$1,450, real estate taxes \$1,750)	16,700			
Fair rental value of home (including furnishings and utilities) (\$1,380 x 12)	16,560			
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)			16,560	16,560
Gross income from weddings, baptisms, and honoraria		<u>4,000</u>		<u>4,000</u>
Ministerial income		<u>\$ 49,240</u>	<u>\$ 16,560</u>	<u>\$ 65,800</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 53.5¢	<u>251</u>
Unadjusted <i>Schedule C-EZ</i> expenses	338
Minus:	
Non-deductible part of <i>Schedule C-EZ</i> expenses (25% x \$338)	<u>(85)</u>
<i>Schedule C-EZ</i> deductions (line 2)	<u>\$ 253</u>

Form 2106-EZ - Employee Business Expense Deduction Computation

Car expenses for church business:	
2,648 miles x 53.5¢	\$ 1,417
Publications and booklets	<u>219</u>
Unadjusted <i>Form 2106-EZ</i> expenses	1,636
Minus:	
Non-deductible part of <i>Form 2106-EZ</i> expenses (25% x \$1,636)	<u>(409)</u>
Employee business expense deduction - <i>Form 2106-EZ</i> line 6	<u>\$ 1,227</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		\$ 45,000
Parsonage allowance		16,800
Net profit from <i>Schedule C-EZ</i>		<u>3,747</u>
		65,547
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>1,636</u>
Net self-employment income		<u>(1,721)</u>
<i>Schedule SE</i> , Section A, line 2		<u>\$ 63,826</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 2017, Rev. Green received \$15,000 in annuity income, all of which was designated in advance by GuideStone Financial Resources 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 2017, 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 2017, Rev. Green received \$2,000 from occasional guest preaching engagements. He incurred \$590 in expenses as a result of these activities (\$436 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

GuideStone completed *Form 1099-R* for Rev. Green as follows:

Box 1. The \$15,000 pension income Rev. Green receives from GuideStone.

Box 2a. Taxable amount not determined. GuideStone 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 53.5 cents by 815 miles for a total of \$436. He also incurred \$75 (\$150 x 50 percent non-deductible) in meal expenses in connection with the guest preaching for total expenses of \$511. 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 \$388) of his business expenses are not deductible because they are allocable to that tax-free allowance. He subtracts the \$388 from the \$511 and enters the \$123 difference on line 2.

Line 3. He enters his net profit of \$1,877 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® Tip: 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 \$1,489 and he enters that amount here.

Line 4. He multiplies the \$1,489, by .9235 to get his net earnings from self-employment (\$1,375).

Line 5. The amount on line 4 is less than \$127,200, so Rev. Green multiplies the amount on line 4 (\$1,375) 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 Tip: 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 \$1,877 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 self-employment tax from *Schedule SE*, line 6.

Line 37. Subtract 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, 1953, and enters "2" in the "Total" box.

Line 40. Rev. Green enters his standard deduction of \$15,200, which takes into consideration the fact that he and his wife were born before January 2, 1953.

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 GuideStone Financial Resources 2401 Cedar Springs Road Dallas, Texas 75201 1-800-984-8433			1 Gross distribution \$ 15000.00 2a Taxable amount \$ 0.00		OMB No. 1545-0119 2017 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. 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.									
PAYER'S federal identification number 75-0939949			RECIPIENT'S identification number 202-20-2002		3 Capital gain (included in box 2a) \$			4 Federal income tax withheld \$								
RECIPIENT'S name William K. Green Street address (including apt. no.) 787 Adams Street City or town, state or province, country, and ZIP or foreign postal code Anytown, NY 10002			5 Employee contributions / Designated Roth contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$		7 Distribution code(s) 7		IRA/SEP/SIMPLE <input type="checkbox"/> 8 Other \$ %							
10 Amount allocable to IRR within 5 years \$			11 1st year of desig. Roth contrib. <input type="checkbox"/>		FATCA filing requirement <input type="checkbox"/>		9a Your percentage of total distribution %		9b Total employee contributions \$		12 State tax withheld \$		13 State/Payer's state no. \$		14 State distribution \$	
Account number (see instructions)			15 Local tax withheld \$		16 Name of locality		17 Local distribution \$		\$		\$		\$			

Form **1099-R**

www.irs.gov/form1099r

Department of the Treasury - Internal Revenue Service

SAMPLE

For the year Jan. 1–Dec. 31, 2017, or other tax year beginning _____, 2017, ending _____, 20

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

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**

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

Presidential Election Campaign
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.)
 5 Qualifying widow(er) (see instructions)

If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____

Exemptions

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

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**

d Total number of exemptions claimed **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** **1,877**

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** **15,000** **16b** Taxable amount **2,000**

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

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** **3,877**

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 b Recipient's SSN ▶ _____ **31a**

32 IRA deduction **32**

33 Student loan interest deduction **33**

34 Reserved for future use **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** **3,772**

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, \$6,350 Married filing jointly or Qualifying widow(er), \$12,700 Head of household, \$9,350

38 Amount from line 37 (adjusted gross income) 38 3,772
39a Check [X] You were born before January 2, 1953, [] Blind. Total boxes checked 2
[X] Spouse was born before January 2, 1953, [] Blind. 39a
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 15,200
41 Subtract line 40 from line 38 41 0
42 Exemptions. If line 38 is \$156,900 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions 42 8,100
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 credit. 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 2017 estimated tax payments and amount applied from 2016 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 2018 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 F. Green Date: 3/15/18 Your occupation: Retired Minister Daytime phone number: 212-333-4444
Spouse's signature: Sarah J. Green Date: 3/15/18 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

2017
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.

A Principal business or profession, including product or service Minister	B Enter business code (see page 2) 5 4 1 9 9 0
C Business name. If no separate business name, leave blank.	D Enter your EIN (see page 2)
E 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	
F Did you make any payments in 2017 that would require you to file Form(s) 1099? (see the Instructions for Schedule C) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
G 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

1 Gross receipts. Caution: 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"/>	1	2,000	
2 Total expenses (see page 2). If more than \$5,000, you must use Schedule C	2	123	*
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 , and Schedule SE, line 2 (see page 2). (Statutory employees do not report this amount on Schedule SE, line 2.) Estates and trusts, enter on Form 1041, line 3	3	1,877	

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) ▶ 7/15/2010

5 Of the total number of miles you drove your vehicle during 2017, enter the number of miles you used your vehicle for:

a Business 815 **b** Commuting (see page 2) 0 **c** Other 12,682

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

2017
Attachment
Sequence No. **17**

Department of the Treasury
Internal Revenue Service (99)

► Go to www.irs.gov/ScheduleSE for instructions and the latest information.
► 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

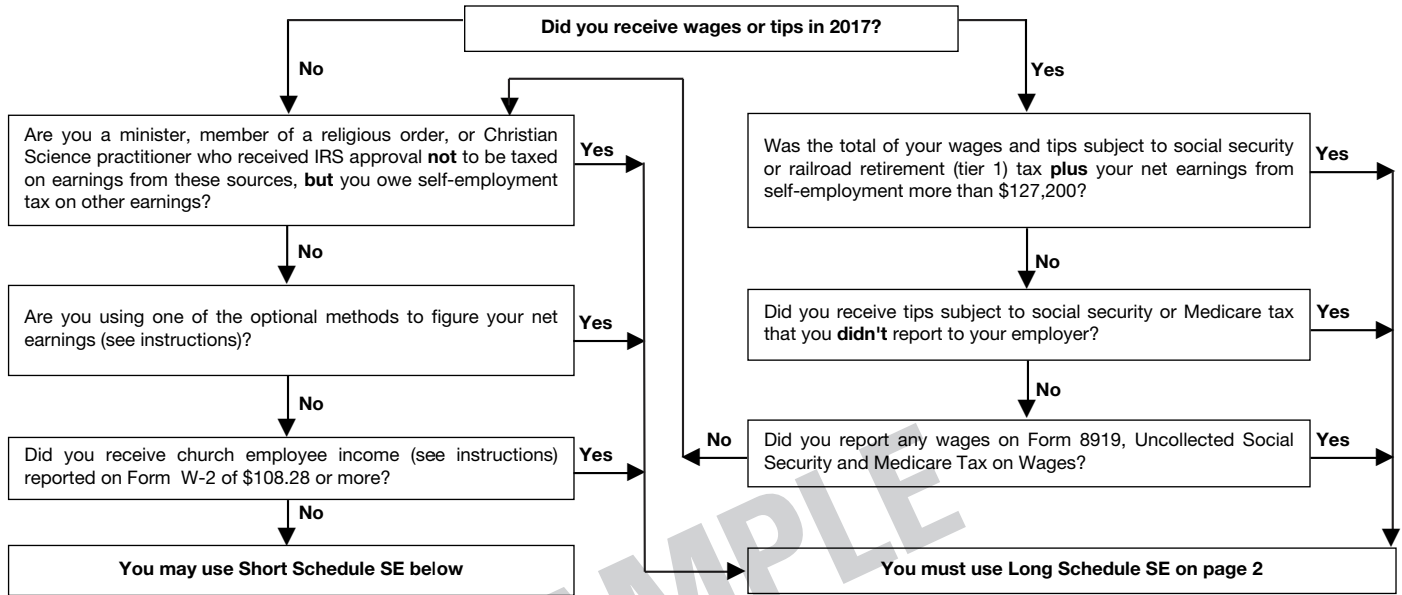
Social security number of person
with self-employment income ►

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.

1a	Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A		
1b	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	()
2	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		1,489 *
3	Combine lines 1a, 1b, and 2		1,489
4	Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; don't file this schedule unless you have an amount on line 1b. ►		1,375
5	Self-employment tax. If the amount on line 4 is: • \$127,200 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on Form 1040, line 57, or Form 1040NR, line 55 • More than \$127,200, multiply line 4 by 2.9% (0.029). Then, add \$15,772.80 to the result. Enter the total here and on Form 1040, line 57, or Form 1040NR, line 55		210
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27	6	105

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

Cat. No. 11358Z

Schedule SE (Form 1040) 2017

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

1a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. Note: Skip lines 1a and 1b if you use the farm optional method (see instructions)	1a		
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	1b ()
2 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. Note: Skip this line if you use the nonfarm optional method (see instructions)	2		
3 Combine lines 1a, 1b, and 2	3		
4a If line 3 is more than zero, multiply line 3 by 92.35% (0.9235). Otherwise, enter amount from line 3 Note: If line 4a is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.	4a		
b If you elect one or both of the optional methods, enter the total of lines 15 and 17 here	4b		
c Combine lines 4a and 4b. If less than \$400, stop ; you don't owe self-employment tax. Exception: If less than \$400 and you had church employee income , enter -0- and continue ▶	4c		
5a Enter your church employee income from Form W-2. See instructions for definition of church employee income	5a		
b Multiply line 5a by 92.35% (0.9235). If less than \$100, enter -0-	5b		
6 Add lines 4c and 5b	6		
7 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 2017	7	118500	00
8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$127,200 or more, skip lines 8b through 10, and go to line 11	8a		
b Unreported tips subject to social security tax (from Form 4137, line 10)	8b		
c Wages subject to social security tax (from Form 8919, line 10)	8c		
d Add lines 8a, 8b, and 8c	8d		
9 Subtract line 8d from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	9		
10 Multiply the smaller of line 6 or line 9 by 12.4% (0.124)	10		
11 Multiply line 6 by 2.9% (0.029)	11		
12 Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 57, or Form 1040NR, line 55	12		
13 Deduction for one-half of self-employment tax. Multiply line 12 by 50% (0.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27	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 ¹ wasn't more than \$7,800, or (b) your net farm profits ² were less than \$5,631.			
14 Maximum income for optional methods	14	5040	00
15 Enter the smaller of: two-thirds (2/3) of gross farm income ¹ (not less than zero) or \$5,200. Also include this amount on line 4b above	15		
Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits ³ were less than \$5,631 and also less than 72.189% of your gross nonfarm income, ⁴ 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.			
16 Subtract line 15 from line 14	16		
17 Enter the smaller of: two-thirds (2/3) of gross nonfarm income ⁴ (not less than zero) or the amount on line 16. Also include this amount on line 4b above	17		

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.

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

<u>% of Non-deductible Expenses</u>				
		<u>Taxable</u>	<u>Tax-Free</u>	<u>Total</u>
Parsonage allowance:				
Ministerial retirement benefits designated as housing allowance	\$ 15,000			
Actual expenses	\$ 13,000			
Fair rental value of home (including furnishings and utilities) (\$1,200 x 12)	\$ 14,400			
Taxable portion of allowance (excess of amount designated & paid over lesser of actual expenses or fair rental value)	\$ 2,000	\$ 2,000		\$ 2,000
Tax-free portion of allowance (lesser of amount designated, actual expenses or fair rental value)			13,000	13,000
Gross income from occasional guest preaching engagements		2,000		2,000
Ministerial Income		<u>\$ 4,000</u>	<u>\$ 13,000</u>	<u>\$ 17,000</u>
% of non-deductible expenses: \$13,000/\$17,000 = 76%				

<u>Schedule C-EZ Deduction Computation</u>	
Business use of car: 815 miles x 53.5¢	\$ 436
Meal expenses (\$150 less 50% reduction)	75
Unadjusted <i>Schedule C-EZ</i> expenses	\$ 511
Non-deductible part of expenses: \$511 X 76%	(388)
<i>Schedule C-EZ</i> deductions, line 2	<u>\$ 123</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

<u>Computation for Schedule SE (Form 1040)</u>	
Gross income from <i>Schedule C-EZ</i>	\$ 2,000
Less:	
Unadjusted <i>Schedule C-EZ</i> expenses	(511)
Net self-employment Income, <i>Schedule SE</i> , line 2	<u>\$ 1,489</u>

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