Payroll Tax Checklist for Ministries

Tax time can be complicated for ministries. If the Internal Revenue Service audits your church’s tax returns and finds issues, you could be required to pay back taxes with interest and possible penalties. Answer the following questions to determine how well you’re avoiding common payroll tax pitfalls. Check “needs attention” for any items that need to be addressed.

1. Before the start of each new year, does your church officially designate the pastor’s housing allowance—in writing—in the church board’s meeting minutes or the pastor’s employment contract? □ Yes □ Needs Attention

2. If your church agrees to make voluntary withholdings from the pastor’s paycheck, has the pastor filled out IRS Form W-4 before withholdings begin? □ Yes □ Needs Attention

3. Are the pastor’s withholdings enough to cover federal income taxes AND Social Security taxes? □ Yes □ Needs Attention

4. If the church makes voluntary payroll withholdings from the pastor’s paychecks, does the church complete the necessary payroll tax filings throughout the year AND in completing annual payroll tax filings? □ Yes □ Needs Attention

5. Does the church treasurer review bank statements to confirm that all tax withholdings to the U.S. Treasury have been withdrawn from the church checking account? □ Yes □ Needs Attention

6. Does the church properly prepare W-2’s for clergy and church staff? □ Yes □ Needs Attention

7. Does the pastor meet with a tax professional prior to filing to ensure tax returns are accurate? □ Yes □ Needs Attention

8. If church employees aren’t satisfied that their payroll withholdings are accurate, have they updated their W-4 forms? □ Yes □ Needs Attention

9. If your church reimburses employee business expenses, does the church treasurer encourage employees to turn in receipts within 60 days of the expense? □ Yes □ Needs Attention

10. Have you made sure the church’s tax preparer has experience preparing tax filings for ministries? □ Yes □ Needs Attention

11. Does your church provide the church tax preparer with adequate financial documents that are organized and easy to use? □ Yes □ Needs Attention

Notes: __________________________________________________________

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Completed by: ____________________________ Date: ____________________

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