

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.

	Yes	Needs Attention
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?	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are the pastor’s withholdings enough to cover federal income taxes AND Social Security taxes?	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>
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 Does the church treasurer review bank statements to confirm that all tax withholdings to the U.S. Treasury have been withdrawn from the church checking account?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the church properly prepare W-2’s for clergy and church staff?	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the pastor meet with a tax professional prior to filing to ensure tax returns are accurate?	<input type="checkbox"/>	<input type="checkbox"/>
8. If church employees aren’t satisfied that their payroll withholdings are accurate, have they updated their W-4 forms?	<input type="checkbox"/>	<input type="checkbox"/>
9. If your church reimburses employee business expenses, does the church treasurer encourage employees to turn in receipts within 60 days of the expense?	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you made sure the church’s tax preparer has experience preparing tax filings for ministries?	<input type="checkbox"/>	<input type="checkbox"/>
11. Does your church provide the church tax preparer with adequate financial documents that are organized and easy to use?	<input type="checkbox"/>	<input type="checkbox"/>

Notes: _____

Completed by: _____ Date: _____