

Joy E. Hacker, CPA

(330) 550-6642
sos.JHacker@gmail.com

CLERGY 2015 W-2 INSTRUCTIONS

Please use the following guidelines to prepare your pastor's Form W-2 correctly.

Boxes a, b, c, e, f: Should be completed appropriately

Box 1: **Total Compensation** includes the following compensation paid during calendar year 2015: cash salary; bonuses; flat monthly allowances for automobile expenses, professional expenses, etc.; social security allowance; gifts handled through the church treasury; unqualified moving expenses paid by the congregation (see page 2); personal use of a church-owned vehicle, if not reimbursed.

***It does not include:** housing, furnishings, and utilities allowances; pension and medical insurance payments; qualified moving expenses (see page 2); pastor's voluntary contributions to a tax-sheltered annuity; interview expense reimbursements; payments under a qualified medical expense reimbursement plan; automobile and professional expense reimbursements, paid based on detailed expense reports submitted.*

Boxes 2, 17, 19: Should be left blank, unless pastor opted for voluntary withholding. If so, the total amount withheld for federal income tax **and social security self-employment tax** should be entered in Box 2. State, local, and school district voluntary withholding amounts should be entered in Box 17, Box 19, and Box 19, respectively.

Boxes 3, 4, 5, 6: ***There should never be a dollar amount in these boxes; leave blank.***

Box 12: If pastor made contributions to a tax-sheltered annuity, report the amount in Box 12 with the letter "E". If the congregation reimbursed qualified moving expenses **to the pastor**, Box 12 should show the letter "P" and the amount of such expenses. Group term life insurance over \$50,000 paid by the congregation should be reported in Box 12 with the Code "C". Otherwise, Box 12 should generally remain blank for pastors.

Box 13: If the pastor is covered under a retirement plan, mark an "X" in the retirement plan checkbox.

Box 14: This is an optional box for employer/employee communication only. ***Housing allowance and other information not required on Form W-2 may either be reported in this box or reported to the pastor in a separate letter.***

Box 16: Same amount as Box 1 for Ohio and most other states

Box 18 (City): Taxable income for Ohio city income tax generally is the total of the amount in Box 1 plus any contributions to tax-sheltered annuities (from Box 12, Letter E.)

Box 18 (School): Same amount as Box 1 and Box 16 in most cases (Ohio)

Boxes 15 and 20: Should be completed appropriately

All other boxes should remain blank, unless there are unusual circumstances.

MOVING EXPENSES

BASIC REQUIREMENTS

- 1) The move must have been in connection with commencement of work at a new location, and the moving expenses must be incurred within one year from the time work commences at the new location.
- 2) The new work location must be at least 50 miles farther from pastor's former residence than the distance from pastor's former residence to pastor's former work site.
- 3) During the 12-month period immediately following the move, the pastor must be employed full-time for at least 39 weeks, unless specific requirements are met.

QUALIFIED MOVING EXPENSES:

If all of the above three requirements are met, the following moving expenses are qualified expenses:

- 1) Costs of moving household goods and personal effects from the old to the new residence.
- 2) Traveling expenses from the old residence to the new residence, including lodging while en route (but **not** including meals).

Any of these expenses paid directly by the congregation, or reimbursed to the pastor, **must be excluded** from the total compensation reported in Box 1 of Form W-2. Note, however, that the amount of qualified moving expenses reimbursed **to the pastor** must appear in Box 12, along with the code "P".

UNQUALIFIED MOVING EXPENSES

If the pastor does not meet all three of the basic requirements, the moving expenses are unqualified and are taxable. In addition, any types of moving expenses not listed as Qualified Moving Expenses are taxable unqualified expenses. Unqualified moving expenses paid by the congregation directly or reimbursed to the pastor **must be included** in Box 1 of Form W-2. Some examples of unqualified types of moving expenses are:

- 1) Traveling expenses and costs of moving household goods, when pastor does not meet all three basic requirements.
- 2) Any moving expenses for meals.
- 3) Expenses for pre-move house hunting trips between the time the pastor accepts the Call and the move to the new location. (Note, however, that reimbursements for interview expenses before the pastor accepts the Call are not moving expenses, and should not be included in Form W-2.)
- 4) Expenses of temporary quarters in general location of new work site.
- 5) Expenses related to sale of or settlement of lease on old residence or purchase of or acquisition of a lease on new residence.