Payroll and the Church: Answers to 5 Common Questions

Payroll can be complicated.
For that, there's MinistryWorks.

Whether you're a small church using a volunteer bookkeeper or a large organization with a dedicated finance staff, one common thread connects ministries of all sizes: Payroll is complicated.

Payroll requirements and regulations are becoming increasingly complex. It can be difficult to keep up with annual tax code changes. Unintentional mistakes can be costly to your ministry. Employee pay disputes can lead to fines, penalties, and loss of trust. Clergy can lose critical benefits.

The MinistryWorks® team understands the challenges that ministries face in complying with payroll tax regulations. This resource provides answers to five common questions about how to handle issues related to your ministry's payroll, including the following:

IS OUR MINISTER A "MINISTER FOR TAX PURPOSES?"

In the following document, you will see references to the phrase, "minister for tax purposes." According to the Internal Revenue Service, ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. Ministers have the authority to conduct religious worship, perform pastoral functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination. If a minister performs ministerial services, all earnings are subject to income tax. This includes wages, offerings, and fees received.

A minister for tax purposes:
* Is eligible for a housing allowance.
* Is always self-employed for Social Security and Medicare purposes for ministerial income.
* Is exempt from automatic federal income tax withholding.

Remember that the criteria to determine whether an employee is a “minister for tax purposes” are different from those that determine whether an employee qualifies for the “ministerial exception” to the Fair Labor Standards Act.

Click HERE to download the free PDF.