

**Reporting Compensation, Fringe Benefits, and Reimbursements
for Income Tax Purposes***

Explanation	Minister-Employee
Bonus or gift from the church	Taxable income/Form W-2
Business and professional expenses reimbursed with adequate accounting	Tax-free/excluded
Business and professional expense reimbursed without adequate accounting	Taxable Income
Club dues paid by the church	Taxable income/Form W-2 (exception for dues for professional organizations and civic and public service groups)
Compensation reported to the minister by the church	Form W-2
Dependent care assistance payments	Tax-free, subject to limitations
Educational assistance programs	May be eligible to exclude up to \$5,250 of qualified assistance
401(k) plan	Eligible for 401(k)
403(b) tax-sheltered annuity	Eligible for 403(b)
Gifts/personal (not handled through the church)	Tax-free/excluded
Health Savings Account	Tax-free, if plan is properly established
Healthcare flexible spending account	Tax-free, if plan is properly established
Housing allowance	Excludable, subject to limitations
IRA payments by church	Taxable income/Form W-2, may be deducted on Form 1040
Insurance, disability, paid by minister; minister is beneficiary	Premiums paid after tax; proceeds are tax-free
Insurance, disability paid by church; minister is beneficiary	Premiums are tax-free; proceeds are taxable
Insurance, group-term life paid by church	Premiums on first \$50,000 of coverage is tax-free
* Many of these compensation elements are conditioned on plans being properly established and subject to annual limits.	

Explanation	Minister-Employee
Insurance, health	Tax-free, if directly paid by church as part of a qualifying group plan. If paid by minister and not reimbursed by church, deduct on Schedule A
Insurance, life, whole or universal, church is beneficiary	Tax-free/excluded
Insurance, life, whole or universal, minister designates beneficiary	Taxable income/Form W-2
Insurance, long-term care	Tax-free if directly paid by the church or reimbursed to minister on substantiation. If paid by minister and not reimbursed by church, deduct on Schedule A subject to limitations
Loans, certain low-interest or interest-free loans over \$10,000 to ministers	Imputed interest (the difference between the IRS-established interest rate and the rate charged) is taxable income/Form W-2
Moving expenses paid by the church (only applies to certain qualified expenses)	Taxable for 2018/Form W-2
Pension payments by the church to a denominational plan for minister	Tax-deferred. No reporting required until the funds are withdrawn by minister or pension benefits are paid
Per diem payments for meals, lodging, and incidental expenses	May be used for travel away from home under an accountable reimbursement plan
Professional income (weddings, funerals)	Taxable income/Schedule C (C-EZ)
Property transferred to minister at no cost or less than fair market value	Taxable income/Form W-2
Retirement or farewell gift to minister from church	Generally taxable income/Form W-2
Salary from church	Report salary on Form 1040, Line 1
Social security reimbursed by church to minister	Taxable income/Form W-2
Travel paid for minister's spouse by the church	May be tax-free if there is a business purpose
Tuition and fee discounts	May be tax-free in certain situations
Value of home provided to minister	Tax-free/excluded, subject to limitations
Vehicles/personal use of church-owned automobile	Taxable income/Form W-2
Voluntary withholding	Eligible for voluntary withholding agreement