



**New Jersey Synod**  
**Evangelical Lutheran Church in America**  
God's work. Our hands.

December 2021

**TO: CONGREGATION TREASURERS OF THE NEW JERSEY SYNOD**

This annual Congregational Treasurer's packet provides information on closing 2021 and organizing for 2022. This letter includes information and helpful suggestions:

- 1) Year-end checklist
- 2) Mission Support Gifts and Lutheran Ministry Gifts
- 3) Annual state registration
- 4) Annual Congregation Financial Review
- 5) Property tax exemption
- 6) Insurance coverage
- 7) Preparing for 2023

Appendix A: Additional resources

Appendix B: How to prepare a pastor's W-2

**1) Year-end checklist of financial tasks**

- ✓ **End of Year Contributions** – A contribution can only be recorded on a person's giving record in the year it was received by the church. To be recorded as a 2021 contribution, it must be *physically* in the possession of the church or *postmarked* on or before December 31, 2021. If the contribution is in the form of a check, it must be dated on or before December 31.
- ✓ **Year-end contributions** made directly as "gifts" by congregants to the pastor are taxable income.
- ✓ **Contribution Receipts to Donors** – The Church should issue their Contribution Receipts to donors as soon as possible after December 31. The Contribution Receipts should show the detail of contributions by date made to the church and must include wording such as "No goods or services were provided in exchange for your contributions." somewhere on the report. If you fail to do this, the IRS could disallow any charitable contribution deduction for your donors. The IRS does not allow taxpayers to deduct Charitable Contributions over \$250.00 unless the taxpayer has a Contribution Receipt in their possession when they file their income tax return.

**Early January**

**Backups** – When the transactions are finalized for last year, back up your accounting computing system. Print year-end copies of the:

- Year end spending plan report
- Balance sheet
- Restricted funds report
- Cash flow report

to keep with your permanent records. If you prefer electronic copies, save PDFs of these reports along with a PDF of the year-end trial balance.

### **By January 31**

- ✓ **W-2s** – You must provide all employees with a W-2 by January 31. Pastors, administrators and music directors are typically considered to be church employees by the IRS.
- ✓ **Form W-3** – All W-2s must be mailed to the Social Security Administration, along with the W-3 Transmittal of Wage and Tax Statements by January 31.
- ✓ **Form 1099s** – You must provide a Form 1099 to all required recipients by January 31. The church must issue a Form 1099-MISC to any individual – other than an employee – who receives \$600 or more as compensation from the church for services rendered. The church must issue a Form 1099-INT to any individual who was paid at least \$600 in interest by the church in 2009. Any housing allowance compensation is not included on the 1099.
- ✓ **Form 1096** – All 1099s must be mailed to the IRS, along with Form 1096 Annual Summary and Transmittal of U. S. Information Returns by January 31.

### **2) Mission Support and Lutheran Ministry Gifts:**

Enclosed is the **MISSION SUPPORT** form that contains your congregation's name and four-digit Synod ID number. You can copy that form for 2022 gifts or you can download the Mission Support Remittance Form from the New Jersey Synod website and insert your congregation's name and four-digit Synod ID number from the preprinted Mission Support Form.

- Enter the Mission Support remittance and other gift information on the form.
- Designated gifts to Lutheran Ministries (see below) may be included with Mission Support.
- Make all checks payable to **THE NEW JERSEY SYNOD, ELCA**.
- Mail the **MISSION SUPPORT** form along with your checks to:

*Lois Parrett  
New Jersey Synod  
1930 Highway 33  
Hamilton Square, New Jersey 08690-1714.*

All congregations are urged to share their Mission Support gifts monthly, based upon a proportion of the congregational income established by the congregation.

You are encouraged to include **Lutheran ministry gifts** along with your Mission Support Form:

- Gifts to all NJ Synod Funds (Compensation Aid, Fund for Mission, etc.)
- Gifts for NJ Synod Mission Initiatives
- Gifts to ELCA Funds (World Hunger, Missionary Support, etc.)
- Support for your Mission Partner congregations
- Gifts to The Lutheran Theological Seminary at Philadelphia, Lutheran Social Ministries of New Jersey, Cross Roads Outdoor Ministries, Lutheran Archive Center, etc.

For your congregation's gifts to local and non-Lutheran charities, please send those gifts directly to the benefiting organization. These gifts should be included in your congregation's total gifts on your annual Evangelical Lutheran Church in America Congregational Parochial Report filed with the ELCA.

### **3) Annual State Registration**

If your congregation is incorporated under the general non-profit statute (Title 15 A) you must register annually **by February 28**. If your congregation is incorporated under the church statute (Title 16), your congregation does not have to register annually. **Most congregations formed before 1950 are incorporated under Title 16**. We recommend that congregations registered under Title 15A do not change their incorporation.

#### **4) Annual Congregational Financial Review:**

The “Audit” certificate is enclosed; it can also be printed from the NJ Synod web site ([www.njsynod.org/treasurer](http://www.njsynod.org/treasurer)). **Place this certification with the Church Council permanent records.** Do not send this certificate to the New Jersey Synod office or the ELCA churchwide office.

While the ELCA form uses the term “audit”, your congregation is performing a financial review of its cash management practices. If your congregation struggles with finding members who will do a financial review, you may want ask a neighboring congregation for volunteers or to have financial leaders from each congregation review each other’s books and internal controls.

#### **5) Property Tax exemption**

Churches must file for renewal of their property tax exemption status every three years, submitting their forms **by November 1**. Please make sure that you have an up-to-date certificate for exemption of any real property owned by the congregation filed with your local tax assessor. The exemptions should apply to the church building as well as any parish buildings and parsonages. Generally your municipality will send you a form every three years for filing. Mark your calendar for the next required submission. If your congregation has not completed a form within the past three years, contact your tax assessor and inquire if an updated “Further Statement of Organization Claiming Property Tax Exemption” form is needed.

#### **6) Insurance Coverage**

The Treasurer should review the insurance that is in place for the congregation. This should include

- Fire and liability
- Flood insurance, where applicable
- Workers compensation insurance
- Auto insurance, where applicable
- Liability umbrella policies
- Errors and omissions policies.

The review should include the adequacy of the limits of coverage with consideration given to current real estate values and building costs in your area. It is helpful to have your Congregation Council affirm your carrier and coverage annually at the Congregation Meeting or first Congregation Council meeting so that the information is recorded in official records each year. [www.elca.org/en/Resources/Risk-Management](http://www.elca.org/en/Resources/Risk-Management) has helpful guidelines for coverage levels and for procuring church insurance.

**Congregations should keep old insurance policy documents forever.** IRS retention for other financial documents is seven (7) years.

#### **7) Preparing for 2023 – things to do by December 31, 2022**

- ✓ **Housing Allowance** – The church council must designate the 2023 Housing Allowance for pastors who receive a housing allowance. This must be documented in the official minutes of the church *before* the pastor incurs any housing-related expenses. This may apply to a minister living in a parsonage since they may receive compensation to offset expenses related to housing such as furnishings, cleaning supplies, repairs, etc. The amount of this is best reported in Box 14 of the minister’s W-2, as “Housing Allowance”.
- ✓ **Parsonage Value** – For any pastor living in a church-provided parsonage, the Board should determine the fair rental value of the parsonage for the next year. This is reportable by that pastor as income for Federal Self-Employment Tax purposes *only*. The amount of this is reported in Box 14 of the minister’s W-2 as part of “Housing Allowance”.
- ✓ **W-4 Forms** – All employees should review their W-4 form and submit a new form if the employee’s tax circumstances have changed.

- ✓ **End of Year Contributions** – A contribution can only be recorded on a person’s giving record in the year it was received by the church. To be recorded as a 2022 contribution, it must be *physically* in the possession of the church or *postmarked* prior to January 1, 2023. If the contribution is in the form of a check, it must be dated on or before December 31.
- ✓ **Year-end contributions** made directly as “gifts” by congregants to the pastor are taxable income.

If you have any questions, please feel free to contact us. Thank you for your dedicated work!

*Jim Harris*

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New Jersey Synod, ELCA  
[jharris@njsynod.org](mailto:jharris@njsynod.org)

*Lois Parrett*

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New Jersey Synod, ELCA  
[lparrett@njsynod.org](mailto:lparrett@njsynod.org)

# Jersey Jottings

We recommend reading Jersey Jottings, an email newsletter of the NJ Synod. It periodically includes news pertinent to church treasurers.

Text JOTTINGS to 22828 to subscribe.

## Financial resources available on the ELCA website

Many resources for congregational treasurers and bookkeepers are available in PDF format at [www.elca.org/Resources/Financial](http://www.elca.org/Resources/Financial) Click on “Congregations”.

- Accountable Reimbursement Policies
- Acknowledging In-Kind Gifts
- Automobile Actual Expense
- Automobile Mileage Expense
- Cash vs. Accrual Methods of Accounting
- Congregational Audit Guide
- Council Officers Job Descriptions
- Credit Card Best Practices
- Data Security
- ELCA Advantage Program
- Financial and Accounting Guide
- Handling Financial Matters
- Identity Theft
- Internal Control – Best Practices
- IRS New Requirement Form – 8822-B
- Narrative Budgets
- Program Budget Presentation
- Sample Expense Voucher
- Social Security and Other Information for Clergy and Religious Workers
- Things to remember about housing allowance

## Administration Matters

*“Administration Matters” is a bimonthly e-newsletter for synodical and congregational leaders. It addresses common, practical issues including finance, governance, risk management, tax, legal concerns and topics of interest about day-to-day operations and management in church settings. Subscribe to receive this resource at: <http://blogs.elca.org/adminmatters/>*

## Portico Training Videos

**Portico offers an online video series for Congregational Treasurers to better understand the ELCA benefits program.**

1. Welcome video: <https://vimeo.com/286898425/17550a772a>
2. Understanding Your Bill: <https://vimeo.com/283784085/b9c699d390>
3. EmployerLink Tour: <https://vimeo.com/283787408/1b2bcecb97>

# How to Complete a Pastor's W-2 IRS Form

The Rev. Sue Doe has a salary of \$45,000 from the congregation. She is provided a parsonage and, pursuant to an estimate of such expenses and a properly-adopted resolution, the church pays her an additional \$1,500 parsonage utility allowance. This parsonage allowance is not included as income in **Box 1** on Form W-2, but it should be reported in **Box 14**. In the event the utilities are paid by the church, the fair market rental value of the parsonage PLUS any utilities paid by the church should be included in Box 14. For example, pastor lives in parsonage and pays nothing. Box 14 would include \$1,200/month x 12 months = \$14,400 (this represents FM rental value) PLUS \$1,500 utilities paid by the church for a total of \$15,900.

Pastor Doe also receives a non-accountable annual travel allowance of \$3,000. This entire sum is reportable income and must be added to the \$45,000 salary to arrive at annual income of \$48,000. There is also an accountable reimbursement policy in place for other professional business expenses with a total amount of \$2,500. None of the amounts reimbursed under this plan are to be reported on a Form W-2. (Note: Travel/vehicle expenses can be handled by an accountable reimbursement policy as well; this would be in lieu of a travel allowance.)

The congregation makes a contribution to the pastor's retirement fund at ELCA Board of Pensions (BOP) of \$4,500. This is not reported as income, but the pension plan section is checked in **Box 15**. The pastor also contributes \$1,000 pre-tax dollars out of her salary to her 403(b) plan, which the church sends directly to the BOP at her request.

The church pays (out of the church's own budget and not as a salary reduction) a health insurance premium to the BOP in the amount of \$3,000, which is not taxable income. Pastor Doe has not requested any federal income tax withholding by the church (by using IRS Form W-4) and rather has assumed the obligation of making quarterly payments.

**Box 1** of Form W-2 reports wages and tips of \$47,000, consisting of the salary (\$45,000) and the travel allowance (\$3,000) less the before-tax 403(b) contribution of \$1,000. None of the accountable reimbursement amount (\$2,500) is included in **Box 1**, and these expenses are not reported on the pastor's tax return. (If the pastor wishes to take deductions for travel expenses that are not reimbursed, those deductions must be reported on Schedule A as opposed to Schedule C.)

<b>Reportable Income Items</b>	
Annual salary	\$45,000.00
Travel allowance	3,000.00
<b>Reductions of Income (before tax)</b>	
403(b) Contribution	1,000.00
<b>Non-reportable Funds</b>	
Accountable reimbursement policy for business expenses	2,500.00
Parsonage allowance (for utilities for the parsonage)	1,500.00
Medical insurance premium	3,000.00
BOP pension contribution	4,500.00

<b>Rental value of parsonage provided to pastor</b>	<b>not reported</b>
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**Box 2** is not completed, as Pastor Doe did not choose to have any voluntary income tax withholding, but rather paid estimated taxes directly. If the church withheld pursuant to Form W-4, such amounts would be reported here.

**Boxes 3-6** should **not** have any entries (do **not** use "0"s). **While clergy are considered employees for income tax purposes, they must individually report Social Security and Medicare.**

**Box 12** shows the codes relating to the voluntary salary reduction contributions - **E \$1,000.**  
**Box**

**13** will show an X in the box for **Retirement Plan.**

**Box 14** would include \$1,200/month x 12 months = \$14,400 (this represents the fair market rental value) PLUS \$1,500 utilities paid by the church for a total of \$15,900.

**Boxes 16-21** should be completed according to your own state requirements, but in most cases it would be the same as **Box 1.**

For those seeking more information, they should refer to [IRS Publication 517](#) and the current IRS instructions. These additional resources should answer any questions that go beyond the scenario set forth above. For further information, you should consult with a local tax preparer or expert.

22222		a Employee's social security number 000-00-0000		OMB No. 1545-0008	
b Employer identification number (EIN) 41-0000000			1 Wages, tips, other compensation <b>47,000</b>		2 Federal income tax withheld
c Employer's name, address, and ZIP code Joy Lutheran Church 987 Main St Anytown, IL 60001			3 Social security wages		4 Social security tax withheld
			5 Medicare wages and tips		6 Medicare tax withheld
			7 Social security tips		8 Allocated tips
d Control number			9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial Rev. Sue Doe		Last name Doe	Suff.	11 Nonqualified plans	
123 Main St Anytown, IL 60001			12a <b>E</b>		12b <b>1,000</b>
			13 <input type="checkbox"/> Statutory employee <input checked="" type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay		12c
			14 Other <b>Housing 1,500</b>		12d
f Employee's address and ZIP code			15 State wages, tips, etc.		16 State income tax
15 State Employer's state ID number			16 State wages, tips, etc. <b>Housing \$15,900</b>		17 State income tax
18 Local income tax			19 Local income tax		20 Locality name