CHURCH TREASURER’S ROLE

COMPILED BY:

B. Michael Hedrick
   Ball, Louisiana

John E. Stagg
   Pineville, Louisiana

Randy Riley
   Shreveport, Louisiana
CHURCH TREASURER’S ROLE

COMPILED BY:

B. Michael Hedrick
Ball, Louisiana

John E. Stagg
Pineville, Louisiana

Randy Riley
Shreveport, Louisiana

EDITED BY:

Randy Tompkins

Permission was given by Randy Tompkins for the Stewardship Development Association to modify and make available for use in the various state conventions and churches in 2005.

Revised: 2006

This publication is intended to provide a timely, accurate, and authoritative discussion of the position of Church Treasurer. It is not intended to be an exhaustive discussion of all items relating to the position of the church treasurer. It is also not intended as a substitute for legal, accounting, or other professional advice. If legal, tax or other expert assistance is required the services of a competent professional should be sought.

Although we believe this book provides accurate information, there may be changes resulting from IRS or judicial interpretations of the Tax Code, new tax regulations, or technical corrections that occurred after the printing of this book that are not reflected in the text.

Used by permission.
### TABLE OF CONTENTS

How Did This Happen to Me? (Becoming a Church Treasurer) ................................................................. 87  
  - Qualifications of a Treasurer  
  - Church Structure and the Treasurer  
Who Am I? (The Work of a Church Treasurer) ......................................................................................... 88  
How Long Do I Have To Do This? (The Length of Service of a Church Treasurer) ................................ 89  
Developing a Concept of Money .................................................................................................................. 89  
  - Whose Money Is It?  
Who Gives the Money? .................................................................................................................................. 90  
  - Individuals, Groups, Churches, Businesses, Other  
  - How Did We Get It?  
Record Keeping (The Church Treasurer and Record Keeping) ................................................................... 91  
How Often Does the Church Receive the Money? ....................................................................................... 92  
  - Where Is It Kept?  
Where Does Money Go Once We Get It? .................................................................................................... 93  
  - General Funds  
  - Cooperative Program & Associational Funds  
Designated Funds ........................................................................................................................................... 95  
  - Unique or Miscellaneous Requirements  
How Is the Money Disbursed? ...................................................................................................................... 95  
How Do I Know That I’m Doing It Right? ...................................................................................................... 96  
  - Keep Accurate Records  
  - Follow Established Church Guidelines  
  - Accountability Involves Everyone  
Reports, Reports... and More Reports ......................................................................................................... 97  
  - Reporting to the Church  
  - Community  
  - Denomination  
  - Government  
  - Contribution Reports  
Federal Reporting Requirements ..................................................................................................................... 99  
Maximizing Tax Benefits for Ministers ........................................................................................................ 100  
Complying with Federal Payroll Tax Reporting ............................................................................................ 101  
Reporting Group Term Life Insurance ........................................................................................................ 102  
Charitable Contribution Substantiation Rules ............................................................................................... 103  
Cooperative Program Education* ................................................................................................................ 104  
Tax-Exempt Status ....................................................................................................................................... 105  
Ethics ............................................................................................................................................................ 106  
Charitable Contributions ............................................................................................................................... 110  
Determining the Value of Donated Property ................................................................................................. 111  
Unrelated Business Income ........................................................................................................................... 112  
Internal Controls ........................................................................................................................................... 113  
Contributions from Which You Benefit ....................................................................................................... 116  
Developing a Church Audit System ............................................................................................................. 117  
Types of Audits ............................................................................................................................................. 118  
Form W-2 and W-3 ....................................................................................................................................... 118  
Working with the Budget Preparation Committee ....................................................................................... 120

* Cooperative Missions is Virginia Baptists’ long-standing commitment to the Cooperative Program.
Working with GuideStone (Annuity Board) ........................................................................................................121
Working with the Personnel Committee on Salary Compensation .................................................................122
Minister Compensation Package Worksheet .....................................................................................................125
Hiring New Employees ...........................................................................................................................................126
Form I-9 Employment Eligibility Verification ....................................................................................................127
Form W-4 .............................................................................................................................................................128
Form 941 ...............................................................................................................................................................129
Application for Social Security Number and Card .............................................................................................130
Earned Income Credit (EIC) and Form W-5........................................................................................................131
Employee or Contract Laborer ............................................................................................................................133
Form W-9 .............................................................................................................................................................134
Form 1099 and 1096 ..............................................................................................................................................135
Form 945 ...............................................................................................................................................................137
Records Retention Checklist ...............................................................................................................................138
Records Retention Guidelines ............................................................................................................................139
Counting Committee.........................................................................................................................................139
Counting Committee Reporting Sheet .............................................................................................................141

RESOURCES
LifeWay Christian Resources ...............................................................................................................................142
Stewardship Development Association .............................................................................................................142
LifeWay Envelope Service ....................................................................................................................................142
Stewardship Development ..................................................................................................................................142
GuideStone Financial Resources (Annuity Board) .............................................................................................143
Internal Revenue Service .....................................................................................................................................143
Social Security Administration ...........................................................................................................................143
National Association of Church Business Administrators ...............................................................................143
Accounting Terms ..............................................................................................................................................144
BECOMING A CHURCH TREASURER

QUALIFICATIONS OF A TREASURER
The church should desire a church treasurer that exhibits a willingness to work cordially with people and has the ability to be fair minded. The person selected to be treasurer should also have knowledge of the working organization of the church. The church treasurer is to be one of the elected leaders in a church. The character of the treasurer should reflect the highest Christian ideals. The experience and background of the person holding this office should give confidence to church members that the financial affairs of the church will be carried on in a fair and trustworthy way. The person selected to be church treasurer should have knowledge of accounting procedures or the willingness to learn accounting procedures. It is important that the person selected to be church treasurer is a tither.

The church may wish to set guidelines covering the length of continuous membership prior to election as treasurer. It is sometimes beneficial for the same person to serve as treasurer for several years. The length of service is to be a decision of the church.

CHURCH STRUCTURE AND THE TREASURER
The treasurer’s relationship to church members depends on the organizational and committee structure of the church. For example, in some churches the treasurer would normally relate directly to church members. In other churches the treasurer may relate to a financial committee, which then communicates with the church members. (Some churches call this committee a budget committee, finance committee or stewardship committee.) State law relating to churches that are incorporated often dictates that the Trustees have some financial accountability for the church. The treasurer may be required to submit reports to the Trustees.
THE WORK OF A CHURCH TREASURER

PRINCIPAL FUNCTION
The church treasurer is responsible for the proper receipt, accounting and disbursement of church funds within policies established by the church for adequate financial control. It is suggested that the treasurer’s work focus primarily on financial records and payment procedures rather than the handling of cash. In some churches this duty is assigned to a staff member who works with all church financial matters.

Treasurers may have the following responsibilities. * 1

1. Keep accurate records in appropriate financial journals of all monies received and disbursed.
2. Reconcile monthly bank statements and correct ledgers as needed.
3. Sign checks in accordance with church policies and procedures and verify the supporting data for each check request.
4. Make monthly and annual reports to the church. If the church has a committee to oversee the financial matters of the church the treasurer should also make regular reports to the committee.
5. Prepare and maintain records of individual contributions.
6. Prepare and distribute contribution statements.
7. Suggest possible investment opportunities concerning any funds the church wishes to hold.
8. Keep church staff and appropriate committees informed of any trends or changes in fiscal matters.
9. Instill and preserve a high financial confidence throughout the congregation.
10. Submit accurate financial records for annual audit according to church policy.
11. Train an associate treasurer selected by the church.

Working relationships between the treasurer and the church family. * 1

1. Serve as ex-officio member of the church committee assigned to oversee church financial policy and procedure. Confer with this committee in: recommending and establishing policies related to receiving, accounting and disbursing of church money; developing the annual church budget; provide a continuing program of stewardship education for the church; coordinate the annual stewardship campaign; and prepare and present a financial report in the church business meeting. Also confer with moderator about presentation of a financial report.
2. Receive a copy of the deposit slip or a summary of the receipts record from the Counting Committee after each deposit.
3. Work closely with the financial secretary in maintaining records of individual contributions.
4. Confer with church staff members and deacons to maintain communication concerning financial matters of the church.
5. Work with staff members, officers and organizations in administering financial details of church projects.
6. At the request of the church committee assigned to oversee church financial matters of the church, serve as advisor to various committees and groups in preparing and maintaining their budgets.
7. Be available to help individual church members plan a personal and/or family budget.
8. Serve as an active member of the Church Council. Advise the council and various committee chairpersons about available funds and budget. 1

* As determined by the church. Each church may be different.
THE LENGTH OF SERVICE OF A CHURCH TREASURER

PERSONAL COMMITMENT
Long terms of service may provide more stable leadership and continuity of the financial program of the church. If this is the desire of the church, the church should set maximum term limits for continuous service in major church leadership positions. A suggestion would be to set the length of continuous service to a maximum of five years.

One alternative is for the church to elect the treasurer annually. This would allow the church to examine the work of the treasurer. If there is a problem with the quality of work the church should ask appropriate leaders to discuss the situation with the treasurer and set into motion a procedure to improve the quality of work. If the treasurer does not wish to comply with the suggestions, the church may choose to elect someone else to the position. The negative to the annual election is the possibility of inconsistency of work due to a frequent turnover in people filling the treasurer position. If the church has an annual election and agrees the quality of work of the current treasurer is of a high standard, the church may choose to use the election as a time to appreciate the treasurer.

Whatever is the desire of the church concerning length of service, the church constitution and by-laws should indicate the desire concerning service limits of elected officers.

DEVELOPING A CONCEPT OF MONEY

WHOSE MONEY IS IT? GOD’S!
It is important for the church treasurer to recognize that all money that comes into the church’s financial system is God’s money. In fact, part of the stewardship training is for the treasurer to help lead the church and church members to see that all money is God’s money. Many people think that it is their money and they will give a portion of it to God. The correct Biblical concept of money is that God owns it all and allows us to manage it for him. In managing it we are to return a portion of it to God’s organized family – the church.

WHO GIVES THE MONEY?
Individuals
The Bible teaches individual responsibility for handling God’s money. This is called stewardship. The actual definition of stewardship is “the act of being a steward.” The definition of a steward is “one that cares for someone else’s things.” Most churches rely on individual contributions from their members and non-members to maintain their financial health.

Members are expected to contribute to the financial health of the church. Non-members are allowed to contribute if they so desire. Individuals may make contributions through organizational meetings such as Sunday School, through worship services and revival services, mail in their contributions or bring their contributions to the church on a weekday.

Groups
Groups of people, both inside and outside the church membership, may give money. Groups may consist of organizations such as the Woman’s Missionary Union or the Baptist Men’s group. These groups may collect money for a special reason and turn it in to the church’s financial system. The group contributions will need to be examined to see if any individuals that gave to the group contribution can receive credit for a charitable contribution.
Churches
Churches may give money to other churches to meet special short-term goals, emergencies or operational support until the receiving church becomes financially able to meet its obligations.

Businesses
Businesses are allowed to give monetarily or make capital donations to a church as a gift or in response to a request. Receipt of that gift needs to be made on official church stationary, signed by a duly authorized officer or by a church staff representative.

Other
The sources of income to any particular church are innumerable. They may include examples like: Fundraisers (within and outside the church i.e., T-shirt sales, tickets to banquets, etc.); Trips for church sponsored events (i.e., Youth trips, Sr. Adult trips, etc.). They would also include items such as revival offerings (paid directly to visiting guests). Rental charges (of church property) and interest bearing accounts are other sources of income.

As you can see, there could be many sources that generate monies that need to be accounted for. Every church will be unique in identifying these “other” sources of income.

HOW DID WE GET IT?
Money may come into the church financial system from several sources. The treasurer should be able to identify the source of the contribution and any use for which it is designated. Accuracy is important here. It is suggested that the treasurer keep record of the amount of money entering the financial system from the various avenues. This information could be important during the budget preparation process. The church may receive monies through:

• **Sunday School**: In many Baptist churches, a large part of undesignated income is brought to the church and given through the Sunday School. Offering envelopes should be utilized to allow accurate accounting of an individual’s contribution.

• **Worship Services**: Members and guests also give through worship services. These may be regularly scheduled worship services, revival services or special worship events.

• **Groups**: Various groups within a church may give money for special projects or ministries of the church.

• **In The Mail**: Members who are physically unable to attend services of the church (or who do not attend for other reasons) may mail their contributions to the church. Sometimes non-members who may come to special events or who have a special affection to the church may send their gifts to the church through the mail.

• **Special Gifts**: Gifts from wills, trusts and other sources may enter the church’s financial system. These special gifts may come on a regular basis or on a onetime basis. Their use may or may not be designated by the donor. See the Designated Funds section on page 95 of this manual.

• **In Kind Gifts**: Sometimes people will give the church a gift that is not monetary in nature. These gifts could be land, stocks, bonds, jewelry, automobiles, or a number of other items. For the most part the donor must set the monetary amount of the donation. That amount should be as of the day the church assumes ownership of the gift.

• **Purchase Income**: People may wish to purchase a Wednesday evening meal or a meal that is held in connection with a special event or pay for a special event or program like a retreat, ski trip or concert.

(Note: Any money receipts collected other than regular offerings should be accounted for specifically.)
THE CHURCH TREASURER AND RECORD KEEPING

The church treasurer is to be responsible for the keeping of an accurate financial record of all funds identified with the church. This is true even if the church has a financial secretary to do the day-today bookkeeping. A financial record system may be selected by the church’s finance committee or the church treasurer and submitted to the church for approval. Any subsequent changes may be handled the same way. There are many sources of financial record keeping systems, including LifeWay Christian Bookstores that market software for churches and manual financial record keeping systems. The record keeping system that is used should be one that meets all the requirements of the church and one with which the church treasurer is comfortable.

The church treasurer is responsible for recording or over-seeing the recording of all receipts. The collection of monies that come in through meetings such as Sunday School, worship services, revival services, etc. should be done by a counting committee. There should be good communication between the counting committee and the church treasurer. It is not recommended that the church treasurer be the person or one of the persons to gather and count the money.

The church treasurer is responsible for recording or over-seeing the recording of all expenditures. The expenditures are to be recorded in the record keeping system in the appropriate categories of the established guidelines of the church.

The church treasurer is responsible for recording or over-seeing the recording of all members’ gifts into personal contribution records. Persons filing an itemized income tax form may not use cancelled checks as verification of donations. The amount of the donation is to come from the statement issued by the church. In order for the money to be counted as a charitable contribution it must be given in lieu of religious services performed by the church and/or its representatives. Contributions made through the church for special events that are church sponsored religious activities are acceptable. Some examples of this type of contribution are the Lottie Moon Christmas Offering, Annie Armstrong Easter Offering, State Mission Offering and local church building fund offering. Individuals may not be given credit for certain items for which they have given money to the church. An example of something that is commonly misused for donations is a church supper or a fund raising dinner. A person may write a check for a church meal but the amount of money that would go to pay for the meal may not count as a charitable contribution to the church. Any amount above the cost of the meal may be considered for a charitable contribution to the church. Other items that will not qualify for donations are registration fees for camps, concerts, etc. See page 103 for Charitable Contribution Substantiation Rules.
HOW OFTEN DOES THE CHURCH RECEIVE THE MONEY?

Gifts to churches may come in daily, weekly, monthly, quarterly, semi-annually, annually or whenever a person or group decides to give.

WHERE IS IT KEPT?
On Sundays, after money has been received and counted by the counting committee, all the money should be deposited immediately in the bank night depository and the duplicate deposit slip and counting committee report should be given to the treasurer. There have been many sad tales told about people who carried money home to be deposited later only to have some of it slip out of a bag and become lost. The safest way to maintain an individual’s integrity is to immediately deposit the money. If needed, the treasurer can verify the deposit by calling the bank at a specified time.

When the deposited amounts are entered in the books, it is suggested that the treasurer file the bank deposit slips chronologically by the month and date. It is also suggested that the monthly bank statement be filed with the deposit slips.

Gifts received in the church office during the week or special gifts at year-end should be noted as to their source and designation and then deposited. The deposit slip should be given to the treasurer along with information regarding gift designation. All designated gifts, including income received from wills and trusts and interests should be reported to the church members and instructions received as to the disposition of the designated funds. (The stewardship committee may recommend a policy for handling large gifts for church approval.)

Money received may be held in a checking account, savings account or investment accounts until final distribution has been arranged.

It is recommended that someone other than the treasurer count and deposit money received. This will raise the level of accountability and lower the opportunity for funds to be mishandled. Please see the information on page 139 concerning the Counting Committee.
WHERE DOES THE MONEY GO ONCE WE GET IT?

GENERAL FUNDS
The church treasurer receives authority for disbursement of church funds from the church when a budget is adopted. The authorized funds should be dispersed promptly when statements/bills are received and due. However, the treasurer may not have the authority to pay non-budgeted items without specific instruction from the church and/or financial committee (Finance Committee, Stewardship Committee or whatever it is called in your church).

In the event that monthly receipts are insufficient to meet budget requirements, an emergency decision for distribution of funds should be made following the wishes of the church. A person or a committee approved by the church and following established priorities, should make a report on the decision to the church. In most cases, this will be the treasurer or committee chairman. Unless the church has given permission to the treasurer or committee to make final decisions, it is the church that would have the final authority for the distribution of funds, not the treasurer or committee.

COOPERATIVE PROGRAM & ASSOCIATIONAL FUNDS
All monies identified by the church as Cooperative Program and associational funds should be sent promptly to the proper organization. Cooperative Program funds are sent to the state convention; associational funds are sent to the associational office or associational treasurer. Disbursements of these funds should be the first check written from the undesignated receipts received by the church. This would be in keeping with what the church asks the church membership to do – write the tithe check first and then other bills. Ideally the checks should be sent on Monday of each week. If this is not acceptable to the church then the checks should be sent on the last Monday of the month. Special arrangements should be made for checks to be written following the evening service of the last Sunday in December and mailed immediately. This will ensure the contributions for the church will be credited in the current year rather than in the next year.

The treasurer may need to advise the budget preparation committee in the computation of the percentage amount of the budget that will be designated to go through the Cooperative Program or to the association. Many churches often miscalculate this process. Cooperative Program and associational contributions by the church may be computed on percentages of the total amount of budget. The proper formula is to first establish the percentage to be calculated. For illustrative purposes we will use the figure of 10% for Cooperative Program and 3% for the association. The second step is to subtract the percentage from 100%. The third step is to ask, “The amount of the proposed budget is (the percentage subtracted from 100) of what amount?” Using our example, the statement would be “The amount of the proposed budget is 87% of what amount?” The fourth step is to calculate the total amount of the budget. This would be accomplished by taking the proposed amount without CP and association amounts and dividing it by the total percentage of CP and association. In our example the percentage is 13%. If the proposed budget were $100,000 then the CP and association amount combined would be $14,494. Add that amount to the proposed budget to obtain a total budget of $114,942. The fifth step is to calculate the exact CP amount. In our example $114,942 would be multiplied by 10% giving the CP amount of $11,494. The sixth step is to calculate the exact association amount. In our example $114,942 would be multiplied by 3% giving the association amount of $3,448. To double check the process take the basic budget amount ($100,000) and add the CP amount ($11,494) and the association amount ($3,448) to make sure you get the total budget of $114,942. The chart on the following page might be useful.
### HOW TO FIGURE COOPERATIVE PROGRAM & ASSOCIATIONAL PERCENTAGES

*(Based on a church giving 10% through the Cooperative Program and 3% to the association)*

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Formula/Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Anticipated cost of all budgeted ministries other than the Cooperative Program and the association.</td>
<td>$100,000</td>
<td></td>
</tr>
<tr>
<td>Step 2</td>
<td>Total percent church has determined to give through the Cooperative Program (10%) + the association (3%)</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Step 3</td>
<td>Percent of the total budget for all budgeted ministries excluding Cooperative Program and the association (100%-13%)</td>
<td>87%</td>
<td></td>
</tr>
<tr>
<td>Step 4</td>
<td>Total dollar amount of the whole budget including Cooperative Program and association ($100,000 / .87)</td>
<td>$114,942</td>
<td></td>
</tr>
<tr>
<td>Step 5</td>
<td>Dollar amount budgeted for Cooperative Program ($114,942 x .10)</td>
<td>$11,494</td>
<td></td>
</tr>
<tr>
<td>Step 6</td>
<td>Dollar amount budgeted for association ($114,942 x .03)</td>
<td>$3,448</td>
<td></td>
</tr>
<tr>
<td>Step 7</td>
<td>Recheck your figures by adding Step 1 + Step 5 + Step 6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other budgeted ministries</td>
<td></td>
<td>$100,000</td>
<td></td>
</tr>
<tr>
<td>Cooperative Program (10%)</td>
<td></td>
<td>$11,494</td>
<td></td>
</tr>
<tr>
<td>Association (3%)</td>
<td></td>
<td>$3,448</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BUDGET</strong></td>
<td></td>
<td><strong>$114,942.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

Used by permission from the Alabama Cooperative Program/Stewardship Development Office.
DESIGNATED FUNDS

Designated funds are monies received by the church that have special attachments to them. It is strongly suggested that all designated gifts should be disbursed for the specific purposes for which they were given. For public relations reasons it is also suggested that if designated funds are to be spent for items other than what they were designated for that the person or persons that gave the money be contacted and given the opportunity to give their permission for the funds to be spent for a different item, or for the persons giving the money to request their money be returned. The donor will need to file an amended tax return if the money is returned and the donors have already claimed a tax deduction on the contribution.

UNIQUE OR MISCELLANEOUS REQUIREMENTS
Unique or miscellaneous requirements for payment will present themselves from time to time and should be handled in accordance with the appropriate and current written financial policies and guidelines of the church and or by the finance committee.

HOW IS THE MONEY DISPURSED?

CASH
Cash disbursements should be the exception and not the rule, but it will happen. All cash disbursements should be made in accordance with current written financial policies and guidelines of the church. No cash disbursements should be made unless a written request has been received for the disbursement. A paper trail is vital to provide for adequate auditing. Accountability is important.

CHECKS
It is suggested that all disbursements be made by check and require two signatures. It is suggested that one of the signatures may be that of the church treasurer. The cosigner could be the church secretary, the financial secretary or a member of the church financial committee. When the treasurer’s signature is the only signature required on checks, a heavy responsibility is placed upon this person. Many churches have a financial secretary who does all record keeping, writing checks, etc. and the treasurer supervises and signs checks as authorization for disbursement of funds.
HOW DO I KNOW THAT IʼM DOING IT RIGHT?

KEEP ACCURATE RECORDS
Accurate and detailed records are essential to make sure all policies and procedures are followed. If records are incomplete or missing, questions may arise. It is the responsibility of the treasurer to make sure all records are being completed and filed, even if someone else is doing the bookwork.

FOLLOW ESTABLISHED CHURCH GUIDELINES
When a person assumes the position of church treasurer one of the first things to be done is to study the financial policies and guidelines of the church. If the policies and guidelines are nonexistent or incomplete it is the responsibility of the treasurer to request the church remedy the situation as soon as possible.

BONDING INSURANCE
On page 140 of this manual the statement is presented that members of the Counting Committee should be bonded. In fact, bonding insurance should also be purchased to cover anyone in the church that handles money.

ACCOUNTABILITY INVOLVES EVERYONE
Basically, in a Baptist church, anyone who chooses to may ask to see or question financial information. There are a few people or organizations that may inquire into the financial procedures of the church. Those inquiring could be the pastor, staff member, financial committee and internal or external auditor or audit committee. It also could be the local, state or federal government. It is suggested that a professional financial person, C. P. A. or lawyer, be consulted before turning over financial information if an individual, organization, group, or government official requests to see financial information that is not publicly available.

THE MINISTER, CHURCH EMPLOYEES, AND TAXES
It is important for the leaders in the church financial structure to know the unique federal tax opportunities that exist for ministers.

First, a minister is doubly taxed. A minister is taxed as an employee for salary purposes and a minister is taxed as a self-employed person for Social Security purposes.

Second, because a minister is taxed as an employee for salary purposes, the minister must receive a W-2 to report the taxable income from the church. This amount is placed in box 1 of the W-2 form. The taxable income for a person claiming ministerial status is the salary amount minus the housing allowance amount. The housing allowance amount should be listed in box 14 of the W-2. Further information on housing allowance and other allowable deductions is found on page 100 of this book.

Third, a church may not arbitrarily payroll deduct money from the paycheck of a person claiming ministerial status for federal taxes, Social Security, or state taxes. If the minister wishes the federal taxes and state taxes to be turned in on behalf of the minister, he/she must submit to the church a written request with a specific amount stated in the request for a specific year. When the church has received a written request then the identified amount can be payroll deducted and sent in quarterly. The federal taxes will be sent in accompanied by a 941 form.
REPORTS, REPORTS...

REPORTING TO THE CHURCH
Reporting to the congregation is as important as proper distribution and recording. An informed church is more responsible and active than an uninformed church. Therefore, the reporting should be as informative and open as possible. It should be as simple but as detailed as needed. Some churches will require that every penny brought into the church and sent from the church be presented to the church membership during regular business meetings for discussion. Some churches will request the financial committee maintain a close vigil over the finances and make a general or summary report to the congregation at the regular business meetings. It is the responsibility of the church treasurer to make sure the reports are completed, accurate and presented at the proper time to the proper group. Even churches with a financial secretary should have the treasurer be the final surveyor of the reports before they are given to the proper group.

The financial policies and procedures of the church should outline when the financial reports are to be given. The church treasurer should be aware that the church could call for a report at anytime by following the guidelines and procedures.

COMMUNITY
During the life of a church the church financial information may become public information. When this need arises it should be granted by agreement by the congregation. Most of the time this type of need will arise when the church is in a position of needing to secure finances from an external source (such as a loan for a building program). Again, it is the responsibility of the church treasurer to make sure the information needed is gathered and presented in a proper fashion. The church treasurer should also review the requested information to make sure no confidential information is disclosed.

... AND MORE REPORTS

DENOMINATION
Because a Southern Baptist church is an autonomous body it is under no obligation to disclose any financial information. The church may voluntarily give financial information to the association, state convention and/or Southern Baptist Convention. An illustration of this voluntary disclosure is the Annual Church Profile that is compiled by the church and sent to the associational office. It is also sent to the state office and the SBC offices. There are several questions on the ACP relating to the finances of the church. Usually the church treasurer is instructed by the church to provide the person completing the ACP that financial information. If the church enters a financial arrangement with a denominational entity or agency it will be required to provide that entity or agency some financial information.

GOVERNMENT
While the financial secretary may compile the information and fill out the governmental regulation forms, the Church Treasurer is responsible for following Internal Revenue Service regulations concerning payroll tax reporting for church staff and employees. These responsibilities are revealed and outlined in IRS Publication 15, Circular E, Employer’s Tax Guide. These guidelines change from year to year in some details, so it will be the responsibility of the church treasurer to make sure all forms and information are filed completely and correctly. There is a “Records Retention Checklist” on page 138 to assist the church treasurer in knowing how long to keep records and what records to keep.
CONTRIBUTION REPORTS
As stated on page 110 of this manual, IRS regulations require contribution reports to be prepared and presented to all members and non-members who have contributed to the church's budget or designated accounts. These reports are to be kept as a record in the financial office. Any gift to the church must have documentation (i.e., cancelled check, recorded offering envelope or letter from the church acknowledging receipt of goods or money). Individual privacy of these gifts and the records is extremely important. Please refer to page 103 for the Charitable Contribution Substantiation Rules.
FEDERAL REPORTING REQUIREMENTS FOR SOUTHERN BAPTIST CHURCHES

(The following information is a summary of material obtained from the GuideStone Financial Resources of the Southern Baptist Convention. For a complete copy contact your Baptist State Convention.)

The most important federal reporting obligation for most churches is the withholding and reporting of employee income taxes and Social Security taxes. These payroll-reporting requirements apply, in whole or in part, to almost every church. Yet many churches do not comply with them because of unfamiliarity. This can lead to substantial penalties.

Warning: Federal law specifies that any corporate officer, director or employee who is responsible for withholding taxes and paying them to the government may be liable for a penalty in the amount of 100% of such taxes if they are either not withheld or not paid to the government. This penalty is of special relevance to church leaders, given the high rate of noncompliance by churches with the payroll reporting procedures.

Many churches do not fully comply with the IRS rules and regulations. Here are factors that cause many churches not to fully comply:

- Many church treasurers are unpaid volunteers lacking any specialized knowledge of the unique rules that apply to churches.
- Many church treasurers are annually elected and as a result, the turnover rate can be high. This does not permit treasurers to fully understand the application of the payroll tax reporting rules to churches.
- Some church treasurers assume that churches are exempt from any reporting requirements. This is a false assumption. The courts have rejected the argument that the application of the payroll tax reporting rules to churches violates the constitutional guaranty of religious freedom.
- There are a number of unique rules that apply to churches. Churches cannot be treated like a small business in the community. These special rules include the following:
  1. Ministers are always self-employed for Social Security purposes with respect to their church compensation. This means that they pay the “self-employment tax” (SECA) rather than the employee's share of Social Security and Medicare taxes (FICA)-even if they report their federal income taxes as a church employee.
  2. A minister’s wages are not exempt from income tax withholding. Ministers use the estimated tax procedure to pay their federal taxes, unless they have entered into a voluntary withholding agreement with their employing church. Most ministers should report their income as employees. The church is to issue a W-2 to the minister.
MAXIMIZING TAX BENEFITS FOR MINISTERS

MINISTER’S HOUSING ALLOWANCE
The most important tax benefit available to ministers who own or rent their homes is the minister’s housing allowance exclusion. There are specific procedures that must be followed for housing allowance. These procedures are:

1. The minister must request to the church in writing prior to January 1 the amount of the salary that will be identified as housing allowance. The request must contain the year in which this request is to be applied.
2. The church must provide the minister a written response to the request.
3. The minister must establish the amount of salary to be identified as housing allowance. This amount is based on the fair market rental value of the property, maintenance, utilities and furnishings. The church may not establish the housing allowance amount.
4. The minister will not pay federal tax on the housing allowance. The minister must pay SECA on the housing allowance. The church may choose to report the housing allowance amount on the W-2 for the minister as a separate amount in the appropriate box.
5. The minister may only identify money that the minister is paying for housing items. An introduction to the IRS ruling concerning housing allowance can be found on page 12 of the IRS publication 525 “Taxable and Nontaxable Income.”

DIRECT PAYMENTS
An employee may receive benefit from items paid directly to a company or corporation on behalf of an employee. These items may revolve around insurances (life, health, disability) and retirement provided by the employer. When the church pays directly to the insurance company or to the retirement plan, the amounts paid will not be reported as income for the employee.

ACCOUNTABLE REIMBURSEMENTS
The best way for Southern Baptist churches to handle their ministry-related work expenses is to have the employing church adopt an accountable expense reimbursement process. With this process, (1) a church agrees to reimburse ministers (and other church workers, if desired) for those church ministry-related expenses that are properly substantiated as to date, amount, place and business purpose and (2) ministers are required to return any excess reimbursements (in excess of substantiated expenses) to the church. Requests to be reimbursed must be submitted within 60 days of the expenditure. Reimbursable expenses can not be funded through a salary reduction process.

In order for a church to establish the accountable expense reimbursement process the church must adopt a procedure for each accountable reimbursable item that is different from other reimbursable items. The procedure should contain four things: 1) name of the accountable reimbursable; 2) identify the persons or positions that can utilize the accountable reimbursable; 3) state what must be turned in to receive the reimbursable; and 4) how the church would pay the reimbursable. The procedure for auto allowance could not be used to cover a cell phone allowance because the request for each item would be different and the method of reimbursement for each would be different. A procedure for meal allowance and book allowance could be the same for both allowances if the request and the payment were the same.
COMPLYING WITH FEDERAL PAYROLL TAX

REPORTING OBLIGATIONS
Step 1. Obtain an employer identification number (EIN) from the federal government if this has not been done.

Step 2. Determine whether each church worker is an employee or self-employed.

- **Key Point.** Churches must withhold 31 percent of the compensation paid to a self-employed person who fails to provide his or her Social Security number to the church. This is referred to as “backup withholding,” and is designed to promote the reporting of taxable income.

- **Key Point.** Some employee benefits are nontaxable only when received by employees. A common example is employer-paid medical insurance.

- **Key Point.** The Church Annuity Plan offered through the GuideStone Financial Resources of the Southern Baptist Convention covers only employees from the church (i.e., those workers who receive a Form W-2 from the church). The GuideStone Financial Resources also offers the Ministers’ Annuity Plan (MAP), a retirement plan for self-employed ministers. Call the toll free number (800.262.0511) for more information.

Step 3. Obtain the Social Security number for each worker.

Step 4. Have each employee complete a Form W-4.

Step 5. Compute each employee’s taxable wages. The amount of taxes that a church should withhold from an employee’s wages depends on the amount of the employee’s wages and the information contained on his or her Form W-4. A church must determine the wages of each employee that are subject to withholding. Wages subject to federal withholding include pay given to an employee for services performed. The pay may be in cash or in other forms. Compensation that is not given in a monetary form (such as property) should be measured by its fair market value. Wages often include a number of items in addition to salary.

Here are some common examples:

- bonuses
- Christmas & special occasion offerings (includes love offerings)
- retirement gifts
- the portion of the employee’s Social Security tax paid by a church
- the personal use of a church-provided car
- purchases of church property for less than fair market value
- ministry-related expense reimbursements not under an accountable expense reimbursement arrangement
- imputed interest on below-market interest church loans
- most reimbursements of a spouse’s travel expenses
- forgiven or cancelled debts

Step 6. Determine the amount of income tax to withhold from each employee’s wages.

Step 7. Withhold Social Security (FICA) taxes from non-minister employees’ wages.

Step 8. The church must deposit the taxes it withholds. Churches accumulate three kinds of federal payroll taxes:

- income taxes withheld from employees’ wages
- the employees’ share of Social Security and Medicare taxes (withheld from employees’ wages)
- the employer’s share of Social Security and Medicare taxes
Step 9. All employers subject to income tax withholding, Social Security taxes or both, must file Form 941 quarterly. Form 941 reports the number of employees and amount of Social Security and Medicare taxes and withheld income taxes that are payable. Form 941 is due on the last day of the month following the end of each calendar quarter:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Due Date of Quarter Ending</th>
<th>Form 941 Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st (January-March)</td>
<td>March 31</td>
<td>April 30</td>
</tr>
<tr>
<td>2nd (April-June)</td>
<td>June 30</td>
<td>July 31</td>
</tr>
<tr>
<td>3rd (July-September)</td>
<td>September 30</td>
<td>October 31</td>
</tr>
<tr>
<td>4th (October-December)</td>
<td>December 31</td>
<td>January 31</td>
</tr>
</tbody>
</table>

Step 10. Prepare a Form W-2 for every employee, including ordained ministers on the church’s staff.  

Step 11. Prepare a Form 1099-MISC for every self-employed person receiving non-employee compensation of $600 or more. To illustrate, if an evangelist or guest speaker visited a church in 2006 and received compensation from the church in an amount of $600 or more (net of any travel expense reimbursement properly accounted for by the recipient) then the church must issue the person a Form 1099-MISC before February 1, 2007.

REPORTING GROUP TERM LIFE INSURANCE

Include in the income of church employees the imputed cost of group-term life insurance paid for by the church for coverage in excess of $50,000. Also, if the church provides group term life insurance on the life of a spouse or dependent that exceeds $2,000, you must include the imputed cost of the policy.

NEED HELP COMPLETING A W-2, W-3, 1099 OR 1096 FORM?
The IRS operates a centralized call site to answer questions about reporting information on these forms. If you have any questions about completing these forms, call the IRS at 304.263.8700, Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Standard Time.

OTHER IMPORTANT FEDERAL FILING REQUIREMENTS FOR CHURCHES
Form I-9
Every employer in the United States is required to confirm the identity of all new employees and verify that they are either American citizens or aliens legally authorized to work in this country.

- Employers should have completed a Form I-9 for all employees hired after November 6, 1986. The Form I-9 should be completed when the employee begins work.
- Retain every Form I-9 for at least three years.
- Present a Form I-9 for inspection to an Immigration and Naturalization Service (“INS”) or Department of Labor officer upon request.
CHARITABLE CONTRIBUTION
SUBSTANTIATION RULES

Substantiation of contributions of $250 or more: Donors will not be allowed a tax deduction for any individual cash (or property) contribution of $250 or more unless they receive a written acknowledgment from the church that satisfies the following requirements:

- The receipt must be in writing.
- The receipt must identify the donor by name (a Social Security number is not required).
- For contributions of property (not including cash) valued by the donor at $250 or more, the receipt must describe the property. No value should be stated.
- The receipt must state whether or not the church provided any goods or services to the donor in exchange for the contribution and if so, the receipt must include a good faith estimate of the value of those goods or services.
- If the church provides no goods or services to a donor in exchange for a contribution or if the only goods or services the church provides are “intangible religious benefits,” then the receipt must contain a statement to that effect.
- The written acknowledgment must be received by the donor on or before the earlier of the following two dates: the date the donor files the original return for the year the contribution is made, or the due date, excluding extensions, for filing the return. This information can be found on page 13 of IRS Publication 557.
- More information on Charitable Contributions can be found in the IRS Publication 526, Charitable Contributions.
COOPERATIVE PROGRAM EDUCATION*

In many churches the responsibility of sharing information concerning the Cooperative Program is given to the pastor. Many times the pastor does not feel comfortable in guiding the church to consider this mission-funding program. In many churches a budget development committee determines the amount or percentage of gifts given through the Cooperative Program. Someone needs to be assigned the responsibility of making sure this committee is familiar with the Cooperative Program and understands the church’s desire concerning mission funding. So many times a budget preparation committee will view the Cooperative Program as just another bill to be paid. Since the church treasurer is usually someone who is going to be or has been in position for a number of years, assigning the responsibility for such education to the church treasurer seems to be a logical step.

The church treasurer should gather information from the Stewardship/Cooperative Program Office of the Baptist State Convention concerning the current and, if available, proposed Cooperative Program budget. This should provide information vital to the budget preparation committee.

The church treasurer should also request the budget preparation committee seek a statement, if not already in print, from the church concerning the church’s desire for mission funding. This could be done through a discussion and vote during a church business meeting. If there is a missions committee of the church the budget preparation committee could ask the missions committee provide a statement. Such a statement will help the budget preparation committee to properly situate the Cooperative Program within the proposed budget.

Another aspect of Cooperative Program education is getting information into the hands of church members concerning the Cooperative Program. Again, many times the pastor does not feel comfortable in doing this. The church treasurer should make sure that someone has the responsibility and has developed a plan to help educate the church membership about the Cooperative Program.

* Cooperative Missions is Virginia Baptists’ long-standing commitment to the Cooperative Program.
TAX-EXEMPT STATUS

One of the greatest misunderstandings in church life is in the area of tax-exempt status. Many people believe that a church is totally absolved from paying any type of tax. This is an incorrect assumption. Receiving a tax-exempt status from the federal government simply exempts the church from paying federal income tax. Sales tax is a state issue that varies from state to state.

First, many church financial leaders have not had any instruction relating to the definition of being a tax exempt organization. They operate from a point of view of folklore deliberations. These type of deliberations occur when a group of people discuss an issue and whatever seems to be the prevalent thought within the group must be what is correct.

Second, many church leaders come to serve churches in one state from churches in other states. They bring with them their understanding of laws and regulations from the state they left but their understanding might not be accurate for the new state.

In order for an organization to be recognized as a tax-exempt (nonprofit) organization it must receive a 501 (c) (3) recognition from the IRS. This is accomplished by filing a Form 1023. In publication 557 it states that churches do not need to file a Form 1023 in order to be recognized as a tax-exempt organization. In another publication it states that in order to avoid any confusion during an audit it might be wise for a church to have a tax-exempt number.

If a church wishes to obtain its own 501 (c) (3) nonprofit status from the IRS the first step is to become incorporated within the state of residence. On page 19 of Form 557 it states that as part of the filing of Form 1023 the organization must include a copy of the articles of organization. Therefore, churches would need to complete the incorporation process with the Secretary of State’s Office. After receiving the incorporation number the church then will make application to the IRS to receive a 501 (c) (3) status by filing a Form 1023.

If a church does not wish to have their own 501 (c) (3) they can still be identified as a nonprofit organization if the church is attached to a parent or over arching organization that has a 501 (c) (3) status from the IRS. Churches that are members of a Baptist State Convention can use the convention’s nonprofit number and be recognized as a nonprofit organization. In order to obtain the nonprofit number contact the business office of the Baptist State Convention.
ETHICS

One problem that a church treasurer may face is what to do when the church and/or church staff member wishes to have a situation handled in one fashion but the law or IRS code instructs the treasurer to handle it in another fashion. The treasurer usually knows of one or two responses: 1) to follow the directions of the church and/or church staff member; and 2) to tell the church and/or church staff member that their direction does not fit within the guidelines of the law and ignore the request.

Here are some steps that are suggested for the church treasurer to follow:

1. Obtain a written statement of the law or IRS guideline that relates to the issue in question.
2. The church treasurer should then present the law and/or guideline to the church and/or church staff member.
3. If the original request came from a church staff member and after being presented with the proper fulfillment of the request the church staff member does not change the request, the church treasurer should present the situation to the finance committee. If there is no finance committee, the church treasurer should present the situation to the church.
4. If the original request came from the church, the church treasurer should present the written law and/or guideline of the proper way to handle the issue and request the church to reverse their earlier request.
5. If the church does not allow a reversal of the original request from either the church and/or the church staff member, the church treasurer should consider resigning the position.

Here are some notes from a presentation on ethics by John Theriot, CPA, Knight-Madsen Accounting Firm, Alexandria, Louisiana:

Ethic – noun:
1. Ethics plural but usually singular in construction the discipline dealing with what is good and bad and with moral duty and obligation <ethics has been called the science of the ideal of human character. Synonyms: morals.
2. A group of moral principles or set of values such as “the Christian ethic”. Synonyms: morality, morals, mores.
3. Ethics plural the code of conduct or behavior governing an individual or a group (as the members of a profession) such as “medical ethics”. Synonyms: principles. Related Word: moralities, morals, mores; criteria, standards.
4. The complex of ideals, beliefs, or standards that characterizes or pervades a group, community, or people such as “the American work ethic”. Synonyms: ethos. Related Word: belief, ideal, standard, value.

Business Ethics:
1. Being ethical is no guarantee you will get along with others. Their agendas may be different. But you have not chosen an ethical direction for the benefit of anyone but yourself as the result of your relationship with God. Conflict is natural. Resolution of conflict is a continuing need.
2. Being ethical does not mean “confidentiality at all costs.” If someone on the same team you are on is committing a blatantly immoral act, discretion is important. However, responsibility is a must. The biblical formula is go to that person and confront. If the behavior continues, take someone with you. If it still continues, take the matter to a responsible body.
3. Being ethical does not mean you will be free of stress. Wayne Oates feels “to be ethical means to be able to hang together as a whole person with integrity in the face of stressful decision making.” It is not freedom from stress; it is strength during stress.
4. Being ethical means keeping your word. Wayne Oates in his book, “Convictions That Give You Confidence,” wrote, “The promises we make and keep endear the heart, the promises we make and break, break us apart.”

Taken from material by Brooks R. Faulkner is senior manager, LeaderCare Section, Pastor-Staff Leadership Department, LifeWay Christian Resources, Nashville, Tenn.

On a regular basis, ministry assistants are exposed to sensitive, confidential information. Our biggest temptation is to pass that information on to others. Many times we are asked outright by ministers, other staff members, and church members to divulge what we know about a confidential situation. Because God knows us so well, He knew how hard it would be for each of us to maintain the integrity of our office by keeping silent. Therefore, He has given us many, many guidelines and reminders:

“When words are many, sin is not absent, but he who holds his tongue is wise.”—Proverbs 10:19, NIV

“I will watch my ways and keep my tongue from sin; I will put a muzzle on my mouth.”—Psalm 39:1, NIV

“If anyone considers himself religious and yet does not keep a tight rein on his tongue, he deceives himself and his religion is worthless.”—James 1:26, NIV

Becky Brown, executive assistant, Westbury Baptist Church, Houston, Texas, says:

We teach ethics and demonstrate integrity to everyone in our office. We do so not only with words, but also with actions. The following scenarios speak for themselves:

“Yes, I’ll make a copy of pages from that book. It’s probably illegal, but oh well.”

“It’s OK if I take a long lunch. I work hard when I’m in the office.”

“I just spent 15 minutes on one personal call, and I need to call my mother, too. I don’t want to take time to make calls at home tonight.”

“By the time I stop by everybody’s desk to say hello and hear about their evenings and what’s new in their lives, I’ve used 30 minutes every morning.”

“I didn’t take time to stop and buy stamps after work yesterday. I’ll just use the church postage meter on these three personal bills.”

“It will be faster for me to make my personal copies at the church instead of stopping by a copy store on the way home. Also, I’ll be saving money. Every penny counts.”

“You know, I think the Wilson’s may be having marriage problems. I’ve seen them go into the pastor’s office several times lately.”

“I’m leaving at the stroke of 5:00 every day, even though I’ve been late getting here several mornings. I’ve made up the time by hard work.”

“Would you please pray for Alice’s son? He has a drinking problem. I’m sure she would not want anyone to know, but she needs the prayer support.”

“I’m taking a few pencils and paper clips home. It won’t cost the church much. Besides, they don’t pay me enough anyway.”

ETHICS AND CHURCH LEADERSHIP
An Article Written by Dr. Neil Chadwick

“Today, more than half of the largest corporations teach ethics to employees.”

“A growing number of business schools around the country are teaching ethics, a movement led not by academics but by the private sector. They force students to confront ethical dilemmas from corporate case studies and come up with their own responses. Stanford University’s Kirk Hanson presents his students
with 25 ‘Unavoidable Ethical Dilemmas in a Business Career,’ such as ‘When you are tempted to oversell your product to close the deal.’ “U.S. News and World Report, March 20, 1995, “The Bottom Line on Ethics.”

What are some of the “ethical temptations” for church leadership?
- Utilizing missions funds differently than promised.
- Allowing a receipt for tax deduction for personal gift received.
- Reporting personal miles driven as church use, or accepting mileage expense for a speaking engagement which provided an honorarium.
- Using office supplies/machines (phone) for personal purposes.
- Charging books (etc.) on the church account without agreement.
- Using church’s tax exempt number for personal items.
- Using the church van for personal purposes.
- Enrolling children in church school and not paying tuition.
- Expecting businessmen in the congregation to provide goods and services free.
- Raising money for a building program which is never undertaken.
- Receiving a love offering for a guest singer or musicians and not turning over to them the entire amount.
- Treating church employees as “independent contractors”.
- Hire dedicated part timers to avoid having to provide benefits.
- Involvement in Network Marketing to supplement your income while on full-time salary.
- Allowing decisions to be influenced by the one member who pays the most tithes.

ETHICS IN THE AIRLINE BUSINESS
A Case Study of Delta Air Lines by Everton E. Morris

In everyday life, most people practice adherence to a code of ethics. The two major codes of ethics in American life are “church” ethics and business ethics. Each ethical code has a distinct definition and framework that often leads to conflict with the other code. While this conflict poses a dilemma for business, talented executives should be able to successfully reconcile the disputes between the codes in their professional lives. A key component of church ethics is a consideration of other people. The practitioner must be concerned about the welfare and success of others. Church ethics also involves according people the same degree of respect and compassion that the practitioner wishes to be accorded throughout his or her lifetime. This notion is the essence of the golden rule, which is found in many cultures: “Treat others in the same way you wish to be treated.”

Business ethics can be defined as a method of thinking and behavior designed to maximize the success of the corporation, as defined as the company’s profits. Like church ethics, business ethics is designed to promote a favorable outcome for the practitioner. However, unlike church ethics, business ethics does not provide for much consideration of the well-being of others. Business ethics often does not take into serious consideration the well-being of those at the bottom of the corporate structure: rank-and-file employees. Indeed, practitioners of business ethics are required to act in the best interests of the corporation’s shareholders and customers first, with employees only receiving marginal attention at best.

In an ideal world, church ethics and business ethics would be able to coexist in mutually exclusive spheres. Church ethics would be practiced in day-to-day activities, while business ethics would be solely confined to corporate life. Given the centrality of business to American life, however, the two codes of ethics inevitably clash, and business leaders must make the difficult decision of whether to follow church ethics or business ethics in a given situation.
A real-world example of the clash between church ethics and business ethics involves Atlanta-based Delta Air Lines, one of the world’s largest air carriers. Since September 11, 2001, Delta has lost well over one billion dollars. The company has had to layoff, furlough, or offer voluntary leaves to thousands of its employees. Delta Air Lines Chairman and CEO Leo Mullin has been a leading advocate for the federal government providing billions of dollars in aid for the airline industry, playing a leading role in lobbying both immediately after 9/11 and during the current legislative campaign. While speaking of hard times for the industry in Atlanta and Washington, Mullin and other senior Delta executives have been granting themselves millions in cash bonuses over the past year. Delta’s top five executives received $4.8 million in bonuses last year, with Leo Mullin alone receiving a $1,401,188 annual bonus. The other executives – Fred Reid, Michele Burns, Vicki Escarra, and Robert Coleman – received bonuses ranging from $542,850 to $1,233,750. In addition, these executives requested and received from the Delta Board of Directors individual trust funds that would protect the executives’ pensions in the event the company had to file for bankruptcy. The irony of this request is that while management was seeking to protect its pensions, the company imposed sweeping pension changes that will greatly reduce the money received by the rank-and-file upon retirement.

In this case, Delta’s management had a decision to make: do they follow business ethics and grant themselves the largest compensation packages earned at Delta to date, or do they follow church ethics and forego the bonuses in recognition of the reductions-in-force and benefit degradations that the rank-and-file have been experiencing since late 2001? Admittedly, this was probably a difficult issue for the executives, as they had to balance their humanitarian concern for the workforce with the desire to maximize their personal success making as much money as possible. Nonetheless, a reasonable argument could be made that the executives would have placed themselves and the company in a better position over the long-term by choosing an alternative solution based on church ethics.

Had the executives used church ethics, they might have realized that the $4.8 million in bonuses were not well deserved by a management team that was losing more money than previous Delta management has ever lost in the company’s history. Management might also have realized that the bonus money could have been used to maintain or recall hundreds of front-line employees at airports that are severely understaffed. At worst, Delta management may have opted to simply leave the money in the company’s accounts, adding a very small but nonetheless useful layer to the company’s formidable cash-on-hand balance.

As the Delta Air Lines case demonstrates, successfully navigating two distinct and conflicting codes of ethics can be a daunting challenge. However, it is imperative for corporate executives and to establish a proper balance between the two codes. Otherwise, they will end up failing according to both ethical codes, and will stifle the very success that they sought to create in the first place.

First Thessalonians 4:11-12 gives a good summary of business ethics for ministry assistants: “This should be your ambition: To live a quiet life, minding your own business and doing your own work, just as we told you before. As a result, people who are not Christians will trust and respect you, and you will not need to depend on others for enough money to pay your bills (TLB).
CHARITABLE CONTRIBUTIONS

In order for a church to be able to give contribution credit to individuals or corporations the church must do several things. The IRS states that by nature a church is a non-profit organization. However, it also says that in order to avoid any confusion a church should either become a 501 (c) (3) or attach itself to a parent organization that is a 501 (c) (3). In order to understand what it means to have a 501 (c) (3) please read the previous section of this book.

On page 12 of the IRS Publication 557 it states that a tax-exempt (non-profit) organization must provide a donor that has given more than $75 a written statement showing the donations. This written statement is to be provided the donor by either the date the donor files the original return for the year the contribution is made, or the due date, including extensions, for filing the return. These two deadlines are listed on page 13 of publication 557.

It is recommended that the church provide a written contribution statement to everyone who gave money regardless of the amount. While the government may set limits below which a church is not required to provide a contribution statement it is part of the stewardship education to provide a statement to everyone.

The church may give to an individual contribution credit for monies given by check or cash that is given directly to a financial officer of the church by the donor. The church may not give contribution credit to someone who merely states they gave cash, such as placing it in an offering plate, but did not give it to a financial officer. The church may also give contribution credit to someone who gives property, either real estate, clothes, furniture, etc., instead of money. The general rule for establishing the amount of the credit given is the fair market value of the property at the time of the contribution. However, there are certain IRS rules that must be followed. For further information on Charitable Contributions you may wish to consult the IRS publication 526. A church may also give contribution credit to an individual for services provided to the church. However, the services that are provided must fall within the scope of that individual’s regular job. For example, if a banker paints rooms in the church the banker cannot receive a contribution credit for the time that was spent painting. But if a painter paints rooms in the church and is not compensated for the work, the painter could receive contribution credit for the time that was spent painting.

A person may not receive contribution credit for monies given to individuals unless it was a decision of the church, a committee of the church, or an agent of the church. For example, if an individual pays for the camp registration fee for his or her children and at the same time expresses a desire to pay the registration fee for a specific individual neither the camp fee for his or her children nor the camp fee for the other individual is allowed for contribution credit. However, if the individual pays the camp fee for his or her children and then announces that extra money is being given to cover the cost of camp fees for anyone the church wishes to assist, then the extra fee (not the fee for his or her children) can be used for contribution credit. The reason is the church, or youth minister, etc., will make the decision as to the disposition of the funds. Another illustration is in the case of a fire destroying a home. An individual wishes to give anonymously to the burned out family and asks the church to receive his or her money and write a church check to the family. That money cannot receive a contribution credit because the individual made the determination of the distribution of the money. However, if the benevolence committee of the church announces that collections will be accepted to assist the burned out family, the money given then could receive a contribution credit.
DETERMINING THE VALUE OF DONATED PROPERTY

Sometimes people will donate property rather than money. When this happens how does the church establish a value of the property in order to give the donor a contribution credit and/or to sell the property?

The first step is to determine the fair market value of the property. The fair market value is the price that property would sell for on the open market. It is established between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. One item that must be considered in establishing the fair market value is the date of contribution. The fair market value must be established as of the date of contribution. Ordinarily, the date of a contribution is the date that the transfer of the property takes place.

Some would like to set the fair market value at the same monetary amount as the sale price of the property. On page 2 of IRS Publication 561 there is a five (5) part consideration of the sale price being equal to the fair market value: 1) the purchase or sale took or sale was at “arm’s length”; 3) the buyer and the seller knew all relevant facts; 4) the buyer and seller did not have to act; and 5) the market did not change between the date of purchase or sale and the valuation date.

More information concerning donated property can be studied by viewing IRS Form 561.
UNRELATED BUSINESS INCOME

Churches that allow their facilities to be used for activities that are not defined as religious or necessary to the religious activity of the church and receive income from those activities must treat that income as unrelated business income. The outcome of having unrelated business income is the church will have to pay tax on that income. IRS Publication 598 states:

The tax on unrelated business income applies to most organizations exempt from tax under section 501(a). These organizations include charitable, religious, scientific, and other organizations described in section 501(c), as well as employees’ trusts forming part of pension, profit-sharing, and stock bonus plans described in section 401(a).

DUAL USE OF ASSETS OR FACILITIES
If an asset or facility necessary to the conduct of exempt functions is also used in commercial activities, its use for exempt functions does not, by itself, make the commercial activities a related trade or business. The test, as discussed earlier, is whether the activities contribute importantly to the accomplishment of exempt purposes. For example, a museum has a theater auditorium designed for showing educational films in connection with its program of public education in the arts and sciences. The theater is a principal feature of the museum and operates continuously while the museum is open to the public. If the organization also operates the theater as a motion picture theater for the public when the museum is closed, the activity is an unrelated trade or business. For information on allocating expenses for the dual use of assets or facilities, see Deductions in chapter 4.

EXPLOITATION OF EXEMPT FUNCTIONS
Exempt activities sometimes create goodwill or other intangibles that can be exploited in a commercial way. When an organization exploits such an intangible in commercial activities, the fact that the income depends in part upon an exempt function of the organization does not make the commercial activities a related trade or business. Unless the commercial exploitation contributes importantly to the accomplishment of the exempt purpose, the commercial activities are an unrelated trade or business.

Examples
The following are examples of activities that were determined to be (or not to be) unrelated trades or businesses using the definitions and principles just discussed.

Book publishing: An exempt organization engages primarily in activities that further its exempt purposes. It also owns the publication rights to a book that does not relate to any of its exempt purposes. The organization exploits the book in a commercial manner by arranging for printing, distribution, publicity, and advertising in connection with the sale of the book. These activities constitute a trade or business regularly carried on. Because exploiting the book is unrelated to the organization’s exempt purposes (except for the use of the book’s profits), the income is unrelated business income. However, if the organization transfers publication rights to a commercial publisher in return for royalties, the royalty income received will not be unrelated business income. See Royalties under Exclusions in chapter 4.

Services provided with lease: An exempt university leases its football stadium during several months of the year to a professional football team for a fixed fee. Under the lease agreement, the university furnishes heat, light, and water and is responsible for all ground maintenance. It also provides dressing room, linen, and stadium security services for the professional team. Leasing of the stadium is an unrelated trade or business. In addition, the substantial services furnished for the convenience of the lessee go beyond those usually provided with the rental of space for occupancy only. Therefore, the income from this lease is rent from real property and unrelated business taxable income.
INTERNAL CONTROLS

DEFINITION
Accounting controls are defined by the American Institute of Certified Public Accountants (AICPA) as “the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records.”

Internal controls are a set of policies and procedures that will assist the organization (church) in following approved and legal policies and procedures. The Internal Controls Manual should be developed by the Finance Committee and presented to the church for approval. The Finance Committee should review the Internal Controls Manual periodically for any revisions that need to be made. If the church does not have a Finance Committee the church should elect a special committee to develop and review financial policies and procedures.

FINANCIAL POLICIES AND PROCEDURES MANUAL
The church should appoint a committee (Finance Committee if one is in existence) to develop and present to the church policies and procedures that would guide the financial life of the church. The items listed below are merely suggestions. It is up to the church to determine the actual items to include in the manual and the actual wording of the policies and procedures. Some of the items that should be considered in the Financial Policies and Procedures Manual are:

Money handling procedures:
- Counting and banking money on Sunday: A group of people should be elected by the church to count the money on Sunday morning and deposit the money in the bank immediately after church. The group should consist of no less than two people. At all times there should be a minimum of two people in the counting room. As the money comes into the counting room it should be divided into two work piles. Each person in the counting room should count the pile assigned to him/her. A tally sheet should be created for each person’s count and signed by the counter. When completed, the piles are to be switched and recounted. This should result in a verification of the tally sheet. The tally sheet should then be countersigned. The piles should be placed together, and a bank deposit slip should be created. The money and the deposit slip should be placed into a locked bank bag. The tally sheet, a copy of the bank deposit slip, and the offering envelopes should be placed in a secure place to be retrieved by the church treasurer. Any checks that come into the counting room that do not have an envelope should have an envelope created by the first money counter. Any cash not in an envelope when it enters the counting room should not be credited to any individual or group and no envelope should be developed for it.

- Handling money that comes in other than Sunday: The financial policies committee should develop policies and procedures for money that comes into the church when a counting committee is not present.

- How much cash to keep at the church: The financial policies committee should develop a maximum amount of money that is allowed to be kept in the church offices. Once this maximum is attained, the money should be deposited in the bank. Procedures for depositing the money should also be placed in the financial manual

- How to handle cash receipts: The financial policies committee should develop policies and procedures relating to securely handling cash that enters the church’s financial system. This should include giving a receipt to the person turning in the money and creating a paper trail for the cash.

- Check writing policies and procedures: The financial policies committee should develop policies and procedures relating to check writing. A group should be enlisted to sign checks. Checks should contain two signatures. The check signers should not be anyone that is on the counting committee. Nor should anyone that handles the financial bookwork be on the check signing group. The financial policies
committee should also establish a specific day of the week when checks will be signed. A policy should also be developed defining what an emergency check-signing situation is and the procedure to obtain signed checks in an emergency.

- Responsibilities and Procedures of a Finance Committee: It is recommended that the finance committee be charged by the church to develop and present to the church financial policies and procedures. The finance committee should further be charged with the responsibility of monitoring the financial policies and procedures to make sure the policies and procedures are being followed or the policies and procedures need to be revised. The church treasurer should serve as an ex officio member of the finance committee.

- Financial Policies and Procedures for building use: Guidelines for charging usage fees for use of church buildings and/or equipment should be established and adopted by the church. The policies should give occasions the buildings and/or equipment could be used for non-church activities. The procedures should give details of how the buildings and/or equipment should be reserved and how much to charge for their use.

- Policies and Procedures for church material use: In today’s highly complex world churches are finding they need to utilize gas credit cards, purchasing credit cards (such as Visa, MasterCard, American Express), computers, electronic media duplicating equipment, etc. to enable church staff and church members to carry out the daily activities of the church. Policies for the dispensing of such material should be developed. Procedures for the use of such materials should also be developed. These procedures shall not only give guidance to how to use the material, but also what is not allowed in the use of the material.

- Policies and Procedures for budget oversight: Once the budget has been developed and adopted by the church, it should be given to the church treasurer for oversight. The church treasurer would follow the guidelines as set forth in the Responsibilities of the Church Treasurer material and bring regular reports to the church. Update information should also be given to the finance committee. If there is a financial crisis, such as a cash short fall, the church treasurer should bring the matter to the attention of the finance committee. The finance committee would then review the appropriate policies and procedures and develop a course of action to get through the crisis. The finance committee would then instruct the church treasurer to follow the appropriate church adopted procedure. If the procedure needs to be altered for the immediate crisis or a new procedure needs to be created, the finance committee would recommend such to the church. If the church adopted the recommendation, the treasurer would then be instructed by the church to follow the new procedure until the crisis passed. Then current adopted procedures would take over for the church treasurer and the finance committee to follow.

- Purchasing Policies and Procedures: Many churches have an open checkbook approach to spending money that has been given to the church. Whenever someone in the church needs something, no matter how small or how large, they will purchase it and ask the church treasurer for either cash or a check to repay them for the purchase. While this may work fine for a very small congregation, it becomes very inefficient as the church grows in membership. A policy needs to be developed to guide church members in knowing how to go about purchasing items needed for church events. Procedures need to be developed detailing the specific steps involved in purchasing items for the church. An example of this would be a purchase order system. The policy could state that no purchases will be made or reimbursed unless a purchase order is obtained prior to purchasing the item. The purchase order would be given to the vendor upon purchase of an item. The purchase order number would be written on the receipt and given to the church treasurer. When the check is written to either reimburse the one who made the purchase or to pay the invoice that came in relating to the purchase, the receipt for the purchase and a copy of the purchase order would be attached to the unsigned check. This would give the check signers confidence that the proper procedures were followed. The purchase order system also has an advantage of allowing the financial leaders to know of incoming invoices or receipts prior to receiving them. This will help in the cash flow management of church funds.
• Policies and Procedures for designated monies: A policy needs to be developed that would define the process for determining if monies should be received by the church that has been identified to be spent in a specific way or for a specific item. Procedures need to be developed indicating how designated monies are to be received, reported, stored, and spent. A procedure also needs to be developed to give the church guidance if a designated item has funds attached to it, but the designated item no longer exists. An example of this is if a church collected money across a period of time for a new building. The building was built and paid for. However, the designated account for that building still had money in it for the building. According to IRS code any money received by an organization becomes the property of the organization upon receipt and not the property of the donor unless there was a legal written instrument attached to the money when it was given to the church. This means the church can spend it any way it chooses. That is the legal stance. The moral and ethical stance may alter the development of the procedure. It would be wise for the entire church to make the decision to spend money given for one purpose on another purpose. It might prove wise to inform the entire church of the decision that the church just made about spending designated money.

• Policies and Procedures for fund raising activities: Church members can come up with all sorts of reasons, and excuses, to hold a fund raising activity. Policies need to be developed that will give guidance as to what type of projects should be funded through a fund raising activity and what type of projects should not be funded through a fund raising activity. Procedures should be established guiding church members and church groups in how to obtain church permission for a fund raising activity, how to gather the material for the fund raising activity, how to handle the money received through a fund raising activity, what types of fund raising activities will be allowed to be associated with the church and what type of activities will not be allowed to be associated with the church.

• Policies and Procedures for contribution records: A statement relating to the receiving of charitable donations should be contained in the church’s incorporation documents. However, a policy outlining what is allowed as a charitable contribution and what is not allowed as a charitable contribution should be developed. IRS Publication 526 will be beneficial for developing this policy. Some of the things this publication states are:

**CONTRIBUTIONS FROM WHICH YOU BENEFIT**

If you receive a benefit as a result of making a contribution to a qualified organization, you can deduct only the amount of your contribution that is more than the value of the benefit you receive. Also see Contributions From Which You Benefit under Contributions You Cannot Deduct, later.

If you pay more than fair market value to a qualified organization for merchandise, goods, or services, the amount you pay that is more than the value of the item can be a charitable contribution. For the excess amount to qualify, you must pay it with the intent to make a charitable contribution.

**Example 1**
You pay $65 for a ticket to a dinner-program at a church. All the proceeds of the function go to the church. The ticket to the dinner-program has a fair market value of $25. When you buy your ticket, you know that its value is less than your payment. To figure the amount of your charitable contribution, you subtract the value of the benefit you receive ($25) from your total payment ($65). You can deduct $40 as a charitable contribution to the church.

**Example 2**
At a fund-raising auction conducted by a charity, you pay $600 for a week’s stay at a beach house. The amount you pay is no more than the fair rental value. You have not made a deductible charitable contribution.
CONTRIBUTIONS FROM WHICH YOU BENEFIT

If you receive or expect to receive a financial or economic benefit as a result of making a contribution to a qualified organization, you cannot deduct the part of the contribution that represents the value of the benefit you receive. See Contributions From Which You Benefit under Contributions You Can Deduct, earlier.

A basic rule of thumb is the contribution is acceptable when the determination of how the donated money is to be spent is determined by the church, a committee of the church, or an agent of the church (such as a staff member). If the donor determines how the money is to be spent the contribution can not be declared a charitable contribution and must not be placed on the contribution statement. An example of this is when an individual pays the camp registration fee for a child. That money can not be claimed as a charitable contribution. If an individual pays for his/her child to go to camp and gives extra money so that a specific child (example pastor’s child) can also attend, neither of those monies can be claimed. Both determinations on how the money was to be spent was decided by the donor. If an individual pays for his/her child and gave extra money for someone to be able to attend camp but didn’t specify who that individual was to be, that money can be claimed as a contribution.

- Policies and Procedures for special offerings: Policies need to be developed that will give direction as to which special offerings are allowed and which are not allowed. The procedures need to be developed to give direction as to how special offerings are to be handled.

- Policies and Procedures for bonding: Each person who is involved with the church’s financial process needs to be bonded as a way to protect the church from loss and damage. Bonding is done as a rider on the church’s property insurance.

- Policies and Procedures for petty cash: A policy needs to be developed that will give guidance as to the keeping of petty cash in the church office. The policy should state the maximum amount that should be allowed to be kept in the petty cash area. Procedures should be developed detailing how to request petty cash, dispense petty cash, and report petty cash.

RESPONSIBILITIES & PROCEDURES OF A CHURCH TREASURER

Duties of the church treasurer can be gleaned from the Basic Church Treasurer information in the front of this notebook and from the Finance Committee section of the Internal Controls material, listed above.

RESPONSIBILITIES & PROCEDURES OF A FINANCIAL SECRETARY

Most churches do not have a financial secretary. It is not a requirement as part of a quality financial structure, especially for small and medium size churches. Most larger churches will have a financial secretary. Many times there is a misconception as to the function of the financial secretary. The financial secretary should work as an assistant to the church treasurer. While the financial secretary will be the one that usually does the book work, entering contribution information, recording expenditures, writing checks, etc., it is the church treasurer that is legally responsible for these actions.

RESPONSIBILITIES & PROCEDURES OF A BUDGET PREPARATION COMMITTEE

The budget preparation committee is charged by the church with the responsibility of creating a budget for the new church fiscal year. The procedure directing this committee to the completion of its assigned task should be placed in written form and not left to each budget preparation committee to determine that process each year. Examples of budget development processes can be obtained from the state Stewardship Office of your state convention.

RESPONSIBILITIES & PROCEDURES OF AN AUDIT COMMITTEE

The church should have the financial records audited each year. This will add to the confidence level of the congregation that all things are being done correctly and properly. Ideally, this should be done by a certified auditor that has nothing to do with your church’s financial system. However, this ideal can be
very expensive. If the church can not afford this every year, a process needs to be developed whereby the
church will save money for a few years in order to pay for an outside audit. During the in between time,
the church should elect an internal audit committee. This is a committee comprised of church members
that do not have anything to do with the financial system of the church, except to give financially to the
church. This committee cannot give a professional, certified report of their examination of the financial
system. However, they can report that, to their untrained eye, the math seems to be correct, and the book
work seems to be in order. This will add to the confidence level of the congregation until a certified audit
can be obtained.

DEVELOPING A CHURCH AUDIT SYSTEM

Every church, no matter the size of the church, needs to have some type of financial audit completed every
year. This will give the congregation confidence that the financial policies that have been adopted by the
church are being followed. An audit will also give the congregation confidence that the accounting system
is in tact, functioning properly, and is accurate.

Ideally the audit should be done by a qualified firm or individual that has no contacts, other than the
audit, with the financial system of the church. The person doing the audit should not be a member of the
finance committee, the counting committee, nor the treasurer nor the financial secretary. If a firm is used,
the firm should not be the one that does the on-going financial accounting work. The major difficulty
with employing an outside firm or individual to conduct a full scale audit is the cost of the audit. It can
be expensive. Instead of dismissing the idea of an audit because the church can not afford one, the church
should take three steps of action.

First, the church should determine approximately how much an outside audit would cost. Take the
estimated amount and divide it by the number of years it would take for the church to accumulate the
necessary funds for an outside audit. (It is suggested the maximum number of years not exceed 5.) That
will give the budget preparation committee an amount to place in the budget each year. This money can
then be saved and expended at the appropriate time for the audit.

Second, the church should elect an internal audit committee. This committee would be elected as other
committees of the church are elected and follow the same rules and procedures set forth by the church for
serving on committees. Each member of the audit committee should have no working responsibilities with
any of the financial groups or processes of the church. The members of the audit committee should not be
a member of the finance committee, the counting committee, nor the treasurer nor the financial secretary.
The audit committee will exercise the assignment given the committee as often as has been stated by the
church when the audit committee was created. Most churches have the audit committee conduct their
work once a year. Some churches ask the committee to conduct their work once a quarter. The decision
as to how often the audit committee is to work is the decision of the church. The basic purpose of the
internal audit committee is to review the work of the finance committee (if the church has one) and church
treasurer to make sure the financial policies that have been adopted by the church are being followed.
The audit committee will also examine the process for recording contributions to make sure church and
federal government policies are being followed. The audit committee will also examine, to the best of their
ability, the accounting books of the church. Most of the time the committee will be looking to see if the
mathematics have been done correctly and to see if everything generally looks in order.

Third, the internal audit committee is to give a full report of its work to the church in the manner described
by the church. Most churches will ask for a verbal report with a written backup. Some churches will simply
ask that if nothing is out of order a written report be placed on file in the church office.
When most people hear the word audit, they immediately think of an examination of the financial records. While this is one type of audit, there are other types of audit that are recommended for a church. All these audits will have an impact on the financial system of the church.

There are several different kinds of audit. A few of them include:

- Financial Audit: Basically audits money. Attesting to the accuracy of the financial system.
- Internal or Compliance Audit: Basically audits procedures. Reviews the church policies and procedures that are in place and looks for internal controls that safeguard assets and enhance the accuracy of accounting records.
- Performance Audit: Basically audits people. This audit looks at specific personnel positions, how they function and perform their duties and the scope of authority.
- Equipment Audit: Basically inventories furniture and equipment. This audit would create a list of furniture and equipment owned by the church and the condition that it is in at the time of the audit. This would be especially helpful with insurance companies.
- IRS Audit: Basically reviews church records. This would likely review the church's tax exempt status and look for any unrelated business income activities, which would be taxable.

**FORM W-2 AND W-3**

The church must provide a Form W-2 to each employee of the church, including ministers that are employed by the church. The Form W-2 must be completed and transmitted to the employee by January 31.

Form W-3 is used by the church to transmit Copy A of the W-2 forms to the Internal Revenue Service. Copy A is a red copy and must be the original that is obtained from the IRS or at a local supplier, such as the library or local IRS office. Copy A of all W-2 forms should be attached and sent in with the Form W-3.

**ATTENTION:** This form is provided for informational purposes only. A penalty of $50 per information return may be imposed for filing such forms that cannot be scanned. To order official IRS forms, call 800.TAX.FORM (800.829.3676) or order online at Forms and Publications by U.S. Mail. You may file Forms W-2 and W-3 electronically on the SSA's website at Employer Reporting Instructions & Information. You can create fill-in versions of Forms W-2 and W-3 for filing with the SSA. You may also print out copies for filing with state or local governments, distribution to your employees, and for your records.
Church Treasurer’s Role
A church needs to have a budget to give financial direction and evaluation to the mission and ministries of the church. It will be up to the church treasurer to provide some needed information to the committee assigned the responsibility of budget development.

A new approach to developing a ministry based budget is to base the proposed budget goal on people goals rather than trying to guess how much money the church will receive during the next fiscal year. In order to accomplish this task the committee will need to base some projections on established projected income amounts based on people goals established by ministry leaders. An example of these goals is an average Sunday School attendance goal that is established by the Sunday School leaders of the church, or an average worship attendance goal established by the worship leaders of the church. Whatever goals are set, there should be a plan designed to guide that organization toward achieving the set goal. Once the organizations have established people goals and communicated those goals to the budget preparation committee, the committee can calculate a proposed budget goal. In order to complete the calculation of a proposed budget goal, the budget preparation committee will need some information provided by the church treasurer.

First the church treasurer will need to determine how money enters the financial structure of the church. The treasurer will need to create a list of paths money can take to enter the financial structure of the church. Then the treasurer will need to review the income for the church over the previous twelve months to establish the percentage of the total monies for each of the methods of entry into the financial structure. In other words, determine how much money came into the financial structure through the Sunday School. Divide that amount by the total amount of undesignated money the church received. That will give a percentage of Sunday School money. Make this computation for each pathway of entry into the financial structure.

Second the church treasurer will need to compute a per capita amount for each pathway. This is accomplished by taking the total amount brought in through a particular pathway (such as Sunday School) and dividing it by the average attendance or participation in that particular ministry, group, or event. This will give an average giving amount per person – also known as a per capita amount.

When the church treasurer provides the budget preparation committee these three pieces of information (total amount brought in through each pathway, percentage of the total income for each pathway, and the per capita amount for each pathway) the committee can calculate the proposed budget goal.

The budget preparation committee will take the information and the people goals from the various ministries, groups, committees, and events. They will select one people goal as the base element to calculate a budget goal. They will multiply the selected people goal by the per capita amount for that pathway. This will give a projected income for that pathway. They will then take the projected income for that pathway and multiply it times the percentage of that pathway to the total income. That will be the proposed budget goal.

Third the church treasurer should make sure the budget preparation committee has the correct formula to calculate the proper amount for Cooperative Program and Associational giving. The formula can be found on page 94 of this book.
WORKING WITH GUIDESTONE (ANNUITY BOARD)

GuideStone Financial Resources of the Southern Baptist Convention (Annuity Board, SBC)* provides programs and services for church staff members - both ministerial and support staff. The church treasurer should be acquainted with GuideStone and able to advise the church committee charged with the responsibility of designing the compensation package for church employees.

GuideStone provides retirement plans and a full array of life, health, disability and accident plans for church staff members.

Helpful topics pertaining to church employee compensation are listed on the GuideStone Web site (www.guidestone.org).

They are:

- Ministerial tax issues
- Ministerial Tax Guide which includes information on complying with federal payroll tax reporting obligations
- Six steps to planning financial support for church employees
- Retirement plan for church employees
- Life and health plans for church employees
- Compensation study report

For more information, church treasurers can contact your GuideStone representative at the Baptist State Convention or GuideStone Customer Relations specialists are available by calling 800.262.0511, Monday – Friday, 7 a.m. to 6 p.m. CST.

* SBC messengers approved changing the Annuity Board’s name to GuideStone Financial Resources of the Southern Baptist Convention at the 2004 SBC Annual Meeting and authorized use of the new name pending the second vote in June 2005.
WORKING WITH THE PERSONNEL COMMITTEE ON SALARY COMPENSATION

It is the responsibility of the church treasurer to provide the committee that oversees the details of personnel compensation information to assist them with their work. The first piece of information is the amount of compensation each staff member is receiving and how it is divided out. The next piece of information is what is available for the committee to consider for each employee. Employees are divided into two areas: ministerial and support. There are three ways a church can assist a member of the staff in the area of compensation: 1) allow housing allowance; 2) direct payment; and 3) establish an accountable reimbursable plan. Let’s examine these three ways.

The first way a church can assist a staff member is through a Housing Allowance. This assistance is the only one that is limited to the ministerial staff only. The IRS does not define housing allowance as a benefit. It is salary. The part of the salary amount that is identified as housing allowance is given a special tax consideration. In other words, housing allowance is salary and should not be considered as a benefit.

A person has to qualify as a minister according to the guidelines set forth by the Internal Revenue Service. Currently the IRS is using the Knight test to qualify an individual. The Knight test asks five questions. In order to qualify a person must answer yes to four out of the five questions. However, they must answer yes to the first question before continuing on to the next four questions. The questions are:

1. Has the individual been ordained, licensed or commissioned?
2. Does the individual administer the sacraments?
3. Does the individual conduct religious worship?
4. Does the individual have management responsibilities?
5. Is the individual considered to be a religious leader?

Once the individual has been determined to meet the qualifications as outlined above, the church needs to do three things in order to allow the minister(s) a housing allowance.

1. The church must adopt a procedure to allow ministers to identify salary dollars as housing allowance. This is a once in the life of a church type of vote. If the church does not change the adopted procedure, the church will not have to revote the procedure or vote in an additional procedure.

2. The church must receive a written request from each minister requesting a specific amount of his or her salary be identified as housing allowance for a specific year. There is no specific form that must be filled out for this request. It can be done in any fashion the church chooses. Many church leaders ask if the church must vote each year on the request. This is entirely up to the church. However, if the church does not want to vote on the request each year the church must identify, in the adopted procedure, who will receive and respond on behalf of the church. The IRS does state that if the amount to be requested is not different from the previous year the minister does not need to submit an additional request for the new year. In order to avoid confusion in case the minister is audited, it is recommended the minister submit a written request each year even if the amount is the same.

3. The church must respond in writing that the request has been accepted and allowed by the church. It is important for the church to retain a copy of the request and the response. It is also important for the minister to retain a copy of the request and the response. This will help protect both the church and the minister in case the IRS considers auditing the minister concerning housing allowance.

4. On page 15 of the IRS Publication entitled “Tax Guide for Churches and Religious Organizations” it states: “The minister’s church or other qualified organization must designate the housing
allowance pursuant to official action taken in advance of the payment.” In advance means the declaration must be made prior to receiving the salary in which the housing allowance is defined. Many churches assume the words must designate mean the church be the one to define the amount of the housing allowance. However, it is a better approach to have the minister identify the amount and the church approve the amount. There are two basic reasons to allow the minister to define and the church to approve. First, if the church adopts the procedure, receives a written request, and responds with a written approval the church is removed from any liability. All the liability rests on the shoulder of the minister. Second, the church could negatively impact the minister’s tax situation by approving a different amount than the minister needs. If the minister is audited one of the questions that will be asked is for the minister to provide the auditor three figures: 1) the amount actually used to provide a home; 2) the amount officially designated as a housing allowance; or 3) the fair rental value of the home. Then the auditor will announce that the IRS will allow the lowest of those three numbers. If the church were to establish an amount that would be the lowest number and yet the minister actually spent more, the minister would lose the tax savings of the difference of the two numbers. It is far better for the church to allow housing allowance, the minister to define the amount, and the church to approve the amount.

The second way a church can assist an employee is through direct payment. Plainly stated if a church pays directly to a company on behalf of an employee, the amount paid is not reported as income and therefore is not figured into the taxable income amount. This is usually done with insurance and retirement programs.

The third way is to establish accountable reimbursement plans. An accountable reimbursable plan is one in which the employee spends his or her own funds and then is repaid those funds by the church or the church is to advance money to the employee for church expenses. There are some rules that must be followed in establishing an accountable reimbursable plan. On page 16 of the IRS Publication entitled “Tax Guide for Churches and Religious Organizations” it gives the three requirements for an expense procedure to be an accountable reimbursable: 1) it involves a business connection; 2) it requires the employee to substantiate expenses incurred; and 3) it requires the employee to return any excess amounts. It also states that “employee business expenses reimbursed under an accountable plan are: (a) excluded from an employee’s gross income; (b) not required to be reported on the employee’s IRS Form W-2, Wage and Tax Statement, and (c) exempt from the withholding and payment of wages subject to FICA taxes and income tax withholdings.” The following is a suggestion from the Stewardship and Cooperative Program Office of the Louisiana Baptist Convention concerning church adoption of an accountable reimbursement plan. A procedure for an accountable reimbursable should contain four items: 1) the name of the accountable reimbursable, i.e. auto allowance or cell phone allowance; 2) the position titles of the church employees that will be allowed access to the reimbursable plan; 3) what is to be turned in by the employee in order to be reimbursed; and 4) how the church will reimburse the employee. An example of a good reimbursable procedure is: “An auto allowance to be provided for the ministerial staff. When the number of church business miles is turned in, the church will reimburse at the current IRS mileage rate.” The church should establish a new reimbursable procedure for any item that contains different information – such as what is to be turned in and how the church is to pay. One question that usually arises concerning an accountable reimbursable procedure is what will be the control on such a procedure? The budget will be the controlling factor. For example if the church were to establish an auto allowance the amount of money placed in the budget for the auto allowance would be the maximum spent amount. If the individual who is allowed this benefit expends the total amount prior to the end of the budget year it will be up to the church to decide what to do. At that point the church can either increase the budget to cover the remaining portion of the year, or the church can explain to the employee that the budget cannot be increased and the rest of the year’s auto expenses will be borne by the employee.

There is a related issue for accountable reimbursable accounts. An auto allowance account is one that is most commonly provided by churches. The related issue is that any item that is covered by an accountable reimbursable account cannot be used as a deduction on the employee’s 1040 Tax Return if the reimbursed
amount was equal to the IRS allowed amount. For example, if the church allowed an auto allowance and reimbursed the employee at the current IRS rate the employee could not deduct those miles as business miles when the employee filed his or her income tax return. That would constitute “double dipping” which is not allowed by the IRS. However, if the church were to reimburse at a lower rate than the current IRS rate the difference could be deducted. If the church reimbursed for only a portion of the year, the unreimbursed miles could be deducted.

A few words concerning non-accountable reimbursement plans need to be added at this point. Also on page 16 of the IRS Publication entitled “Tax Guide for Churches and Religious Organizations” this information is listed: “If the church or religious organization reimburses or advanced the employee for business expenses, but the arrangement does not satisfy the three requirements of an accountable plan, the amounts paid to the employees are considered wages subject to FICA taxes and income tax withholding, if applicable, and are reportable on Form W-2. (Amounts paid to employee ministers are treated as wages reportable on Form W-2, but are not subject to FICA taxes or income tax withholding.) For example, if a church or religious organization pays its secretary a $200 per month allowance to reimburse monthly business expenses the secretary incurs while conducting church or religious organization business, and the secretary is not required to substantiate the expenses or return any excess, then the entire $200 must be reported on Form W-2 as wages subject to FICA taxes and income tax withholding. In the same situation involving an employee minister, the allowance must be reported on the minister’s Form W-2, but no FICA or income tax withholding is required.”

For a fuller understanding of the special situation of ministers and taxes please see page 9 of IRS Publication 15-A. The basic information from page 9 is also reprinted in the Employee or Contract Laborer Section of this book on page 133.
**MINISTER COMPENSATION PACKAGE**

**CHURCH ________________________**  **MINISTER’S NAME __________________**

### PERSONAL INCOME

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Taxable Income (W-2 Box 1)</th>
<th>Other (W-2 Box 14)</th>
<th>Social Security Income (W-2 Box 3)</th>
<th>Non-Taxed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td></td>
<td>XXXXX</td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Allowance</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Market Rental Amount Parsonage</td>
<td></td>
<td>XXXXX</td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Offset</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td>XXXXX</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td>XXXXX</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PROTECTION COVERAGE

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Taxable (W-2 Box 1)</th>
<th>Social Security (W-2 Box 3)</th>
<th>Direct Pay to Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Insurance</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Insurance (less 50,000)</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Insurance (over 50,000)</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRA</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annuity Board Retirement</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>XXXXX</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### MINISTRY RELATED EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Taxable (W-2 Box 1)</th>
<th>Social Security (W-2 Box 3)</th>
<th>Reimbursement Non Taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto ______ mile @ $.445*</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Expenses</td>
<td></td>
<td>XXXXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>XXXXX</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### TOTAL COMPENSATION PACKAGE

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Taxable Income (W-2 Box 1)</th>
<th>Other (W-2 Box 14)</th>
<th>Social Security Income (W-2 Box 3)</th>
<th>Non-Taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protection Coverage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The auto mile amount changes from year to year and the amount listed in the chart is for the 2006 calendar year. To obtain the current amount, please consult the IRS website.
HIRING NEW EMPLOYEES

If you would like a more complete statement directly from the IRS on rules relating to hiring new employees you can go to the following internet link: www.irs.gov/businesses/small/article/0,,id=98164,00.html

FORMS TO BE FILLED OUT WHEN HIRING SOMEONE NEW:

1. I-9 Employment Eligibility Verification Form - This form is completed and kept on file in the church office. IT IS NOT MAILED TO THE IRS OR ANY OTHER GOVERNMENT OFFICE.

2. W-4 Employee Withholding Allowance Certificate Form must be completed and a copy kept by the employee and the employer. This form is optional for those people who claim ministerial status as defined by the Knight Test (see page 6 of the Planning Financial Support booklet issued by GuideStone) used by the IRS. If this form is to be used by a person claiming ministerial status to request a voluntary payroll deduction for federal tax, place the amount to be deducted in line 6 and do not fill in the allowances line (line 5).

3. W-5 Earned Income Credit Advanced Payment Certificate (if they qualify and wish to take advantage of the Earned Income Credit.)

4. Social Security Number (SSN) - You are required to get each employee’s name and Social Security Number (SSN). You should ask your employee to show you his or her social security card. Record each new employee’s name and social security number from his or her social security card. Any employee without a social security card should apply for one using Form SS-5—Application for Social Security Card.

5. IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens - Do not accept an ITIN in place of an SSN for employee identification or for work. An ITIN is only available to resident and nonresident aliens who are not eligible for U.S. employment and need identification for other tax purposes. You can identify an ITIN because it is a 9-digit number, beginning with the number “9” and has either a 7 or an 8 in the fourth number and is formatted like an SSN (9NN-7N-NNNN).

6. Employee’s Withholding – The amount of income tax to withhold from employees’ wages should be calculated from the W-4. If a new employee does not give you a completed Form W-4, withhold tax as if he or she is single, with no withholding allowances. A Form W-4 remains in effect until the employee gives you a new one. For exceptions and invalid W-4’s, refer to Publication 15 Circular E, Employer’s Tax Guide (www.irs.gov/publications/p15/index.html).

7. You may also use the withholding allowance calculator to compute the amount to withhold (www.irs.gov/individuals/article/0,,id=96196,00.html).

8. W-2 Wage Reporting - After the calendar year is over, you must furnish copies of Form W-2, Wage and Tax Statement, to each employee to whom you paid wages during the year. You must also send copies to the Social Security Administration. If you do not provide the correct employee name and SSN on Form W-2, you may owe a penalty unless you have a reasonable cause. For a person claiming ministerial status place the total income minus housing in box 1. Place the housing amount in box 14. Place the total of box 1 and box 14 in box 3 (Social Security income) unless the person has opted out of Social Security. The minimum wage paid to an employee in order to file a W-2 is $200.

9. 1099 – A person that comes to provide a service for your church and is not an incorporated company and does the same service for pay for others can be considered a contract laborer. You will not withhold anything from the pay. If you pay the individual $600 or more total amount throughout the year, you will send the individual a Form 1099 by February 1 of the following year. You must secure a SSN# from the individual. If the individual does not give you a SSN# or an EID# you must withhold 30% and submit it to the IRS at the end of the year.
1096 – By February 1 of the following year, if you have issued any 1099’s, you will complete a 1096 and attach a copy of the 1099’s. The Form 1096 is a report form to the IRS alerting them that you have attached one or more 1099’s.

**FORM I-9 EMPLOYMENT ELIGIBILITY VERIFICATION**

All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States. This includes citizens and non-citizens. On the form, the employer must verify the employment eligibility and identity documents presented by the employee and record the document information on the Form I-9.

---

**LISTS OF ACCEPTABLE DOCUMENTS**

**LIST A**

Documents that Establish Both Identity and Employment Eligibility

1. U.S. Passport (not expired or expired)
2. Certificate of U.S. Citizenship (Form I-90 or I-469)
3. Certificate of Naturalization (Form I-550 or I-571)
4. Unexpired foreign passport, with a 185 chap or attached Form I-94 indicating uninterrupted employment authorization
5. Permanent Resident Card or Alien Registration Receipt Card with photograph (Form I-131A or I-551)
6. Unexpired Temporary Resident Card (Form I-558)
7. Unexpired Employment Authorization Card (Form I-688R)
8. Unexpired Reentry Permit (Form I-751)
9. Unexpired Refugee Travel Document (Form I-770)
10. Unauthorized Employment Authorization Document issued by DHS that contains a photograph (Form I-868A)

**LIST B**

Documents that Establish Employment Eligibility

1. Driver’s license or ID card issued by a state or issuing possession of the United States provides it contains a photograph or information such as name, date of birth, gender, height, eye color and address
2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color and address
3. School ID card with a photograph
4. Voter’s registration card
5. U.S. Military card or draft record
6. Military dependent’s ID card
7. U.S. Coast Guard Merchant Marine Card
8. Native American tribal document
9. Driver’s license issued by a Canadian government authority
10. On-dated or certified copy of a birth certificate issued to a state, county, municipal authority or establishment possession of the United States bearing an official seal

**LIST C**

Documents that Establish Employment Eligibility

1. U.S. social security card issued by the Social Security Administration (other than a card stating 1 is used for employment)
2. Certification of Birth Certificate issued by the Department of State (Form FS-442 or Form DS-11)
3. Original or certified copy of a birth certificate issued to a state, county, municipal authority or establishment possession of the United States bearing an official seal
4. Native American tribal document
5. U.S. Citizen ID Card (Form I-197)
6. ID Card for use of Resident Citizen in the United States (Form I-797)
7. Unauthorized employment authorization document issued by DHS that contains a photograph (Form I-868A)

---

**Church Treasurer’s Role**

127
**FORM W-4**

When a church employs someone there are several things the church must collect at the time of employment or on the first working day of the individual. There are basically three items that need to be collected: Form I-9, Form W-4 and a form specific to your state. Form W-4 is the Employee's Withholding Allowance Certificate. This will capture necessary information for tax withholding. The Form W-4 can also be used by a minister to declare voluntary withholdings of taxes. This is accomplished by completing line 6 instead of line 5.

### Form W-4 (2006)

**Purpose:** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

**Exemption from withholding:** If you are exempt complete only lines 1, 2, 3, 4, and 7 and sign the form. To validate your exemption for 2006, check the box under line 7 that applies to you. (You may go to Pub. 15, Tax Withholding and Estimated Tax for more information.

**Note:** You cannot claim exemption from withholding if (a) your income exceeds $50,000 and includes more than $300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

**Basic instructions:** If you are not exempt, complete the Personal Allowances Worksheet. The number of allowances you claim affects the amount of tax withheld. If you are married and you and your spouse both work, and you have children, you may claim additional allowances on Form W-4 to reduce the amount withheld.

**Tax credits:** You can take project tax credits into account in figuring your allowable number of withholding allowances. Credit for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 919, How Do I Adjust My Tax Withholding? for more information.

**Privacy Act and Paperwork Reduction Act Notice:** Use this worksheet any time you plan to claim deductions, claim certain credits, or claim allowances to income on your 2006 tax return

---

### Deductions and Adjustments Worksheet

| Note | Use this worksheet only if you plan to itemize deductions, claim certain credits, or claim allowances to income on your 2006 tax return. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions. For 2006, you may have to reduce your itemized deductions if your total income is over $150,500 ($75,250 if married filing separately). See Worksheet 3 in Pub. 919 for details.

| Enter | 6 | Enter if you are married and your spouse is not claimed as a dependent on your tax return.

| Enter | 7 | Enter if you are married and your spouse is a dependent on your tax return.

| Enter | 8 | Enter $0 if you did not have any wages, salaries, tips, or other income subject to withholding for the year. Enter your total wages and salaries subject to withholding for the year on line 9. Enter $0 if you had a total loss on all your investments. Enter the lesser of line 9 or $20,000.

| Enter | 9 | Enter the amount on line 5 by $1,500 and enter the result here. Drop any fraction.

| Enter | 10 | Enter the number from line 1, page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet).

| Enter | 11 | Enter the result here if you want to reduce your withholding.

---

### Personal Allowances Worksheet

| Note | Use this worksheet only if the instructions on line 1 do not direct you here.

| Enter | 1 | Enter the number from line H, page 1 (or from the line 10 above if you used the Deductions and Adjustments Worksheet).

| Enter | 2 | Enter the number from line 1, page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet).

| Enter | 3 | Enter an estimate of your 2006 adjustments to income, including alimony, deductible IRA contributions, and student loan interest.

| Enter | 4 | Enter the amount on line 3 by $500 and enter the result here. Drop any fraction.

| Enter | 5 | Enter the amount on line 4 by $1,500 and enter the result here. Drop any fraction.

| Enter | 6 | Enter your 2006 nonwage income (such as dividends or interest).

| Enter | 7 | Enter the result here, but not less than "-0-".

| Enter | 8 | Enter the amount on line 5 by $500 and enter the result here. Drop any fraction.

| Enter | 9 | Enter the number from the Personal Allowances Worksheet, line 1, page 1.

| Enter | 10 | Enter on Form W-4, line 5, page 1.

---

### Two-Earner/Two-Job Worksheet

See two耳ner/two jobs on page 1.

**Note:** Use this worksheet only if you have a working spouse or more than one job. Figure the total number of allowances you are entitled to claim on all jobs using worksheets only from one Form W-4. Your total number of allowances to income on your 2006 tax return. The number of allowances you claim affects the amount of tax withheld. If you are married and you and your spouse both work, and you have children, you may claim additional allowances on Form W-4 to reduce the amount withheld.

**Two-earner/two-job situations:** Complete all worksheets that apply. However, you may claim fewer (or zero) allowances.

- **Head of household:** Generally, you may claim a married filing jointly filing status to income only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependents or other qualifying individuals. See line E below.

- **Tax credits:** You can take project tax credits into account in figuring your allowable number of withholding allowances. Credit for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 919, How Do I Adjust My Tax Withholding? for more information.

**Privacy Act and Paperwork Reduction Act Notice:** Use this worksheet only if you plan to itemize deductions, claim certain credits, or claim allowances to income on your 2006 tax return.

**Basic instructions:** If you are not exempt, complete the Personal Allowances Worksheet. The number of allowances you claim affects the amount of tax withheld. If you are married and you and your spouse both work, and you have children, you may claim additional allowances on Form W-4 to reduce the amount withheld.

---

**Tools and Resources**

- **Tools and Resources**
- **A**
- **B**
- **C**
- **D**
- **E**
- **F**
- **G**
- **H**
- **I**
- **J**
- **K**
- **L**
- **M**
- **N**
- **O**
- **P**
- **Q**
- **R**
- **S**
- **T**
- **U**
- **V**
- **W**
- **X**
- **Y**
- **Z**

---

**Privacy Act and Paperwork Reduction Act Notice:** Use this worksheet only if you plan to itemize deductions, claim certain credits, or claim allowances to income on your 2006 tax return.
Each church that has paid employees and/or voluntary payroll deduction by a minister must send the taxes withheld to the IRS once a quarter. The form that is used to do this is a Form 941. If the amount to be filed is $2,500 or more the church must file a Form 941 once a month (see Making Payments with Form 941 on page three of this document). If a church does not withhold taxes from an individual’s pay (such as a minister that does not elect voluntary payroll deduction or a contract laborer), then the church will not send in a Form 941 with that individual’s information on it. Line 1 of the Form 941 is to be completed with the total of the wages, tips, etc. of people who have had taxes withheld from their paycheck.
APPLICATION FOR SOCIAL SECURITY NUMBER 
AND CARD

If the church employs an individual that is not a contract worker, the individual must provide a Social Security number to the church. If the employee does not have a Social Security number, the individual must apply to the Social Security Administration to receive a Social Security number. This is done by completing Form SS-5. Instructions can be found on the Social Security web site (www.ssa.gov).
Page 1 of IRS Publication 596 states, “The earned income credit (EIC) is a tax credit for certain people who work and have earned income under $35,458. A tax credit usually means more money in your pocket. It reduces the amount of tax you owe. The EIC also allows you to deduct certain tax-preferred savings to the extent that you expect to owe tax in 2006 for the year. Most churches will not be concerned about EIC. However, this information is provided as a resource in case EIC is a concern or an issue for an employee. The following form is a checklist to see if an employee is eligible to receive EIC. If the employee is eligible and would like to receive the credit throughout the year, the employee can fill out a Form W-5. The instructions and a sample of the form are at the end of this section of material.

EARNED INCOME CREDIT (EIC) AND FORM W-5
ADVANCED PAYMENTS FOR EIC

STEP 1. FIND OUT IF YOU ARE ELIGIBLE FOR ADVANCE PAYMENTS OF THE EIC
Answer the following three questions to see if you are eligible for advance payments of the EIC. Note. When the question says “expect,” you do not have to know that you will be able to answer “Yes” when you file your tax return. You can only make a best guess that you will be able to answer “Yes.”

Question 1. Do you expect to have a qualifying child? If the answer to Question 1 is “no” go to Question 2. You cannot get advance payments of the EIC.

Question 2. Tip: See the 2005 Form W-5 for the exact amounts. AGI and earned income are explained on pages 6, 10, and 22. Do you expect that your adjusted gross income (AGI) and earned income will each be less than about $31,000 ($33,000 if you expect to file a joint return for 2005)? If the answer to Question 2 is “no” go to Question 3. You cannot get advance payments of the EIC.

Question 3. Tip: If you are a farm worker paid on a daily basis, your employer is not required to pay you advance EIC. Also, you cannot get advance EIC unless your wages are subject to federal income tax, social security tax, or Medicare tax withholding. Do you expect to be eligible for the EIC in 2005 as explained in chapters 1, 2, 3, and 4? If the answer is “no” stop.

You cannot get advance payments of the EIC. Read the rules in chapters 1, 2, 3, and 4 and/or the instructions for Form W-5. Then answer “Yes” or “No.”

Note. The rules in chapters 1, 2, 3, and 4 are expected to be basically the same for 2005, except that you will be allowed to have more earned income and adjusted gross income, and possibly more investment income. The correct amounts for 2005 are in the instructions for the 2005 Form W-5. If the answer is “yes” go to Step 2.

STEP 2. COMPLETE FORM W-5 AND GIVE IT TO YOUR EMPLOYER
If you answered “Yes” to all the questions in Step 1, and you wish to get part of your EIC now, you must give your employer a Form W-5 for 2005.

After you have read the instructions and completed Form W-5, give the lower part of the form to your employer. Keep the top part for your records. A part of a blank Form W-5 is shown here.

You may get only part of your EIC during the year in advance payments. You will get the rest of the EIC you are entitled to when you file your tax return in 2006 and claim the EIC.
EMPLOYEE OR CONTRACT LABORER

One area of confusion with church treasurers is the question of whether a person who is performing a service for the church is an employee or a contract laborer. It is an important issue to clarify. For most churches this confusion arises when someone is doing yard work, cleaning the church, and/or providing child care. When a person is classified as an employee the church must do several things. First, a W-4 must be filled out when the individual is hired. Second, state and federal income taxes must be deducted from the pay of the individual as well as ½ of the Social Security, Medicare, and Medicaid amounts and sent in on behalf of the employee once a quarter. The church must pay ½ of the Social Security, Medicare, and Medicaid amounts from the church’s funds. The church must also provide workers compensation insurance for the employee. At the conclusion of the calendar year the church must provide the employee with a W-2 form. When a person is classified as a contract worker the church must provide at the end of the year a 1099 form. The church shall not withhold any taxes or Social Security, Medicare, or Medicaid amounts for contract laborers. It is up to the contract laborer to care for these payments.

When should a person be classified as a contract laborer? On page 3 of the IRS Publication 15-A it says that a person can be classified as a contract laborer who provides a service where the employing company can control only the results of the service not the means and methods of the work. Another important factor in classifying a person is whether the individual performs the same task for other people or organizations for money. If the individual performs the task for your church only, that person may not be classified as a contract laborer and may be classified as an employee.

A church must generally withhold income taxes, withhold and pay social security and Medicare taxes, and pay unemployment tax on wages paid to an employee. A church must have an employee fill out a W-4 when the individual is employed. The church must then withhold the proper funds from the wages of the employee and send those funds to the government along with the church’s portion of the FICA funds once a quarter. This must be done on a Form 941. The church must also give the employee a W-2 following the conclusion of the current calendar year.

For a contract laborer the church will request that a W-9 be completed upon hiring. A W-9 form is used to request the taxpayer identification number (TIN) of a U.S. person (including a resident alien) and to request certain certifications and claims for exemption. The church will not withhold any taxes of any kind from the wages of a contract laborer. The church will issue a 1099 to the contract laborer at the conclusion of the current calendar year if the contract laborer was paid $600 or more during the calendar year.

There is some confusion concerning a minister and a W-2. Some churches believe ministers are not to receive a W-2 but must receive a 1099. Here is an excerpt of page 9 of the IRS Publication 15-A:

Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. They are given the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances and sacraments according to the prescribed tenets and practices of that religious organization.

“A minister who performs services for you subject to your will and control is your employee. The common-law rules discussed in sections 1 and 2 should be applied to determine whether a minister is your employee or is self-employed. The earnings of a minister are not subject to income, social security, and Medicare tax withholding. They are subject to self-employment tax and income tax. You do not withhold these taxes from wages earned by a minister. However, you may agree with the minister to voluntarily withhold tax to cover the minister’s liability for self-employment tax and income tax. If your employee is an ordained minister, report all taxable compensation as wages in box 1 on Form W-2. Include in this amount expense allowances or reimbursements paid under a nonaccountable plan, discussed in section 5 of Circular E (Pub. 15). Do not include a parsonage allowance (excludable housing allowance) in this amount. You may report a parsonage or rental allowance (housing
The IRS also states that prior to a contract laborer receiving payment the church must obtain laborer’s Social Security number. If the contract laborer refuses to give the Social Security number the church must withhold 25% of the payment from the contact laborer. These funds are to be sent to the government with the name and address of the contract laborer when the church files Form 1096.

FORM W-9

When a contract laborer or other non-employee of the church (such as an evangelist or singing group) provides a service to the church and the church pays the individual or the group $600 or more, the church must receive a social security number or an Employer Identification number prior to the church paying the individual or group. The individual or group will need to complete a Form W-9 and give it to the appropriate person at the church. The church will keep the W-9 on file. It is recommended that the W-9 forms be filed separately from other personnel files.
FORM 1099 AND 1096

If you make payments in excess of $600 to a worker who is not considered an employee, you must prepare Form 1099 Miscellaneous Income. Copies of this form must be provided to the worker and the IRS.

The IRS compares the payments shown on the information returns with each recipient’s income tax return to determine whether the payments were reported as income.

Form 1096, annual summary and transmittal of U.S. information returns

If Forms 1099 are being sent to the IRS on paper, they must be transmitted with Form 1096 Annual Summary and Transmittal of U.S. Information Returns. Form 1096 reflects the totals from all of the Forms 1099-Misc. that you issued. If the Form 1099-Misc. information is being transmitted to the IRS electronically or on magnetic media, then a Form 1096 is not required.

DUE DATES FOR FORMS 1099-MISC. AND 1096

- January 31: Forms 1099-Misc. must be provided to each income recipient.
- February 28: Forms 1099-Misc must be submitted to the IRS if you are transmitting on paper or magnetic media. Form 1096 must accompany paper submissions.
- March 31: Forms 1099-Misc. must be submitted to the IRS if you are transmitting electronically.

**DISTRIBUTION OF FORM 1099-MISC.**

<table>
<thead>
<tr>
<th>Copy</th>
<th>Goes To</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The IRS</td>
</tr>
<tr>
<td>1</td>
<td>The state tax department</td>
</tr>
<tr>
<td>B</td>
<td>The payment recipient</td>
</tr>
<tr>
<td>2</td>
<td>The payment recipient - to be filed with their state income tax return</td>
</tr>
<tr>
<td>C</td>
<td>You - the payer</td>
</tr>
</tbody>
</table>

**ATTENTION:** For informational purposes only. A penalty of $50 per information return may be imposed for filing copies of forms that cannot be scanned. You may order these forms online at Forms and Publications by U.S. Mail or by calling 800.TAX.FORM (800.829.3676). See IRS Publications 1141, 1167, 1179, and other IRS resources for information about printing these tax forms. Do not download, print, and file Copy with the IRS.
<table>
<thead>
<tr>
<th>Form 1099-MISC</th>
<th>Miscellaneous Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PAYER’S name, street address, city, state, ZIP code, and telephone no.</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Taxpayer identification number</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>RECIPIENT’s identification number</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Street address (including apt. no.)</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>City, state, and ZIP code</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Account number (see instructions)</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Section 89A amount</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Section 89A income</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>State tax withheld</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>State/Payer’s state no.</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>FORM 1099-MISC</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Copy 1 For State Tax Department</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

**Box 4.** Enter the total federal income tax (other than social security tax, income tax, or Medicare tax) withheld from the amounts paid to the recipient. Do not enter on Form 1099-MISC.

**Box 5.** Enter information required if the recipient is an individual (other than a corporation, trust, etc.).
As stated in other parts of this manual, if a non-employee is given $600 or more in a calendar year, the church must issue a Form 1099 by January 31 of the following year. The church will also file a Form 1096 with copies of the Form 1099's that have been distributed to individuals and/or groups of non-employees. In order for the church to give money to a non-employee (either a set amount as agreed upon or a love offering), the non-employee must give the church their Social Security number. This should be collected on a W-9 Form. If the non-employee does not give the church their Social Security number, the church must withhold 28% of the amount to be given the non-employee. You will then file the funds that have been withheld with the IRS using Form 945. Pay particular attention to the method of payment on page 2 of the form shown below.
**RECORDS RETENTION CHECKLIST**

Business records, especially those which are voluminous and bulky, should be disposed of as soon as they outlive their usefulness. In fact, of the staggering volume of paper kept by business firms, it is estimated that the majority be destroyed after just three to four years. By systematically following this check list of many common business documents, you should be able to reduce unnecessary records to a minimum. Developed from the requirements specified in over 900 federal and state regulations, the list summarizes the practices of a large number of companies.

<table>
<thead>
<tr>
<th>ACCOUNTING</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>8</th>
<th>10</th>
<th>Indefinite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Statements and deposit slips</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll (time cards)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend checks (cancelled)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expense reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiary ledgers (include A/P &amp; A/R ledgers)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trial balances (monthly)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution Records</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checks (payroll &amp; general)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll (individual time reports and earning records)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vouchers (for payments to vendors, employees, et. al.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General ledger and journals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**COOPERATE RECORDS**

| Mortgages, notes, & leases (expired)            |   |   |   |   |   |   |    |           |
| By-laws, charter & minute books                 |   |   |   |   |   |   |    |           |
| Cash books                                      |   |   |   |   |   |   |    |           |
| Capital stock & bond records (incl. Stock certificates & transfer lists) |   |   |   |   |   |   |    |           |
| Checks (taxes, property, fulfillment of important contracts) |   |   |   |   |   |   |    |           |
| Contracts and agreements                        |   |   |   |   |   |   |    |           |
| Copyrights and trademark registrations          |   |   |   |   |   |   |    |           |
| Deeds and easements                             |   |   |   |   |   |   |    |           |
| Labor contracts                                 |   |   |   |   |   |   |    |           |
| Patents                                         |   |   |   |   |   |   |    |           |
| Proxies                                         |   |   |   |   |   |   |    |           |
| Retirement and pension records                  |   |   |   |   |   |   |    |           |
| Tax returns and working papers                  |   |   |   |   |   |   |    |           |

**CORRESPONDENCE**

| General ledger and journals                     |   |   |   |   |   |   |    |           |
| License, traffic and purchases                 |   |   |   |   |   |   |    |           |
| Production                                      |   |   |   |   |   |   |    |           |
| Legal and tax                                   |   |   |   |   |   |   |    |           |

**INSURANCE**

| Policies (all types-expired)                    |   |   |   |   |   |   |    |           |
| Accident reports                                |   |   |   |   |   |   |    |           |
| Fire inspection reports                         |   |   |   |   |   |   |    |           |
| Group disability records                        |   |   |   |   |   |   |    |           |
| Safety reports                                  |   |   |   |   |   |   |    |           |
| Claims (after settlement)                       |   |   |   |   |   |   |    |           |

**PERSONNEL**

| Contracts and agreements                        |   |   |   |   |   |   |    |           |
| Daily time reports                              |   |   |   |   |   |   |    |           |
| Disability and sick benefits records            |   |   |   |   |   |   |    |           |
| Personnel files (terminated)                   |   |   |   |   |   |   |    |           |
| Withholding tax statement                       |   |   |   |   |   |   |    |           |

**PURCHASING & SALES**

| Purchase orders                                 |   |   |   |   |   |   |    |           |
| Requisitions                                    |   |   |   |   |   |   |    |           |
| Sales contracts                                 |   |   |   |   |   |   |    |           |
| Sales invoices                                  |   |   |   |   |   |   |    |           |

**TRAFFIC (RECEIVING & SHIPPING)**

| Export declarations                             |   |   |   |   |   |   |    |           |
| Freight bills                                   |   |   |   |   |   |   |    |           |
| Manifests                                       |   |   |   |   |   |   |    |           |
| Shipping and receiving reports                  |   |   |   |   |   |   |    |           |
| Waybills and bills of lading                    |   |   |   |   |   |   |    |           |

*Statute of Limitations: Many business managers feel that they must keep all original records for at least a certain time (six years is the most quoted), after which no action can be brought against them. In fact, there is no single statute of limitations, there are dozens of them, and the time period for each statute varies depending on the particular law and state. Record keeping policies must be guided by the rule of reason and the probability and dollar amount of risk involved, not by statutes of limitations alone.*
A Record Retention Guideline is available from the Church Treasurer Alert March 2005 edition. You may contact the publisher at:

Christian Ministry Resources  
P. O. Box 2600  
Big Sandy, Texas 75755  
800.222.1840

COUNTING COMMITTEE

Upon recommendation of the church nominating committee the church counting committee should be elected annually. The number serving on this committee may vary according to the size of the church membership; however, it should be large enough so that at least three members will always be present to assist in counting the gifts received during the Sunday services. For proper internal control, the financial secretary and the treasurer should not serve on the counting committee.

RESPONSIBILITIES OF THE CHURCH COUNTING COMMITTEE

The church counting committee should be responsible for counting all monies received during all church services. After the count has been made, the committee prepares detailed deposit slips, makes bank deposits, and forwards copies of the deposit slips and the summary of receipts record to the treasurer. The committee also marks and arranges members’ offering envelopes in numerical or alphabetical order, as previously decided, for the financial secretary or other person responsible for recording members’ gifts.

The Sunday School offering – Members’ gifts should be received in envelopes. After recording class/department information, unopened members’ envelopes should be placed in a large envelope, sealed, class/department information recorded on the outside, and delivered to the Sunday School general secretary. After Sunday School records have been completed, the total Sunday School offering should be received by the church counting committee. If it is safe to do so, place the offering in view of the congregation, usually with the offering plates near the pulpit. If this is not practical, or when there is an early worship service prior to Sunday School, the offering should be handled in the safest way possible.

Worship Service offering (morning and evening) – Gifts remain in the offering plates in the sanctuary until the end of the worship service. At least two members of the counting committee, seated near the front of the sanctuary during the worship service, will pick up the offering immediately following the service and take it to the counting committee room. This room should be as secure as possible. All offerings should be counted, including the Sunday School offerings.

ENVELOPE SORTING

1. Separate loose offering from the envelopes.
2. Count the loose offering and record the amount.
3. Separate budget offering envelopes from any special offerings envelopes.
4. Open each envelope, remove the money, and verify the amount enclosed with the amount on the face of the envelope. If there is a discrepancy or if the figures are not legible, record the amount in red on the upper right corner of the envelope.
5. Add the amounts on the budget offering envelopes, using the corrected amount where applicable, and record the total.
6. Add the amounts on the special offering envelopes and record the total.
7. Checks not enclosed in envelopes should have an envelope prepared for the person who signed the check. This will ensure the amount being credited to the individual’s record.
8. Separate the cash from the checks and fill out a deposit slip. (Note: The counting committee should not “cash” checks to accommodate members that are made out to the church. If checks are cashed, they should be made out to “cash.” Some people dishonestly use canceled checks made to a church as a receipt for charitable contributions for income tax purposes.)

ENVELOPE ARRANGEMENT
1. Arrange offering envelopes in numerical order. This will automatically arrange church families together.
2. If numbered envelope packages are not used, arrange envelopes alphabetically by families.
3. Arrange all special offering envelopes and miscellaneous offering receipts alphabetically.

DEPOSITING
1. After counting the money, make deposit slips in duplicate. This is a safety procedure.
2. The money with the original deposit slip should be taken to the bank and placed in the off-hours depository. At least two members of the counting committee should make the deposit.
3. The duplicate deposit slip should be given to the church treasurer.
4. The same depositing procedure should be followed for the evening service. Never take the receipts home. Never place the receipts in a safe at the church.

BONDING
Every member of the church counting committee should be bonded for their own protection and for the protection of the church. Bonding is a function of insurance obtained by the church from an insurance provider. It should be taken out to cover the people who actually handle the money – cash or checks. This insurance is usually name specific. When a person moves out of the money handling system and a new person move in, the names will need to be changed on the insurance policy.
**COUNTING COMMITTEE RECORDING SHEET**

Baptist Church

Date: ______________ ( ) A.M. ( ) P.M.  Deposit Number: ____________

<table>
<thead>
<tr>
<th>LOOSE</th>
<th>ENVELOPES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coins (¢)</td>
<td>No.</td>
<td>Amount</td>
</tr>
<tr>
<td>0.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency ($)</td>
<td>No.</td>
<td>Amount</td>
</tr>
<tr>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>100.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Subtotal ________________________________________________________________

Checks ________________________________________________________________

TOTAL (1) (2) ____________________________________________________________

<table>
<thead>
<tr>
<th>Budget Offering</th>
<th>Account No.</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literature Reimbursement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount Deposited To Budget Bank Account (Acct. No. 001)</td>
<td>(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DESIGNATED FUNDS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount Deposited to Designated Bank Account (Acct. No. 002)</td>
<td>(2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL OFFERINGS**

(1) Envelope Total must agree with the total to be posted to individual contribution records.
(2) The total amount deposited in both bank accounts must agree with the total of the TOTAL column.

Counting Committee Signatures

____________________________________  ____________________________________

Received by Treasurer: ______________________________  Date: __________________
LIFEWAY CHRISTIAN RESOURCES

LifeWay Christian Resources
127 Ninth Avenue, North
Nashville, TN 37234
800.458.2772
customerservice@lifeway.com

STEWARDSHIP DEVELOPMENT ASSOCIATION RESOURCES

P.O. Box 13787
Alexandria, LA 71315 – 3787
573.291.1852
Website: www.sbsda.net
Materials Coordinator: wagnerk8@mchsi.com

SDA Resources are developed and made available to state convention leader’s. Feel free to contact the Materials Coordinator by e-mail with your questions about the resources.

Resources include:

- Stewardship Tracts (current year)
- Cooperative Program Tracts (current year)
- Building A Church Budget Bridge for the Kingdom
- Building A Church Budget Wall Together for the Kingdom
- Building A Church Budget Toolbox
- Catch the Vision
- Church Treasurer’s Role

LIFEWAY ENVELOPE SERVICE

1 LifeWay Plaza
Nashville, TN 37234
615.251.3973

STEWARDSHIP DEVELOPMENT

Virginia Baptist Mission Board
2828 Emerywood Parkway
Richmond, VA 23294
800.255.2428
www.vbmb.org/stewardship
GUIDESTONE FINANCIAL RESOURCES OF THE SOUTHERN BAPTIST CONVENTION (ANNUITY BOARD)

2401 Cedar Springs Rd
Dallas, TX 75221-2190
Customer Relations Phone: 800.262.0511
Website: www.absbc.org

Ministerial Tax Issues
Answers to common questions
Publication Number: 3717 7/01 SM Rev. 7/01 2106

Planning Financial Support (of ministers and church employees)
Publication Number: 3261 5/01 20M Rev. 5/01 2156

Federal reporting requirements for Southern Baptist churches:
This is found in the Minister’s Tax Guide – 2110 as a pullout section. It can also be obtained as a stand-alone piece. This publication is intended to provide a timely, accurate and authoritative discussion of tax return preparation, tax reporting compliance and the impact of recent changes in the tax laws. It is not intended as a substitute for legal, accounting or other professional advice. If legal, tax, or other expert assistance is required the services of a competent professional should be sought.

INTERNAL REVENUE SERVICE

To request forms:
800.TAX.FORM (800.829.3676)
IRS Website: www.irs.gov

SOCIAL SECURITY ADMINISTRATION

800.772.1213
Website: www.ssa.gov

NATIONAL ASSOCIATION OF CHURCH BUSINESS ADMINISTRATORS (NACBA)

The National Association of Church Business Administrators is not only an organization for those who administrate the church business and financial matters. The NACBA is open for membership. The NACBA also publishes many articles, bulletins and other pertinent information about church finances and liability issues.

Contact information for NACBA:
100 North Central Expressway
Richardson, Texas 75080-5326
Phone: 800.898.8085
Website: www.nacba.net
ACCOUNTING TERMS

Accounting: An information system to identify, record, and communicate the transactions of an organization.

Accrued expense: An expense that has been incurred, but has not been paid in cash nor has it been recorded on the accounting records. An adjusting entry would be required for any accrued expenses before financial statements are prepared.

Accrued revenue: A revenue that has been earned, but payment has not been received in cash, nor has the revenue been recorded on the accounting records. An adjusting entry would be required for any accrued revenues before financial statements are prepared.

Asset: A resource owned by a business, which helps the business to carry out its activities. Examples would include cash, supplies, and equipment.

Balance sheet: A financial statement which reports assets, liabilities, and owner’s equity as of a specific date.

Chart of accounts: A listing of all the accounts and the numbers used to identify their location in the ledger.

Conservatism: The constraint which requires a business to select a method which is least likely to overstate assets and income.

Consistency: The practice of using the same accounting principles and methods from one year to the next year in a company.

Cost principle: The accounting principle that states that an asset should be recorded at its cost.

Closing entries: Accounting entries that are recorded at the end of an accounting period to set the balances of temporary accounts (such as revenues and expenses) to zero and to transfer their balances to the owner’s equity account.

Contingent liability: A potential liability which may or may not become an actual liability in the future.

Deposit in transit: A deposit that has been recorded by the business in its accounting records but has not been recorded by the bank.

Depreciation: The practice of allocating the cost of an asset to expense in a logical and systematic manner over its useful life.

Ethics: Standards of conduct by which a person’s actions are judged to be right or wrong, fair or unfair, honest or dishonest. Extends beyond the concept of legality.

Full-disclosure Principle: The principle that requires disclosure of any circumstance or event that makes a difference to a reader/user of a financial statement.

Generally Accepted Accounting Principles: A set of guidelines developed by the Financial Accounting Standards Board and the Securities and Exchange Commission that indicate how to report economic events (transactions).

Gross earnings: The total earnings for an employee before any deductions.

Income statement: A financial statement that summarizes the revenues and expenses for a specific period of time.

Income summary: A temporary account that is used to close the revenue and expense accounts.
Internal control: The methods, measures and plans that a business has adopted to try to safeguard its assets, improve the accuracy of its accounting records, and enhance the reliability of its accounting records.

Journal: The book of original entry; a chronological record of accounting transactions.

Ledger: The group of all accounts maintained by a company.

Liability: A claim against an asset; a debtor obligation. Examples would include accounts payable, notes payable, and taxes payable.

Matching principle: The principle that requires that expenses be recorded in the same period that the resulting revenues are generated.

Materiality: The constraint which allows a business to deviate from GAAP (Generally Accepted Accounting Principles), if the item has an insignificant impact on the financial conditions or operations of a business. A common example would be a decision to expense a piece of equipment such as a desk calculator, rather than depreciating it over its useful life.

Net pay: The amount an employee actually receives after payroll deductions are subtracted from gross earnings.

Outstanding check: A check that has been issued by the company and recorded in its books, but has not yet been paid by the bank.

Owner’s Equity: The owner’s claim on assets; the portion of the assets that belongs to the owner(s). Owner’s equity is calculated by subtracting total liabilities from total assets.

Permanent account: An account which appears on the balance sheet (all assets, liabilities, and owner’s capital/fund balance) and whose balance is carried forward to the next accounting period. Permanent accounts are never closed out, unless the business is terminated.

Petty cash fund: A cash fund, which is used to pay for relatively small purchases.

Posting: The process of transferring journal entry information to the proper accounts in the ledger.

Prepaid expense: An expense which has been paid in cash (such as prepaid rent or prepaid insurance), which represents an asset, because it has not been used or consumed yet.

Salaries: A fixed amount paid to an employee, rather than an hourly rate.

Temporary account: An account such as revenue or expense whose balance is transferred to owner’s capital (or fund balance) at the end of the accounting period. Following this action, the balance of the temporary account will be zero to begin the next accounting period.

Trial balance: A list of the accounts in the ledger and their respective balances at a particular date.

Unearned revenue: Cash is received before any service is performed to earn the revenue. This unearned revenue represents a liability. Common examples are magazine subscriptions, airline tickets, and season tickets to sporting events.

Wages: A specified rate per hour or rate per piece of work paid to an employee.
Made possible by the generous Cooperative Missions gifts of Virginia Baptist Churches affiliated with the Baptist General Association of Virginia.