

2021 PREPARATION OF FORM W-2 AND FORM 941 FOR CLERGY

The following information is offered to assist with the preparation of quarterly Form 941 and W-2's. The sample calculations are offered to help determine the quarterly amount to report for the pastor(s) on Line 2 of the 941. Clergy salaries are to be reported on Line 2 of the Form 941 only. If your church does not have lay employees and the pastor's salary is the only salary to report, then the church does not have to file a 941.

Compensation to be **included** on Line 2 of 941 and Box 1 of W-2:

1.	Base Salary (Total Compensation less Accountable Reimbursement)	<u>30,000</u>	
2.	<u>Cash Allowances</u>		
	A. Travel Allowance		
	B. Housing Allowance	<u>10,000</u>	
	C. Utilities Allowance (Excluding Heat)		
	D. Other Cash Allowances		
3.	Moving Expenses paid or reimbursed by church	<u>3,000</u>	
4.	Life Insurance Premium (see chart below) (Box 12 code C on W-2)	<u>129</u>	
	Total Included		<u>43,129</u>

Exclusions from W-2 compensation:


1.	Amount of Housing Allowance Exclusion Resolution approved by Charge Conference	<u>15,000</u>	
2.	Personal payments for medical insurance withheld from ministers' pay for health/dental premiums and/or medical reimbursements (not included in Box 1 or any Box on W-2)	<u>2,400</u>	
3.	Dependent Child Care payments but not life insurance (Box 10 on W-2)	<u>1,200</u>	
4.	Personal pension payments officially designated as Salary Reduction or BEFORE TAX . (Box 12 Code E on W-2)	<u>900</u>	
			<u>19,500</u>
	Net Reportable Compensation - Annual (Box 1 and 16 on W-2)		<u>23,629</u>
	Net Reportable Compensation on Quarterly 941		<u>5,907.25</u>

2021 Virginia Conference Clergy Life Insurance Premiums

Active clergy in the Virginia Conference who are participants in the Virginia United Methodist Pension Plan had group term life insurance for 2021 in the amount of \$75,000. This was comprised of benefits from the General Board of Pension and the Virginia Conference. The IRS requires that equivalent premiums for group term life above \$50,000 be reported for the person covered by insurance as additional income. **Each active clergy enrolled in CPP had \$25,000 in group term life insurance above the \$50K and should report this additional income on their tax returns.** The following table provides the data needed by age group.

<u>Age as of 12/31/2021</u>	<u>Pastor's Equivalent Cost /\$1,000 per month</u>	<u>Sample Calculation for 57 year old</u>	
Under 25	0.05	Excess Insurance per \$1,000	25
25 thru 29	0.06	times the rate from schedule on the left	0.43
30 thru 34	0.08	times the # of months worked	12
35 thru 39	0.09	Equals the Total on W2	129
40 thru 44	0.10	(Box 12 code C on W-2)	
45 thru 49	0.15		
50 thru 54	0.23		
55 thru 59	0.43		
60 thru 64	0.66		
65 thru 69	1.27		
70 and above	2.06	<i>Note: Clergy age is based on the last day of the year 12/31/2021.</i>	

SAMPLE W2

a Employee's social security number 000-00-0000		OMB No. 1545-0008		Safe, accurate, FAST! Use		 Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 23,629.00		2 Federal income tax withheld			
c Employer's name, address, and ZIP code First UMC 100 Wesley Blvd. Anytown, VA 12345		3 Social security wages		4 Social security tax withheld			
		5 Medicare wages and tips		6 Medicare tax withheld			
		7 Social security tips		8 Allocated tips			
d Control number		9		10 Dependent care benefits 1,200.00			
e Employee's first name and initial Last name Suff. John W. Asbury 1900 Church Street Anytown, VA 12345		11 Nonqualified plans		12a See instructions for box 12 C 129.00			
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b E 900.00			
		14 Other 15,000 Housing Exclusion		12c			
				12d			
f Employee's address and ZIP code							
15 State Employer's state ID number VA 00-0000000	16 State wages, tips, etc. 23,629.00	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name		

Form **W-2** Wage and Tax Statement 2021

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

2020 Sample W-2

- | <u>Box</u> | <u>Description</u> |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Report Pastor Compensation as calculated on other side |
| 2 | Local Church is not required to do any Federal Income Tax Withholding for Pastors |
| 3-9 | Leave Blank |
| 10 | Report Dependent Child Care payments withheld as part of Conference Medical Plan |
| 12 | Code C - Premium on life insurance for All Active Clergy (see other side)
Code E - Amount of Before Tax UMPIP payments withheld and sent to General Board of Health & Pensions
Code P - Qualified moving expense reimbursements paid directly to an employee |
| 13 | Mark an X in Retirement Plan for All Active Clergy |
| 14 | Report the amount of Housing Allowance Exclusion, not Housing Allowance paid |
| 15 | Enter "VA" and Employer's State ID Code if available |
| 16 | Enter same amounts as Box 1 |
| 18-20 | Leave Blank |