

# End-of-the-Year Checklist for Church Treasurers and Bookkeepers

## End-of-the-Year tax and Administrative Responsibilities.

It's that time of the year! (Check the box when completed.)

Completed	
	<p><b>Housing Allowance</b> – The board or congregation designate a housing allowance for [Current Year] for ministers who own or rent their home (and for ministers who live in a parsonage and who pay some of their housing expenses).</p>
	<p><b>W-4s</b> – To ensure accurate tax withholding, REMIND all your employees that they should review their W-4 form and submit a new form if there have been any changes due to marriage, divorce or dependents (child turned 21, birth adoption, etc.) since previous year.</p>
	<p><b>Written Notice to Donors</b> – Donors should be notified either in the church bulletin, newsletter and/or in a letter from the church not to file their federal income tax return before they receive their contribution letter/statement from the church. Currently, donors will not be able to deduct individual contributions of \$250 or more if they file a tax return before receiving a contribution letter/statement from their church. Be sure to send out these donation letters and/or statements by the deadline of January 31<sup>st</sup>.</p>
	<p><b>Christmas Gifts</b> – Christmas gifts made by the church or congregation to a minister or lay staff member has to be handled correctly. These transfers represent taxable income and not a tax-free gift a majority of the time and must be reported as income on the recipient's W-2 form.</p> <p>Gifts made to volunteers are subject to these same rules, except that a church is not required to report these gifts as taxable income to volunteers unless they receive compensation from the church of \$600 or more during the year and then the church would issue them a 1099 form.</p> <p>A gift of property having a value so small "as to make accounting for it unreasonable or administratively impracticable" is a nontaxable "de minimis fringe benefit". This exception does not apply to cash or "cash equivalents" such as gift certificates.</p>
	<p><b>End-of-the-Year Contribution Rules</b> – The general rule is that a contribution is effective when delivered. Example: A check deposited in the church offering in January of 2016 cannot be deducted in 2015, even if it's backdated to 2015. One exception to the rule is checks that are mailed and postmarked in 2015 are deductible in 2015 even if they're not received until 2016.</p>
	<p><b>End-of-the-Year Business Expenses</b> – If your church has any outstanding reimbursements to employees, etc. reimburse those now. <i>Caution:</i> If you have an accountable reimbursement arrangement, distributing any balance in the reimbursement account to your employees at the end of the year may make all reimbursements for the year nonaccountable.</p>

	<p><b>End-of-the-Year Transactions</b> – Make sure all transactions are entered by the end of the year including donations, other revenue, reimbursements, purchases and payroll (taxes, retirement, flex spending, insurance) transactions prior to closing the books.</p>
	<p><b>Review Payroll Providers</b> – If your payroll service is holding FICA out for your minister this is incorrect. Many churches believe that holding out social security and medicate taxes on a minister's paycheck is a choice but it is not. The IRS is very clear that ministers have a dual status with them and withholding and matching FICA is unacceptable.</p> <p>When it comes to paying employees, laws and the IRS have made the payroll function a time consuming nightmare for churches, nonprofit organizations, and small businesses alike.</p> <p>This especially holds true with many churches and nonprofit organizations that rely on volunteer or nonaccountant staff to handle their payroll. Many believe that because they use a payroll service or software they are compliant.</p> <p>However, church payroll and the tax issues that surround them should be done by church experts, not by the everyday payroll services that do not understand church compensation issues like the pastoral housing allowance and how to handle minister's special tax requirements.</p>
	<p><b>Tax Forms and Publications</b> – December is a good time to order your [Next Year] copy of <i>IRS Publication 15</i> (withholding tables), and copies of Forms W-2, W-3, 1099, and 1096 that will issue for compensation paid in [Current Year]. Other forms to reorder include W-4, W-9 and 8283. To order forms, call the IRS toll free at (800) 829-3676 or download forms from the IRS website (<a href="http://www.irs.gov">www.irs.gov</a>).</p>
	<p><b>Budget</b> - Revisit the operating and capital budget. If necessary, update and propose necessary adjustments.</p>
	<p><b>Accounts Review</b> – Generate all the Annual Reports, Bank Account Balances, Fund Balances, Internal Controls for Next Year and Budget Preparation.</p>
	<p><b>Reclassification of Workers</b> – Make sure to identify if any worker should be reclassified as an employee. The first of the year is the best time to reclassify them as employees. Remember, if you have any doubt that your worker(s) would be classified as an Independent Contractor...it's better to error on the side of caution and classify them as an employee. Consult with a tax professional about correcting any previous misclassifications of ministers and lay employees for federal tax reporting purposes.</p>
	<p><b>Update Policy and Procedures</b> – Review, update and/or create policy and procedures such as:</p> <ul style="list-style-type: none"> <li>• Benevolence</li> <li>• Bookkeeping Practices</li> <li>• Internal Audit Checklist</li> <li>• Travel</li> <li>• Contributions</li> </ul>