

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>1. Gift Cards: Were any gift cards purchased for staff, gifts/prizes, or benevolence? Those HAVE to be "tracked"! We try to watch and catch them as soon as the church purchases them, so we can set up as a "cash on hand" account in their accounting system. We then have to manually enter the "expense" each time a card is used or given away.</p>
	<p>2. Possible 1099 payments: I will discuss this in greater detail below as there is a "different" form to file for those payments to independent contractors that were paid \$600 or more in 2021. Guest speakers are a good example of an individual that may need a 1099-NEC sent to them.</p> <p>Always start in November pulling "vendor summary" reports to see who may need 1099s and ensuring we have W-9s for them. I export the report into Excel, sort them highest to lowest, and delete all that were paid under \$600 for the year. Then I whittle the list further down by removing all corporations and nonprofits (don't need to send 1099s to them) from the list. The 1099 recipients are then pulled and we begin the process of making sure we have W-9s for them. We follow up by pulling that same report in Jan after closing the books for the previous year to ensure we have the totals correct and if anymore ICs slipped up to or over that \$600 mark =)</p> <p>NOTE: do not send 1099s to recipients of benevolence payments! However, you should be VERY sure you those benevolence payments were properly documented and paid out according to the guidelines of your benevolence fund!</p>
	<p>3. Look for negatives: In the "transaction by account" report, we look for and investigate any negative numbers. Refunds are posted back to the expense account the original transaction was applied to ... so not all negatives are bad =) However, many times we see a "check" that was accidentally applied to an income account or vice versa. Do this before you close the books for the year, but if it happened in a closed month where reports were already issued, a journal entry may be in order to correct your totals.</p> <p>Negatives in the Balance Sheet or Statement of Activity should always be investigated and corrected if necessary. QBO users ... there should never be a total in the equity account "Opening Balance". If there is...search the internet on how to correct before closing the books!</p>

	<p>4. Housing Allowance – 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>5. New W-4: REMIND your employees on or before January 1st that they may want to complete and sign a new W-4 ... if their filing status has changed due to marriage, divorce, or dependents (<i>child turned 21, birth, adoption, etc.</i>), If none of that applies, the one you have on file is usually ok for the coming year; however, if you are setting up a new payroll in a new payroll system...having a new W-4 for everyone is a good idea!</p>
	<p>6. Employee Classification: Make sure to identify if any worker should be classified as an employee. The first of the year is the best time to classify them as employees. See this article on Misclassification of Workers. Remember, if you have any doubt that your worker(s) would be classified as an Independent Contractor or not...it is better to error on the side of caution and classify them as an employee. Also...if you see that you have incorrectly classified a worker as an independent contractor, you can take advantage of the Voluntary Classification Settlement Program to reclassify that worker as an employee for employment tax purposes for future tax periods with partial relief from federal employment taxes.</p>
	<p>7. 1099 Prep: Review all payments made to service providers such as</p> <ul style="list-style-type: none"> • guest speakers • board members • lawn care providers • pest control providers <p>If you paid them \$600 or more collectively throughout the year and they are not a corporation, you will be required to file a 1099 and provide the independent contractor with a copy. AND...don't forget...you have to file those before Jan 31st! NOTE: the new form for those types of payments is the 1099-NEC.</p> <p>Also remember that you may have to file a 1099-MISC for those rent payments you paid the landlord...if they are not a nonprofit or corporation!</p>
	<p>8. Annual contribution statements: Donors are responsible for obtaining a written acknowledgment from a charity for any single contribution of \$250 or more before that donor can claim a charitable contribution deduction on his/her federal income tax return. However, not all donors know that they must obtain and keep in their files a "contemporaneous (<i>made at the time or shortly after an event</i></p>

occurs) written acknowledgment" from the church or nonprofit - IRC 170(f)(8)(A) ... **before filing their taxes.**

In order for a donation receipt to be considered "contemporaneous" the written acknowledgment must generally be obtained by the donor no later than the date the donor files the return for the year the contribution is made.

SO... make sure your donors know this now! Put it on the bulletin board...give out handouts, use bulletin inserts, etc. and inform them NOT to file their taxes (*if they are claiming charitable contribution tax deductions*) BEFORE they receive their annual contribution statement. Then give them a date by which they can expect them such as Jan 31. **Note:** *with the new tax laws...not near as many taxpayers are claiming charitable contributions tax deductions now... but there has been a push to enable all taxpayers to claim a tax credit for those contributions, so tracking donors and donations is still important.*

With the increase in online giving this year I have one more reminder on sending out annual contribution statements that I want to stress. If you recorded your online donations in your donation tracking software, please make sure that you credited the donor their full donation amount. Some of the churches I worked with this year didn't know that even when the donor "pays" the processing fee...you must record ALL of the donation on their giving record. For example, Mary Smith gave \$100 and also paid the \$3 processing fee. When you record that on Mary's donations, you will record \$103 ... not \$100.

9. Early and more frequent giving statements: You might want to send out quarterly giving statements and or a December one with their current donation balance and a "gentle" request for year-end giving.

Be sure to include a return envelope or a link to your **online giving** webpage to make it easy for them to respond. After all, people tend to feel more generous around the holidays and will be evaluating their options for their year-end giving.

10. Recognition of donations: Donors must give their contribution checks on or by December 31st to be included in the church's prior year **written acknowledgement of their contributions.**

If it comes in the offering on or after January 1st...even if the check was backdated for 2022 ...it would not be included in their 2022 annual contribution letter.

However, if the donation comes through the mail, all checks dated AND envelopes postmarked in 2022 would be deductible for 2022 even if you received it in 2023.

11. Appreciation Gifts: This is also the time of year that we often give our volunteers and staff... Appreciation, Thanksgiving, Christmas, etc. gifts. If given to employees those gifts may be considered taxable income, so handle these carefully and note them as needed.

An exception to this rule is:

- De minimis gifts...gifts less than \$25 in value. (*Cash, gift cards, or other cash equivalents are not de minimis gifts, regardless of how small the value*)
- Employee achievement awards...requires a written, nondiscriminatory award program, which provides awards either upon attaining longevity goals or safety standards and meets other requirements for type of gift and limits on amounts.

These rules also apply to volunteers...if the gift(s) totaled \$600 or more in a calendar year. If so, you may need to report the total amount on a 1099-NEC as the IRS considers those "gifts" as payment for their service to your organization.

12. Reimbursements: If you have an **accountable reimbursement policy** in place (AND you SHOULD definitely have one...no matter how small or big your organization is!), instruct them to get all their reimbursements claims in before the year end. It is also a good time to review all reimbursements issued by your church/charity to staff, volunteers, or board members for the year.

Make sure each reimbursement is backed up by a receipt and qualifies as a nontaxable reimbursement. If you did not receive a receipt or supporting document from the recipient or if the reimbursement does not fall within your accountable reimbursement guidelines and the IRS guidelines...you will need to review it further and possibly add the amount to the recipients reported taxable income. Also, make sure you update your AR plan ...if you have amounts listed ...such as mileage rates...that need to be updated before year-end.

NOTE: Do not give the rest of the monies in your reimbursement funds to your minister or any other employee as it will make all the year's reimbursements accountable. All reimbursements would then be required to report in box 1 of their W-2!

13. Review P&Ps – Review, update and adopt policies and procedures. [Click this link for free policy and procedure samples.](#)

14. Make sure that **all revenue and expenses are accounted for** prior to closing the books. These transactions can include donations, other revenue, reimbursements, purchases, and payroll (*taxes, retirement, flex spending, insurance*).

	<p>15. Run annual reports to check for accuracy. NOTE: Aplos users...if you use WePay and have a huge balance in the WePay register on your Balance Sheet year-end...you may have been assigning the WePay deposits incorrectly and need to fix it. Call their support!</p>
	<p>16. Confirm your bank and credit card account balances by reconciling all your accounts (see reconciliation tips above) including your Petty Cash and PayPal accounts! Don't forget to reconcile your accounting to your donation tracking software...if you use something like QuickBooks and Planning Center.</p>
	<p>17. Confirm any fund balances that will be carried into the next year.</p>
	<p>18. Confirm all your bank account signatories are current.</p>
	<p>19. Prepare your <u>budget</u> for next year!</p>
	<p>20. Transitioning to a new year is also the perfect time to change to a new church accounting software. If you are in need of church accounting software at a great price, try out Aplos! They offer free support and will walk you through the process of getting setup.</p>
	<p>21. EVALUATE YOUR PAYROLL! If your payroll service is holding FICA out for your minister...it is incorrect. Many churches believe that holding out social security and Medicare taxes on a minister's paycheck is a choice. 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>Payroll can be a time-consuming nightmare for churches, nonprofit organizations, and small businesses alike. This especially holds true with many churches and nonprofit organizations that rely on volunteer or non-accountant 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><i>Year-end tips written by Christy Qualle, Aplos and Vickey Boatright Richardson, editor and author of this site and The How-To Guide for Small & Growing Churches.</i></p>