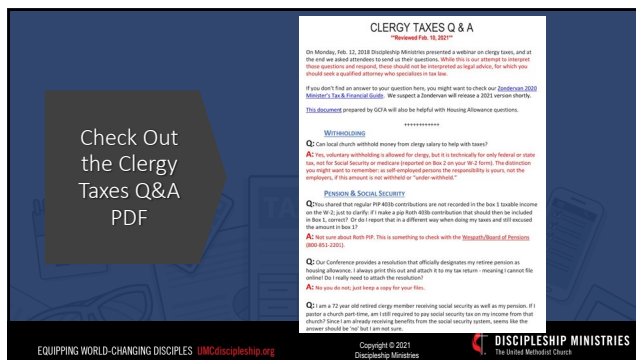




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Our Guest Presenter



Rev. Don Joiner,
Certified Financial Planner
Clergy tax preparer.

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Economic Impact Payment a.k.a. "Stimulus Check"

- If you received paper check or were paid electronically
- Must be reported on your 2021 tax return.
 - Remember: you received the second payment in 2021
- **There is no tax on these stimulus payments**
- Must report on line 30 of the 1040

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Economic Impact Payment a.k.a. "Stimulus Check"

- If you did not receive what you should have you will receive credit on your 2021 tax return
- **If you received too much there is no need to return or pay tax on it.**

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2020 Consolidated Appropriations Act

- Reinstatement of the Mortgage Insurance Premium.
- Qualified Medical Expense reinstatement to 10%.
- Qualified tuition and related expenses (above the line)
- Required Minimum Distribution (RMD) increased to age 72 (starting last year, 2020)

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2021 Increase in Standard Deduction

- \$25,100 couples (+\$1,350 for each person over 65)
- \$12,550 single (+\$1,700 if over 65)
- \$18,800 head of household (+\$1,700 if over 65)

No longer personal exemption

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2020 CARES Act Charitable Deduction

- Part of the CARES Act (which also brought PPP Loans)
- \$600 charitable deduction on top of standard deduction
 - This was increased from last year
- Do not have to itemize deductions to get this!

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Personal Residence Changes

- Mortgage interest deduction limited to mortgages under \$750,000 for primary residence and second home
- Primary residence property tax as well as state income and sales tax deduction limited to \$10,000
- Deduction for moving expense gone (except for military)

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Business Expense Deductions

- All previously subject to 2% AGI are eliminated.
 - Employee Business Expense
 - Tax preparation fees
 - Safe Deposit Fees, etc.

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No Home Office Deductions

- No deduction for equipment for pandemic/virtual ministry
- Could be in Accountable Reimbursement
- Can use these expenses when you file Self-Employment tax (Schedule SE)

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Child Tax Credit for 2021

- \$3,600/child 5 and under
- \$3,000/child ages 6 to 17* (new)
 - Age by Dec. 31, 2021
- Advance payments (unless you opt out)
 - 300 a month for ages 5 and younger
 - \$250/month for ages 6-17

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7 Tax Brackets - Individuals

- 10%, 12%, 22%, 24%, 32%, 37%
- Most are in in 12%
 - Up to \$81,050 taxable income for married filing jointly
 - Up to \$40,525 for singles
 - Up to \$54,200 for heads of households
- The 22% bracket begins with taxable income above these levels

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Other Changes

- Most estates are exempt from Estate Tax
- Individual Mandate for health insurance eliminated in 2019 tax year

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Let's Take a Poll:

Where are you on the journey?

☐ Age 20-39?

☐ Age 40-59?

☐ Age 60+?

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Clergy Taxes & Finances Are Unique

- Limited Income
- Other income is self-employment income
- Employee and self-employed
- Itinerancy
- Spouse's job possibilities challenged

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Clergy Taxes & Finances Are Unique

- Limited investment for housing
- Living in parsonage is taxable
- Gifts from church are taxable
- Estimated tax payments instead of withholding

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Clergy Taxes & Finances Are Unique

✓ **Strategic Tax Planning**

- Begins with your compensation plan
- Must be in place before you receive your pay
- Every clergy can have a housing allowance
- Everyone can make contributions to the Pension (UMPIP)
- Everyone has business expenses

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Clergy Taxes & Finances Are Unique

✓ **Strategic Tax Planning**

- Housing
- Parsonage
- Or Furnishings Allowance

Every Clergy Person should have a housing allowance

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The Parsonage Allowance

Internal Revenue Code #107 provides an exclusion from gross income for a 'parsonage allowance,' housing specifically provided as part of the compensation for the services performed as a minister of the gospel.

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The Parsonage Allowance

This includes:

- The rental value of a home furnished as part of compensation
- Or a housing allowance to provide a home including furnishings and appurtenances (i.e. garage) and the cost of utilities (maintenance and repair of such)
- A minister can receive a parsonage allowance for only one house
- It must be approved annually and in advance of using the allowance

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How Much Is A Housing Allowance?

The lesser of:

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, including furnishings and appurtenances, plus the cost of utilities, maintenance, and repairs (including supplies)

May not include food or maid services.

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Housing Allowance Plus Deductions

Even though a housing allowance used to pay mortgage interest and property taxes is excluded from gross income, those deductions are still allowed as Schedule A deductions from income.

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Retired Clergy

- Funds received from the church's pension program are considered housing allowance and are not taxable income to the extent spent.
- Also, pension income is not taxable for self-employment tax purposes

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Business-related Expenses

- Much of clergy life is business related
 - Keep a log of what you do, mileage used, and money spent
 - Funds reimbursed in an accountable reimbursement plan are not taxable income (nor is it a deduction)
 - All clergy have expenses not reimbursed

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Business-related Expenses

- Is it a business event?
- Is the expense deductible?
- Do I have a receipt / record of payment?
- Your contribution to the church is not a business deduction!

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Pension Contribution

- Clergy: personal pension plan (UMPIP)
- Contributions, deducted from your compensation, and paid by the church to the Board of Pension is not taxable income for income tax or self-employment tax
- In 2022, contribute up to **\$20,500*** (plus **\$6,500** if 50+) per year from your compensation -- possibly higher with 15+ years of service (talk to Wespath).

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It Adds Up and Makes a Difference

Example #1

\$42,000	Salary
-12,000	Housing allowance
- 3,600	Pension contribution
\$26,400	taxable compensation for income tax purposes

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It Adds Up and Makes a Difference

Example #1

If in a 12% tax bracket	
Save \$1,872	Income tax
540	Pension contribution
\$2,412	Savings on income tax

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It Adds Up and Makes a Difference

Example #2

- Self-employment Tax

Taxable income	
Plus housing allowance	
Minus unreimbursed business expenses	
(use IRS form 2106)	

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It Adds Up and Makes a Difference

Example #2

Self-employment tax

\$26,400	taxable income
\$12,000	housing allowance
<u>- \$3,400</u>	less unreimbursed business exp.
\$35,000	taxable for self-employ tax (15.3%)

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It Adds Up and Makes a Difference

Example #2

Tax savings

\$2,412	Income tax savings
<u>510</u>	Self-employment savings
	(from Business expenses)
\$2,922	Total savings

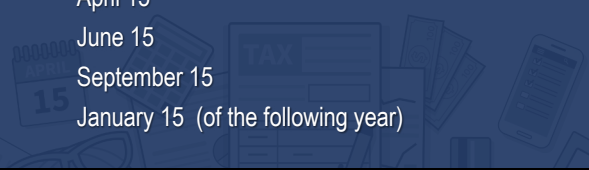
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Estimated Tax Payments

Clergy should pay $\frac{1}{4}$ of their total estimated tax due by:

- April 15
- June 15
- September 15
- January 15 (of the following year)



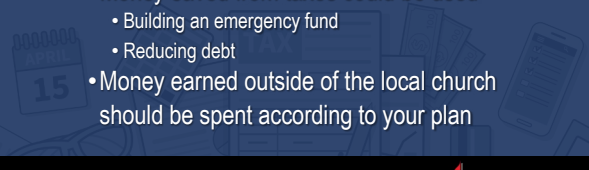
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Financial Planning Is Imperative

- Start with a **spending plan**
- Money saved from taxes could be used
 - Building an emergency fund
 - Reducing debt
- Money earned outside of the local church should be spent according to your plan



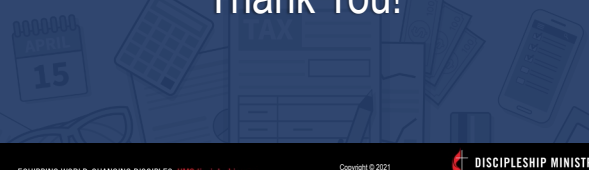
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Questions?

Thank You!



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UPCOMING WEBINARS

Tuesday, March 22, 2022, 6:30pm CDT
Handling the Church's Money in a New Day

Tuesday, May 24, 2022 - 6:30 PM, CDT
"A Heart Strangely Warmed" by Getting Rid of Debt"
(with Joe Park, CEO of Horizons Stewardship)

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Stewardship

13 Steps You Should Take Now to Grow Your Stewardship

Join the 1st Annual STEWARDSHIP DISCUSSION FORUMS
2nd THURSDAY EACH MONTH AT 10:00AM CT

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