



CHURCH FINANCIAL GUIDEBOOK

The Church Financial Guidebook assists congregational leaders to exemplify a financial plan of integrity before God and with each other.





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of integrity before God and with each other.



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This publication aims to provide a timely, accurate, and authoritative discussion of the role of Church Treasurer. It does not intend to be an exhaustive exploration of all topics related to the positions of church treasurer, financial secretaries, church financial committees, and senior pastors. Additionally, it is not meant to substitute for legal, accounting, or other professional advice. If legal, tax, or other expert assistance is needed, one should seek the services of a competent professional. While we believe this book offers accurate information, changes may arise from IRS or judicial interpretations of the Tax Code, new tax regulations, or technical corrections that occurred after the book was printed and are not reflected in the text. Internet links are current at the time of revision/publication, but may change.

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DEVELOPING A BIBLICAL CONCEPT OF MONEY

Whose Money Is It? God's!

The church treasurer must acknowledge that all money entering the church's financial system is God's money. Part of the stewardship training involves helping the church and its members understand that all money belongs to God. Many individuals view money as their own and believe they should give a portion of it to God. The correct biblical view of money is that God owns everything and allows us to manage it for Him. In our management, we are to return a portion to God's organized family—the church.

DEVELOPING A CHURCH STEWARDSHIP MINISTRY

The Importance of Discipling

The principles of biblical stewardship are essential to the ongoing ministry of the local church. The church treasurer and finance/stewardship committee members must understand that their role involves more than managing contributions and expenses. For the church to secure the financial resources necessary for effectiveness, it must continuously disciple its members in the principles of biblical stewardship and generosity. In this resource, you will find a wealth of valuable information on managing the church's resources. However, if you accurately handle fund management but fail to disciple the body of Christ in stewardship, you have only fulfilled part of your responsibility as a church leader or committee member. You must also create opportunities to teach your congregation about biblical stewardship and generosity.

Understanding Capacity & Maturity

To disciple your congregation in biblical stewardship, it is helpful to gain a better understanding of the capacity and maturity of your church. Capacity refers to the financial ability to give, while maturity involves applying biblical stewardship principles in a believer's life. It's essential to consider both the capacity and maturity of each giving unit (family) when providing opportunities to develop disciples. As the financial leader in the church, your role includes fostering growth in both capacity and maturity among church families. Since every church member has a different capacity and maturity level, it's necessary to offer a comprehensive model for growth in this area. By comprehensive, we do not mean time-demanding, but rather providing multiple training options that meet the unique needs of each member.

OVERVIEW

“The correct biblical concept of money is that God owns it all and allows us to manage it for Him.”

ROMANS 8:32-33

“He did not even spare his own Son but gave him up for us all. How will he not also with him grant us everything? Who can bring an accusation against God's elect? God is the one who justifies.”

2 CORINTHIANS 8:9

For you know the grace of our Lord Jesus Christ: though He was rich, for your sake He became poor, so that by His poverty you might become rich.

Capacity vs. Maturity Matrix

Financial Capacity	Potential Giver Needs Engagement and Discipleship	Abundant Giver Resourced and Spiritually Mature
	Growing Believer Needs training and support	Faithful Steward Steady Giver with Limited Means
		Spiritual Maturity

Church Stewardship Ministry

Every church stewardship ministry may appear and operate slightly differently. The primary focus should be to assist members in enhancing their financial maturity and capacity. When creating a church stewardship ministry, there are three components to consider.

General Stewardship Education

The Bible is filled with principles on how we manage the blessings, opportunities, and struggles in our lives. The Church is responsible for teaching these principles to its members, regardless of age. These principles should encompass God's ownership, our responsibility to steward what He provides, and how our stewardship aligns with His greater Kingdom plan. It is essential that these principles are taught in both large group and small group settings.

Tithes & Offerings

One crucial factor in helping believers mature is to make sure they understand the role of tithes and offerings in the life of the church. As simple as this understanding may be, many churches fail to teach it to their congregations. We should teach that the tithe is the starting goal of financial appreciation and devotion to God. Giving back 10% to the church (tithing) is one of the oldest demonstrations of worship in Scripture that should continue in the church's life today. It is essential because it is through the members' tithes that the church's ongoing ministry budget is funded. An offering is a gift that is given above and beyond the tithe. It may be given to the church's ministry budget or to support a specific cause of need, which is sometimes called a designated gift. An offering can be given publicly as a testimony to encourage others or privately as a personal expression of appreciation to God. Offerings are also important in the life of the church because they help provide the resources for the church to grow and do ministry beyond what its normal budget allows.

Basic Financial Management

The single most effective way to create giving capacity among your church members is to provide resources to help them master the basics of personal money management. Without basic money management skills, many individuals forfeit their ability to give by accumulating excessive debt or making unwise spending decisions. Offering discipleship courses and additional resources, such as personal coaching, can yield significant benefits for those seeking to practice sound financial management in their lives. It's also important to note that basic financial management can be challenging for both believers and non-believers. If promoted correctly, courses on personal financial management can also be an outreach to the unchurched in your community.

Giving Options

Church leaders may find it beneficial to educate their members on how to give to their church. Here are four primary ways of giving:

TITHES

The term "tithe" means "tenth." Tithing refers to the practice of giving 10% of one's income or resources to the church or religious community. It is an act deeply rooted in biblical traditions that began with Abraham's offering and extends through Mosaic Law, the prophets, and into the New Testament.

GENESIS 14:18-20

LEVITICUS 27:30-32

MALACHI 3:10

OFFERINGS

An offering is a gift or sacrifice presented to God as an act of worship, thanksgiving, atonement, or devotion. It can be voluntary or prescribed, and includes material goods, animals, produce, money, or acts of service—given to honor, obey, or seek favor from God.

PROVERBS 3:9

2 CORINTHIANS 9:7

CASH/CHECK

Cash or check is the easiest gift to receive and currently represents the majority of gifts given to the church.

DIGITAL GIFT

Online and digital giving is the best way to encourage contributions from younger members of the church. This method is also more secure than mailing contributions to the church.

NON-CASH





Many church members can give non-cash assets if they only knew how. Examples of non-cash gifts include stocks, bonds, real estate, antiques, collectibles, and business interests.

ESTATE

Estate gifts are an excellent way to support additional church ministries. Church members can donate all or a portion of their estate to the church upon their passing. One meaningful estate gift involves a member setting up an endowment fund that generates income to replace their tithe at death.

As a treasurer or member of the financial committee, you can greatly benefit your church and its members by initiating and supporting a Church Stewardship Ministry within your church.

Giving Options

			
Cash/Check	Digital Giving	Non-Cash Gifts	Estate Gifts
Traditional giving via paper means	Online giving via apps/websites	Stocks, real estate, collectibles	Bequest and Endowments
Simple. Tangible. Familiar	Convenient, automatic, mobile friendly	Maximizes underused assets	Legacy Building, tax advantaged
Available to all age groups .	Millennials and Gen Z	Property / Business owners	Retirees and Older Members

SELECTING A CHURCH TREASURER

Qualifications

The church should prayerfully consider potential treasurers by first identifying those who have committed their lives to Jesus Christ and are dedicated to the mission and ministry of the local church. Additionally, churches should seek a treasurer who demonstrates a willingness to work harmoniously with others and possesses a fair-minded attitude. The individual chosen as treasurer should also understand the operational structure of the church and be among the elected leaders. The treasurer's character should reflect the highest Christian integrity. This person's experience and background should reassure church members that the church's financial affairs will be managed fairly and reliably. A working knowledge of accounting procedures or a willingness to learn them is essential. The person selected as church treasurer must be a tither, setting an example for the congregation. As with any leadership position within the church, the church may wish to establish guidelines regarding the length of continuous membership required before election as treasurer. While it can be beneficial for the same individual to serve as treasurer for several years, the duration of service ultimately rests with the church. (Exodus 18:21, Isaiah 33:15-16)

Church Structure and the Treasurer

The treasurer's relationship with church members relies on the church's organizational and committee structure. For instance, in some churches, the treasurer typically interacts directly with members. In contrast, other

churches may have the treasurer engage with a financial committee that communicates with the members. (Some churches refer to this committee as a budget committee, finance committee, or stewardship committee.) State law regarding incorporated churches often determines the church's financial accountability.

The treasurer might be required to submit reports to the church. Furthermore, the church treasurer needs to acknowledge that all giving records must be treated with the highest degree of confidentiality.

The administrative responsibilities of the church treasurer are rooted in the biblical principle of accountability. This foundational principle emphasizes an individual's personal responsibility to the Creator. As stated in Romans 14:12, CSB, "So then, each of us will give an account of himself to God." Just as we are accountable to God, we are also responsible for the proper stewardship of the resources entrusted to us. (Matthew 25:14-30)

The biblical principle of transparency is also relevant to the financial administration of the church and is expressed in Scripture. Because of mankind's inherently flawed nature, the church treasurer must continually assure church members that their tithes and offerings are being used both efficiently and effectively.

- **John 3:19, CSB:** "This is the judgment: The light has come into the world, and people loved darkness rather than the light because their deeds were evil."
- **Romans 5:12, CSB:** "Therefore, just as sin entered the world through one man, and death through sin, in this way death spread to all people, because all sinned." (The need to hold others accountable is a direct result of man's sinful nature.)

If you need assistance with non-cash assets or estate gifts to the church or other ministries, check with your state Baptist foundation.

"The character of the treasurer should reflect the highest Christian integrity."

PROVERBS 10:9

The one who lives with integrity lives securely, but whoever perverts his ways will be found out.

Responsibilities

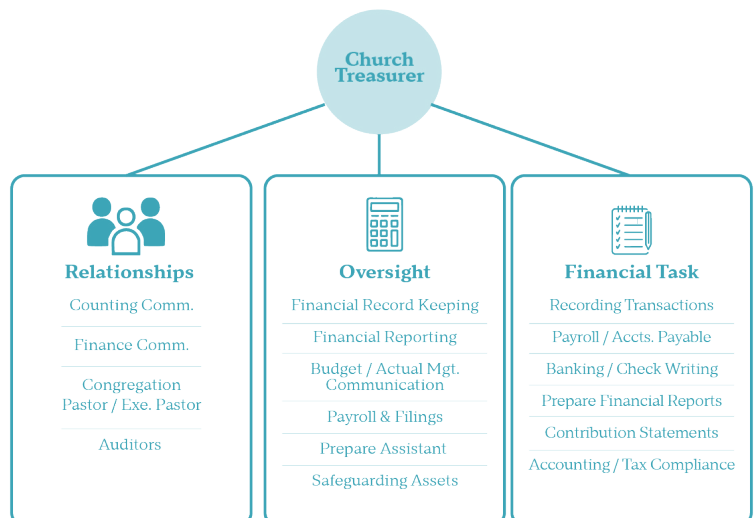
Principal Function

The church treasurer is responsible for properly receiving, disbursing, accounting for, and safeguarding church funds according to the policies established by the church to ensure adequate financial control, as well as adhering to the legal financial requirements for churches to maintain their tax-exempt status. It is recommended that the treasurer focus primarily on managing financial records and payment procedures, rather than handling cash. In some churches, this role is assigned to a staff member who manages all financial matters related to the church.

Treasurers may have the following responsibilities either directly or indirectly.*¹

****See Page 54 for important guidelines**

Treasurer Responsibilities Flowchart



Tasks vary depending on the church. (This can be paid staff or volunteers.)

regarding separating duties for internal control purposes and to safeguard church resources.

1. Keep accurate records of all monies received and disbursed in appropriate financial journals, whether manually or electronically.
2. May reconcile monthly bank statements and correct accounts as needed, or may sign checks according to church policies and procedures while verifying the supporting documents for each check request. Best practice dictates that one person should manage only one of these tasks while another person handles the other to ensure accountability.
3. Prepare monthly and annual reports for the church. If there is a committee overseeing the church's financial matters, the treasurer should also provide regular updates to that committee.

*** To ensure segregation of duties, if the treasurer is responsible for 1 above, a different individual should be responsible for items 5 and 6. ***

4. Prepare and maintain records of individual contributions.
5. Prepare and distribute contribution statements.
6. Suggest possible investment opportunities concerning any funds the church wishes to hold.
7. Keep church staff and appropriate committees informed of any trends or changes in fiscal matters.
8. Instill and preserve a high financial confidence throughout the congregation.
9. Submit accurate financial records for annual financial review according to church policy.
10. 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. (To prevent any misunderstandings, the church should predetermine whether or not they intend for the treasurer to be a voting or non-voting member of financial committees.) Confer with this committee in recommending and establishing policies related to receiving, disbursing, accounting, and safeguarding of church money; developing the annual church budget; providing a continuing program of stewardship education for the church; coordinate the annual stewardship campaign; overseeing the investment of excess funds, short-and long-term investments/funds, and designated accounts; and preparing and presenting a financial report in the church business meeting. Confer with the moderator about the presentation of a financial report. (Depending on the church size/organization, some of these duties may be assigned to church staff. See Page 54 for more detail.)
2. After each deposit, receive a copy of the deposit slip or a summary of the receipts record from the Counting Team (Committee).
3. Work closely with the church bookkeeper/accountant/financial secretary in maintaining records of individual contributions.
4. Confer with church staff members and/or deacons (or lay leaders/officers with specific financial responsibility) to maintain communication concerning the church's financial matters.
5. Work with staff members, officers, and ministry leaders to administer church project financial details.
6. At the request of the church committee assigned to oversee church financial matters, serve as an advisor to various committees and groups in preparing and maintaining their budgets.
7. 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.*

¹Adapted from Powers, Bruce P., ed, Church Administration Handbook, (Broadman & Holman Publishers, Nashville, TN., 1997) p. 45-56

Length of Service

Lengthy terms of service may offer more stable leadership and continuity in the church's financial program. If this is the church's desire, it should establish maximum term limits for continuous service in key leadership roles.

One alternative is for the church to elect the treasurer on an annual basis. This would enable the church to evaluate the treasurer's work. If there is an issue with the quality of work, the church should ask appropriate leaders to address the situation with the treasurer and initiate a procedure to enhance the quality of work. Should the treasurer be unwilling to follow the suggestions, the church may opt to elect someone else to the position. A significant drawback of the annual election is the potential inconsistency in work resulting from frequent turnover in the treasurer position. If the church conducts an annual election and determines that the current treasurer's work is of high quality, the church might take this opportunity to express appreciation for the treasurer.

The church's Constitution and Bylaws should express the intention regarding service term limits for elected officers.

 Take Notes[illegible]

“The correct biblical concept of money is that God owns it all and allows us to manage it for Him.”

ROMANS 8:32-33

He did not even spare His own Son, but offered Him up for us all; how will He not also with Him grant us everything? Who can bring an accusation against God's elect? God is the One who justifies.

2 CORINTHIANS 8:9

For you know the grace of our Lord Jesus Christ: although He was rich, for your sake He became poor, so that by His poverty you might become rich.

UNDERSTANDING 501(c)(3) TAX-EXEMPT STATUS

One of the most significant misconceptions in church life involves tax-exempt status. Many people believe that a church is completely exempt from paying any taxes, which is a mistaken assumption.

Receiving nonprofit status from the federal government simply exempts the church from paying federal (and, in most cases, state) income tax and allows it to accept tax-deductible contributions. For instance, sales and use tax as well as property taxes are specific to each state and vary significantly between them.

Many church financial leaders lack instruction or experience in operating a nonprofit organization, yet they frequently act based on misunderstood responsibilities for nonprofits. These discussions happen when a group of people considers an issue, and whatever seems to be the prevailing thought within the group is assumed to be correct.

When a church leader starts a new position in a new church, they have often moved from one state to another. They carry their understanding of the laws and regulations from their previous state, but this understanding may not accurately apply to the new state.

Obtaining Tax Exempt Status

Automatic: According to Publication 1828, “churches that meet the requirements of Internal Revenue Code (IRC) section 501(c)(3) are automatically considered tax exempt and are not required to apply for/obtain recognition of tax-exempt status from the IRS.” Churches are also exempted from the annual filing of IRS “Form 990 – Return of Organization Exempt from Income Tax.”

Individual: Churches may voluntarily apply for official IRS recognition of their tax-exempt status by filing Form 1023, Application for Recognition of Exemption with the IRS. If a church wishes to obtain its own 501(c)(3) determination letter from the IRS, the first step is to establish the church by officially constituting or incorporating. The organizing documents must be included in the application for tax-exempt status. (See Publication 557 or 4220).

Group: If a church does not wish to have its own 501(c)(3) determination letter, it may still be identified as a nonprofit organization if it is affiliated with a parent or central organization that has a 501(c)(3) Group Exemption Letter Ruling from the IRS. (See Publication 4573). Churches that are affiliated with a specific Baptist State Convention often can request to be included in the Convention’s group ruling (umbrella) and obtain a letter from the Convention if it meets specific membership requirements. If the state/regional convention does not have a group exemption, the Southern Baptist Convention Executive Committee office maintains a group letter exemption ruling for which a church may qualify (www.sbcec.net).

IRS RESOURCES

Website for Charitable Organizations

IRS Online Training
stayexempt.irs.gov

Publication 557

Tax-Exempt Status for Your Organization

Publication 1828

Tax Guide for Churches and Religious Organizations

See Lifecycle of a Public Charity

<https://www.irs.gov/charities-non-profits/life-cycle-of-an-exempt-organization>

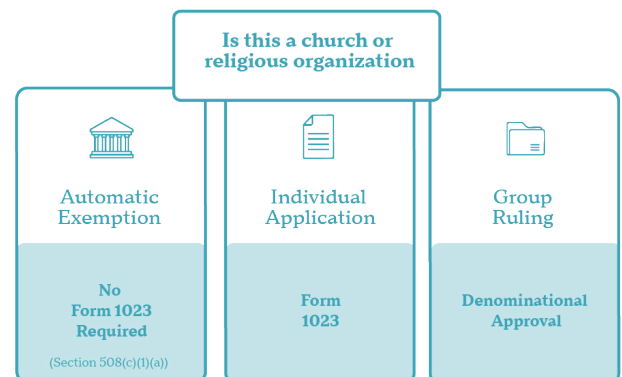
Publication 4220

Applying for 501(c)(3) Tax-Exempt Status

Publication 4573

Group Exemptions

Paths to 501(c)(3) Status



*IRS publications (e.g., Pub 4573, Pub 1828)

Benefits of Obtaining Official 501(c)(3) Status

- Assures church leaders, members, and contributors that the church is tax exempt under section 501(c)(3) of the IRC and qualifies for related tax benefits
- Assists in obtaining eligibility for lower postal rates on bulk mailings through the USPS
- May be required to qualify for eligibility of some foundational grants
- May be useful in qualifying for potential property tax exemption in some states
- If applicable, may be useful (although not required) in obtaining Sales and Use Tax exemption in some states (NOTE: Rules vary by state and not all states provide a sales tax exemption for churches)
- May be requested by some banks for lending purposes (See Page 42) for a special note regarding protecting your unique church Employer Identification Number)



RECOGNIZING IRS PROHIBITIONS ON POLITICAL ACTIVITY

In recent years, the IRS has actively increased educational and compliance efforts aimed at 501(c)(3) religious organizations that may be violating legislative restrictions on political activity. Church organizations are currently prohibited from participating in or intervening in political campaigns on behalf of, or in opposition to, any candidate for public office. Penalties for political activity include potential excise taxes and, ultimately, the revocation of tax-exempt status. (See IRS Publication 1828).

The IRS recently stated:

The prohibition against political campaign activity has been in effect for over 50 years and prevents certain tax-exempt organizations from intervening on behalf of or against political candidates. However, these organizations can advocate for or against issues and, to a limited degree, ballot initiatives or other legislative activities.

The IRS is making significant efforts to educate 501(c)(3) organizations, political parties, and candidates. Letters explaining the law's prohibition concerning charities and churches are being sent to national political party committees. A letter was recently featured in the Federal Election Commission's monthly newsletter, urging candidates to ensure their interactions with charitable organizations do not inadvertently jeopardize the tax-exempt status of any charity. The IRS has issued a

IRS RESOURCES

Another excellent resource is the IRS's <https://www.stayexempt.irs.gov/> website that has a very user-friendly 30-minute online training course for non-profit organizations related to political intervention.

The IRS has also issued a Tax Guide for Churches and Religious Organizations that is excellent. It is written in plain English, and offers extensive examples on what is and is not prohibited. (IRS Publication 1828)

news release on this topic in every presidential election year since 1992.

The main prohibitions that the IRS addresses are:

- Contributions to political campaigns (IRS Publication 1828)
- Public statements (by church leadership) of position in favor of or in opposition to a specific candidate in official church publications and at official church functions (IRS Publication 1828)
- Distribution of voter guides containing questions demonstrating a bias on certain issues (IRS Church Tax Guide)
- Endorsement of candidates (Internal Revenue News Release IR-96-23)
- Campaign activities by employees within the context of their employment (FSA 1993-0921-1)

GIVING THE MONEY

Individuals

The Bible teaches that people are responsible for managing God's money, a concept known as stewardship. Stewardship is defined as "the act of being a steward." A steward is described as "someone who takes care of another person's belongings."

Most churches rely on contributions from both members and non-members to maintain their financial health. Members are expected to provide financial support to the church, while non-members may also contribute if they choose. Individuals can make contributions during organizational meetings, such as Sunday School, or during worship and revival services. (Gifts designated specifically for a church Sunday School class do not qualify for a tax deduction, as they fall outside the church's control – see page 28) Alternatively, they can mail their contributions, bring them to the church on a weekday, or utilize various online giving options.

Groups

Groups of people, both within and outside the church membership, may make monetary donations. These groups can include organizations such as the Women's Missionary Union or the Baptist Men on Mission group. They may gather funds for a specific cause and submit them to the church's financial system. Contributions from groups must be reviewed to ascertain whether individuals who donated to the group can receive credit for a charitable contribution. Checks should be made payable to the church if a donor wishes to obtain contribution credit. (As noted above, gifts made exclusively for the use of a subgroup within a church will not be considered tax-deductible if they are outside the church's control.)



RECEIPTS

I CORINTHIANS 4:2

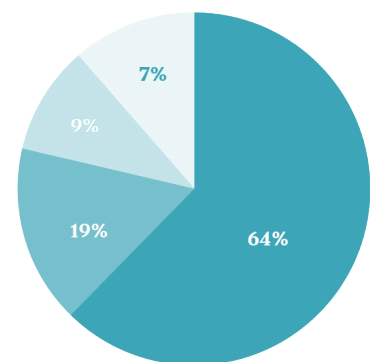
In this regard, it is expected of managers that each one be found faithful.

MALACHI 3:10

Bring the full 10 percent into the storehouse so that there may be food in My house. "Test Me in this way," says the LORD of Hosts. "See if I will not open the floodgates of heaven and pour out a blessing for you without measure."

ACTS 20:35B

'It is more blessed to give than to receive.'



Charitable Contributions by Source

- Foundations (64%)
- Individuals (19%)
- Bequests (9%)
- Corporations (7%)

Churches

Churches may give money to other churches to meet unique short-term goals, emergencies, or operational support for church planters until the receiving church becomes financially able to meet its obligations.

Businesses

Businesses may also make charitable contributions of cash or property to a church organization and receive an appropriate tax deduction. Charitable receipts should be managed similarly to the requirements for individuals.

Other

The sources of income for any particular church are numerous. They may include items such as fundraisers (both within and outside the church, e.g., t-shirt sales, tickets to banquets, etc.); trips for church-sponsored events (e.g., youth trips, senior adult trips, etc.); or revival offerings (paid directly to visiting guests). Charges for the use of church facilities and interest-bearing accounts are other potential sources of income. (Rental of church property should be closely monitored to avoid unintended Unrelated Business Income Tax implications – see page 34.)

Many potential sources of income need to be accounted for. Each church will uniquely identify these “other” sources of revenue.

How Did We Get It?

Money can come into the church’s financial system from various sources. The treasurer should be able to identify the contribution’s source and its intended designation. Accuracy is essential in this context. It is recommended that the treasurer maintain records of the amounts of money entering the financial system from different avenues. This information could be crucial during the budget preparation process. The church may receive funds through:

- **Worship Services:** Members and guests usually contribute during worship services, including regularly scheduled services, revival gatherings, or special worship events.
- **Sunday School:** Offering envelopes continue to be used in many churches. They enable both designated and undesignated gifts to be given through Sunday School, facilitate accurate accounting of an individual’s contributions, and promote consistent giving habits.
- **Groups:** Various groups within a church may contribute funds for specific projects or ministries of the church.
- **Mail:** Members who are physically unable to attend church services (or who do not attend for other reasons) may mail their contributions to the church. Occasionally, non-members who participate in special events or who have a special fondness for the church may also send their gifts through the mail.
- **Digital:** Churches are increasingly realizing that members want to make contributions through digital online options, including web-based and text-to-give options. This option is becoming more popular as donors continue to use the Internet for processing their financial transactions. It also allows individuals to contribute consistently regardless of their travel schedule or temporary absences.
- **Special Gifts:** Gifts from wills, trusts, and other sources may enter the church’s financial system. These special gifts can be received regularly or as one-time contributions. The donor may or may not designate their use. For further information, please refer to the Designated Funds Management section on page 28
- **In-Kind Gifts:** Sometimes, individuals give the church gifts that aren’t monetary. These gifts can include land, stocks, bonds, jewelry, automobiles, or various other items. In most situations, the donor



is responsible for determining the monetary value of the donation. This amount should reflect the value as of the day the church takes ownership of the gift. For more information, please reach out to your Baptist State Foundation or review IRS Publications 561 and 1771.

- **Purchase Income:** People might want to buy a Wednesday evening meal or a meal associated with a special event, or they might pay for a special event or program like a retreat, ski trip, or concert. This is considered income however, since the individual is receiving something in return, these types of transactions should not be included on contribution statements.
- **Investment Income:** Any money received in interest payments, dividends, capital gains realized with the sale of stock or other assets, and any profit made through another investment type. Investment income also includes interest earned on bank accounts, dividends received from stock owned by mutual fund holdings, and the profits on the sale of gold coins. Long-term investment income undergoes different—and often preferential—tax treatment, which varies by country and locality.

(Note: Any money receipts collected other than regular offerings should be accounted for specifically.)



IRS RESOURCES

See helpful IRS Publications
[IRS.gov](https://www.irs.gov)

Publication 526

Charitable Contributions

Publication 561

Determining the Value of
Donated Property

II CORINTHIANS 8:7

Now as you excel in everything—in faith, speech, knowledge, in all diligence, and in your love for us — excel also in this act of grace.

RECEIVING THE MONEY

Gifts to churches can be made daily, weekly, monthly, quarterly, semi-annually, annually, or whenever an individual or group chooses to contribute.

Where Is It Kept?

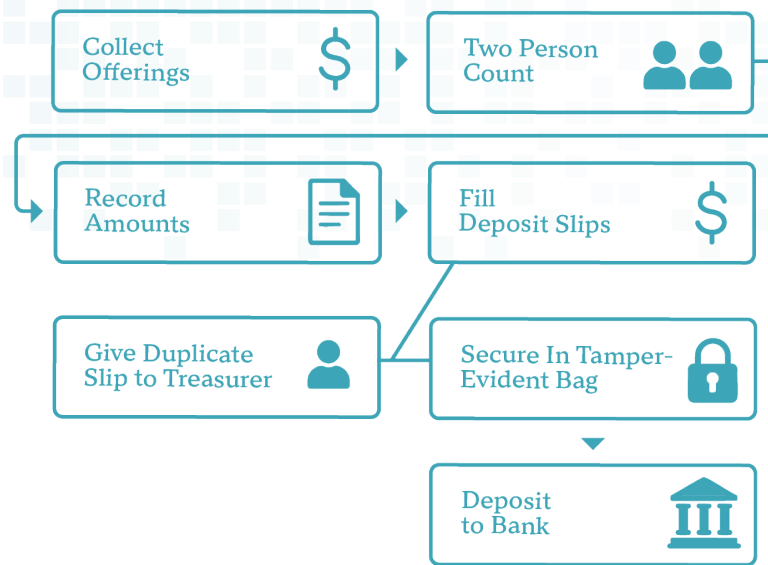
On Sundays, after the counting committee receives and counts the money, it should be immediately deposited in the bank's night depository using a tamper-evident, disposable locking deposit bag. The duplicate deposit slip and counting committee report should be handed directly to the treasurer. Unfortunately, there have been many instances where someone took the money home to deposit it 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 deposit the money immediately. If necessary, the treasurer can verify the deposit by calling the bank at a specified time or using online banking access.

When the deposited amounts are recorded in the books, the treasurer should file the bank deposit slips chronologically by month and date. Once the monthly bank statement has been reconciled, the original statement should be filed with the deposit slips.

Gifts received in the church office during the week or special year-end gifts should be noted regarding their source and designation before being deposited. The deposit slip and information about the gift designation should be given to the treasurer. All designated gifts, including income from wills, trusts, and interest, should be reported to church members.

Money received may be held in a checking, savings, or money market account until final distribution has been arranged. It is recommended that someone other than the treasurer count and deposit the received money. This will increase accountability by creating a separation of duties, thus reducing the opportunity for funds to be mishandled. This practice will also protect those responsible for handling the church's funds. Not only is this a good business procedure, but it will also encourage church member participation by providing a service opportunity.

Counting & Depositing Workflow



COUNTING THE MONEY

Upon the church nominating committee's recommendation, the church counting committee should be elected each year. The number of members on this committee may vary based on the size of the church membership; however, it should be sufficiently large to ensure that at least two non-related members are always present to assist in counting the donations received during Sunday services. For proper internal control, the staff bookkeeper/financial secretary and any authorized signers on the bank accounts (e.g., Treasurer, Assistant Treasurer, Corporation President, etc.) should not serve on the counting committee. To further enhance security, the church might also consider using multiple teams that serve confidentially on a rotating monthly basis.

Responsibilities of the Church Counting Team

The church counting committee should be responsible for counting all the money received during each church service. After the count is completed, the committee prepares detailed deposit slips, makes bank deposits, and sends copies of the deposit slips, along with the summary of receipts, to the treasurer. Additionally, the committee should organize members' offering envelopes in either numerical or alphabetical order, as previously decided, for the financial secretary or another person responsible for recording members' gifts.

The Sunday School Offering

Members' gifts should be received in envelopes. After recording class and department information, unopened members' envelopes should be placed in a large envelope, sealed, with the class and department information noted on the outside, and delivered to the Sunday School office. Once the Sunday School office records have been completed, the total Sunday School offering should be given to the church counting committee in a sealed envelope.

Worship Service Offering (Morning and Evening)

The best practice for handling offerings is to take them immediately after receipt to a separate, secure room for processing by the counting team or committee. Suppose the church's practice is to keep gifts in the offering plates at the front of the sanctuary until the end of the service. In that case, at least two counting team members or committee members should collect the offering right after the service and transport it to the secure counting room. All offerings must be counted, including any gifts received during Sunday School.

Envelope Sorting

- Retrieve the loose offering from the envelopes.
- Count the loose offering and record the amount. Separate budget offering envelopes from any special offering envelopes.
- Open each envelope, remove the cash, and verify the amount enclosed against the amount indicated on the envelope. If there is a discrepancy or if the figures are not clear, write the amount in red on the upper right corner of the envelope.
- Sum the amounts from the budget offering envelopes, using the adjusted amount where necessary, and record the total.
- Sum the amounts from the special offering envelopes and record the total.
- Depending on controls and practices, checks not enclosed in envelopes could have an envelope prepared for the person who signed the check. In some instances, this will ensure the amount being credited to the individual's record.
- Separate the cash from the checks and fill out a deposit slip.
- The church should not cash checks for individuals, either checks made out to "cash" or made out to individuals.
- Stamp all offering checks "for deposit only" when endorsing them even if the checks are to be scanned to deposit online at church instead of delivering them to the bank. This will help to safeguard the offerings and ensure that the checks will only be deposited to the church's bank account.

ENVELOPE OR CHECK?

Cash and checks are legal tender. Ensure that when you count each for deposits and record them, you note the actual amounts, not just what is written outside the envelope.

Envelope Arrangement

- Arrange offering envelopes in numerical order or alphabetical order. This will automatically arrange church families together if offering envelope numbers were originally assigned in alphabetical order.
- If numbered envelope packages are not used, arrange envelopes alphabetically by families.
- Arrange all special offering envelopes and miscellaneous offering receipts alphabetically.

Depositing

The following guidelines are for manual bank deposits. Many churches have started using remote capture technology, allowing them to scan checks at their church offices, which can then be electronically deposited with their bank. Besides cash deposits, this process can streamline record-keeping and eliminate the need for physical bank deposits, providing a secure and timely method for depositing funds. Depending on the size of your church, you may want to reach out to your local bank or accounting software provider for further information.

1. After counting the money, make deposit slips in duplicate. This is a safety procedure. Both members of the counting team should initial their agreement with the count on both the bank deposit slip and copy for treasurer.
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 prepare and verify the deposit.
3. The duplicate deposit slip should be given to the church treasurer/financial secretary.

4. The same depositing procedure should be followed for the evening service. Remember, it is recommended not to take offerings home or keep at church overnight. It is a best practice to take deposits directly to the bank to after hours deposit.
5. Consider using a tamper evident disposable locking deposit bag available from your local bank or office supply store.



Digital Giving

Gifts received by the church digitally can pose challenges for proper tracking and receipting. While digital gifts eliminate the need for handling cash and checks and making separate deposits, they inherently require a detailed dual accountability process to ensure that all gifts are accurately receipted and recorded, regardless of how the church receives them. As digital gifts increasingly represent a larger percentage of church receipts, careful attention should be given to the reporting processes provided by gift processing vendors for these types of donations to ensure good stewardship.

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 type of insurance secured by the church from an insurance provider. It should be obtained to cover those who actually handle the money — whether cash or checks. This insurance can be either blanket or name specific. If your policy is name specific, ensure that all individuals who manage cash are updated regularly with your church insurance agency.

Date _____ () A.M. () P.M. Deposit Number: _____

Total

Coins	No.	Amount	No.	Amount	Total

[illegible]

Subtotal		
Checks		
TOTAL	(1)	(2)

15

GUIDING PRINCIPLES FOR CHARITABLE CONTRIBUTIONS

For a church to contribute credit to individuals or corporations, it must take several steps. The IRS states that a church is, by nature, a nonprofit organization. However, it also notes that many churches choose either to become a 501(c)(3) or to affiliate with a parent organization that is a 501(c)(3). Churches may opt to obtain their own 501(c)(3) status or to partner with a parent organization to provide assurances for their leaders or to facilitate business operations. To understand what it means to have a 501(c)(3), please refer to the previous section of this book.

IRS Publication 557 states that a charitable organization must provide a donor with a disclosure statement for a quid pro quo contribution (payment by the donor partly as a contribution when receiving a good or service) over \$75. This type of transaction should never be included in the contribution statement but rather in a separate acknowledgment. The acknowledgement letter should indicate which contribution amount is considered deductible and which portion constitutes payment for goods or services (for example, the fair market value of a fundraising dinner, etc.). Additionally, this acknowledgment letter must be provided to the donor either by the date they file their original return for the year the contribution is made or by the due date, including extensions, for filing the return. These two deadlines are also listed in Publication 557.

The church should provide a written contribution statement to every donor, regardless of the amount given. Although the government sets charitable giving limits below which individuals do not require a contribution statement to claim deductions, the church's stewardship education must include providing a charitable giving statement to all donors.

The church may provide contribution credit for money given by check or cash directly to a financial officer of the church by the donor. However, the church cannot offer contribution credit to anyone claiming they donated cash, such as by placing it in an offering plate, but did not give it to a financial officer. However, certain IRS rules must be followed. Furthermore, specific substantiation rules exist for vehicles and other non-cash donations that exceed a particular dollar amount. These gifts often require the church to complete several IRS forms at both the time of receipt and disposal (e.g., Forms 8282 and 8283). For more information on charitable contributions, consult IRS Publications 526, 561, 1771, 4302, and 4303.

A person cannot receive contribution credit for money given to individuals unless there was a decision made by the church, a church committee, or an agent of the church, to accept such contribution. For example, if an individual wants to make a donation to provide financial assistance to assist those in need, that would be a donation. (the giver may not donate on behalf of a certain person specifically for camp or retreat). Additionally, contributions of services can never be treated as a deductible contribution to the church.

Contribution Receipt Requirements Checklist

Cash / Cash Equivalent

IRS Receipt Requirements

- ☒ Donor's name
- ☒ Date of gift
- ☒ Amount
- ☒ Statement of no goods/services (or value received)

 *Must be sent by January 31 to be valid for deduction*

Non Cash

IRS Receipt Requirements

- ☒ Donor's name
- ☒ Date
- ☒ Discription (including condition)
- ☒ Statement of no goods/services exchanged

 *This is usually in letter format with no value assigned. If value >\$500 state IRS Forms are necessary. If not, provide blank ones w/letter.*

SUBSTANTIATING CHARITABLE CONTRIBUTIONS

Excerpts from GuideStone's Ministerial Tax Guide

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 name of the charity must be on the receipt.
- Date of the contribution(s). All dates and amount given on that date should be stated.
- The receipt must be in writing (electronic copy, such as email, is acceptable). 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 fully/completely describe the property. No value should be stated. The receipt should to state whether or not the church provided any goods or services to the donor in exchange for the contribution. The IRS WILL disallow a charitable contribution if this statement is not included.
- If the church offers no goods or services to a donor in return for a contribution, or if the only goods or services provided are considered "intangible religious benefits," then the receipt must include a statement to that effect. (For example: No goods or services were provided in exchange for these contributions.)
- The written acknowledgment must be received by the donor on or before the earlier of the following two dates: (1) the date the donor files a tax return claiming a deduction for the contribution, or (2) the due date (including extensions) for filing a return. Typically, most churches issue their donor statements by January 31.
- Some churches provide a statement in their quarterly or annual charitable contribution reports regarding how long they retain original offering envelopes. This allows donors to review and verify their contributions promptly.
- **Note:** Only gifts physically received by the church or postmarked by December 31 can be acknowledged for the current calendar tax year.
- **Note:** Specific rules apply to vehicle donations – Please refer to IRS Publication 4302 – A Charity's Guide to Vehicle Donations.



IRS RESOURCES

Publication 526

Charitable Contributions

Publication 557

Tax Exempt Status for
Your Organization

Publication 561

Determining the Value
of Donated Property

Publication 1771

Charitable Contributions –
Substantiation and
Disclosure Requirements

Publication 4302

A Charity's Guide to
Vehicle Donations

Publication 4303

A Donor's Guide to
Vehicle Donations

**Online training on
Charitable Contribution
reporting requirements**
stayexempt.irs.gov

IDENTIFYING UNRELATED BUSINESS INCOME

Business Income

Unrelated business income (UBI) is defined as income from a regularly-carried-on trade or business that is not substantially related to the organization's exempt purposes. Passive income sources such as dividends, interest, certain other investment income, royalties, certain real property rent, and gains or losses from the disposition of property are excluded when computing UBI and therefore are exempt from income tax. There are a number of complex rules regarding income derived from debt financed property that must be analyzed to properly determine UBI status (See IRS Publication 598).

Churches are NOT exempt from this regulation and if they allow their facilities to be used for activities that are not defined as religious or substantially related to the religious activity of the church, any income they receive from these activities may be considered UBI. If a church has more than \$1,000 of gross income from UBI activities, the church will have to file a form 990-T, Exempt Organization Business Income Tax Return with the IRS and pay the applicable tax on any net income that is derived from the activity.

Essentially, income-producing activities may result in taxable income if the following conditions of the activity are true:

1. It is a trade or business.
2. It is regularly carried on (frequent and continuous).
3. It is not substantially related to furthering the organization's exempt purpose.

IRS publication 598, Tax on Unrelated Business Income of Exempt Organizations, further excludes the following activities from the definition of UBI for 501(c)(3) organizations:

1. Substantially all the work is performed by VOLUNTEER LABOR.
2. Activity is carried on for the CONVENIENCE OF ITS MEMBERS.
3. Activity consists of SELLING DONATED MERCHANDISE received as gifts or contributions.

UBI vs Non-UBI Comparison Table

Taxable (UBI)

- ✓ Clothing/Coffee Shop with Paid Staff
- ✓ Facility Rental to For-Profit
- ✓ Church Bookstore
- ✓ Selling Advertising

Vs.

Exempt

- ☒ Facility Rental to Another Church
- ☒ Donated Goods Sales
- ☒ Volunteer Bake Sale
- ☒ Rental of house previously utilized as parsonage

IRS RESOURCES

Publication 557

Tax-Exempt Status for Your Organization

Publication 598

Tax on Unrelated Business Income of Exempt Organizations

Form 990-T

Exempt Organization
Business Income Tax
Return

**IRS Online training on
Unrelated Business Income**
stayexempt.irs.gov

 Take Notes

BECOMING A DONOR-FRIENDLY CHURCH

Now more than ever, churches should consider systematic ways to expand their giving base to ensure there are sufficient resources available to accomplish the ministry the church.

Four Systematic Tools

Offering Envelopes

Offering envelopes are the most effective way to encourage giving among church members. The traditional nonprofit sector has recognized this for years, which is why they always include an envelope with a compelling letter outlining their ministry. Offering envelopes can be customized to reflect the unique identity of each church and to communicate or reinforce key Christian education principles. Offering envelopes are available in bulk, in boxed sets, and can even be mailed directly to church members on a monthly, bi-monthly, or quarterly basis.

Digital Giving

Digital giving is becoming an increasingly secure and affordable way to receive gifts. Numerous channels for digital giving are available to today's donors. If digital giving is implemented, make sure to include a line on the church members' offering envelope that states, "I gave online." This helps preserve the act of giving during worship as a crucial aspect of the corporate worship experience.

Contribution Statements

Contribution statements should be mailed or emailed to church members. The recommended frequency is once every quarter. When contribution statements are sent, include important information about the local church's ministry and its measurable impact. This is an excellent opportunity to celebrate what God has accomplished and remind members of the ministry planned for the next quarter. If this mailing is separate from the offering envelope sets, include a catch-up envelope so that members who wish to catch up on their giving compared to last year or make an extra donation can easily do so.

Special Fundraising Emphasis/Major Gift Development

Occasionally, opportunities arise to emphasize a specific ministry or upcoming mission project. The two most common occasions for Southern Baptist churches are the annual Annie Armstrong Easter Offering and the Lottie Moon Christmas Offering. Additionally, each church may have a special mission fund or provide support for specific Baptist State Convention mission offerings.

Choosing a separate offering envelope, even a colored envelope, helps visually yet subtly reinforce the importance of that fund to accomplishing the overall ministry of the church.

DIGITAL GIVING

A 2018 study showed 74 percent of U.S. churches offer congregants the ability to give online. That's up from 42 percent just a few years prior in 2015. While churches are increasingly providing the option to members, it's not clear if the option is increasing offerings in these churches. While there seems to be some concern about the possibility of minimizing the worship experience associated with electronically giving tithes and offerings, it is clear that electronic giving will continue to grow as donors manage all their financial transactions online. It is essential for the church to proactively address this trend.

As with any service, there is often a cost associated with facilitating and accommodating transactions, and it is crucial for the Church Financial Committee to thoroughly explore all available options. Some church leaders believe that the administrative and processing costs are still too high to justify implementing this option. Additionally, one suggestion is to encourage members to use "electronic bill pay from their checking accounts" for their tithes and offerings. This method incurs no cost to the church and would help ensure the consistent receipt of gifts.

Some charitable giving professionals believe that online giving should be part of a comprehensive stewardship effort in the church and will ultimately result in increased contributions. Electronic payment companies even estimate that giving can increase by 10% to 30% when digital giving is offered as an option. Despite the added cost of implementation, they believe that e-giving will enable members to systematically and consistently give, whether they are physically present or not.

Giving methods may change, but the message of worshipful, responsible, generous, God-honoring stewardship will never change.

ENCOURAGING PLANNED GIVING/ESTATE TITHING

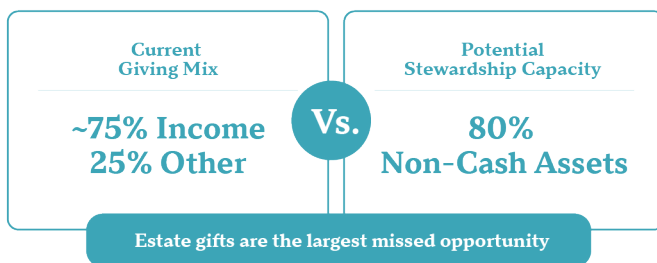
This topic is perhaps one of the most difficult for many individuals to discuss, yet it should be a subject that every church encourages its members to consider. If one truly believes that God owns everything, then how an individual plans their estate could result in their single largest act of financial stewardship.

According to generosity experts, nearly three-fourths of giving through the local church comes from current income or cash. However, cash or income represents only a small portion of many individuals' ability to give. The largest potential for whole life stewardship comes from non-cash assets such as real estate, investments, and insurance policies. Individuals can create an eternal legacy and extend their Christian stewardship by providing for both their family and their faith through their estate.

There is a tremendous cost involved in spreading the good news of Jesus. Every individual must be encouraged to continually give sacrificially to missions. The key is stewardship. Good stewardship demands acknowledging that God owns everything and recognizing that He has entrusted us with the privilege of managing those resources.

God has entrusted the Church with an abundance of financial resources, including the time, talent, energy, and

Planned Giving Potential Graph



expertise of each member. These resources must first be released for God's use in His worldwide mission endeavor. When Christians are spiritually motivated to give, they can work together to accomplish significant things for the sake of God's global mission.

Encouraging individuals to give generously to missions through the local church and association, the Cooperative Program (www.sbc.net/cp), the state Baptist Convention, and other Southern Baptist mission offerings fosters a sense of personal investment in God's Kingdom work, as well as participation in a worldwide mission effort that includes thousands of other churches and millions of fellow believers. Planned Giving goes beyond our weekly contributions and emphasizes encouraging estate giving, which can significantly impact mission efforts throughout the world. Jesus certainly understood that money is directly connected to the passion of an individual's heart; therefore, giving reflects a person's true love and loyalty. We should always encourage others to give to missions, as it is the greatest financial investment a believer can make.

Contributing a portion of the resources God has entrusted to us allows us to reach beyond our limited influence by empowering others to share the good news of Jesus. Our gifts serve as the fuel that drives the dynamic

DIGITAL RESOURCES

Your State/Regional Baptist Convention

Your current Church Accounting Software Provider

Stewardship Technology
egsnetwork.com

SecureGive
securegive.com

Vanco Payment Solutions
vancopayments.com

Pushpay Limited
pushpay.com

Tithe.ly
<https://get.tithe.ly/>

missions of Southern Baptists locally, regionally, nationally, and internationally. Giving enables individuals to embrace the incredible mission of spreading the Gospel around the globe and being used by God to effectively advance His Kingdom, leaving an eternal legacy.

Be aware that estate planning laws vary from state to state. You can find information for estate planning resources that are specific to your state by contacting your local Baptist Foundation.

SUPPORTING MISSIONS AND MINISTRY

General Funds

The church treasurer receives the authority to disburse church funds from the church upon the adoption of a budget. Authorized funds should be disbursed promptly upon the receipt of statements or bills. However, the treasurer may not have the authority to pay for non-budgeted items without specific instructions from the church or the financial committee (Finance Committee, Stewardship Committee, or whatever it may be called in your church).

If monthly receipts are insufficient to meet budget requirements, an emergency decision regarding fund distribution should be made in accordance with the church's wishes. A committee or team approved by the church, following the guidelines established by the church's constitution and bylaws, should report the decision to the church. Typically, this will be the treasurer or committee chairman. Unless the church has granted permission for the treasurer or committee to make final decisions, the church retains final authority over fund distribution, not the treasurer or committee. To prevent financial crises, many financial experts recommend that churches maintain at least three months of their annual operating budget in a savings account as an emergency cash reserve.

Cooperative Program and Associational Missions Support

Since 1925, Southern Baptist congregations have dedicated themselves to reaching people by collaborating through the Cooperative Program (CP). The CP is the preferred method of support that strengthens state, national, and international missions and ministries as well as theological education. For additional information regarding CP or resources to share with your membership, log on to www.sbc.net/missions/the-cooperative-program/.

All gifts identified by the church as Cooperative Program (CP) and associational gifts should be promptly sent to the appropriate organizations so they can reach the field on time. CP gifts are sent to the state convention, while associational gifts go to the associational office or associational treasurer. Consider making these gifts the first check(s) issued from the undesignated gifts received by the church. This sets an example consistent with the church's request for members to give their gifts to the Lord through the church first before settling their other bills. Ideally, the church's CP gifts should be sent every Monday. If that isn't possible, then the gifts can be sent on the last Monday of the month.

DISBURSEMENTS

PROVERBS 21:20

Precious treasure and oil are in the dwelling of the wise, but a foolish man consumes them.

ROMANS 14:10-12

But you, why do you criticize your brother? Or you, why do you look down on your brother? For we will all stand before the judgment seat of God. For it is written: As I live, says the Lord, every knee will bow to Me, and every tongue will give praise to God. So then, each of us will give an account of himself to God.

ROMANS 12:13

Share with the saints in their needs; pursue hospitality.

**Contact your
local Baptist State
Convention office for
assistance with these
materials**

- 
- Take Notes

Based on a church tithing and offerings 10% through the Cooperative Program and 3% to the Association

[illegible]

EMBRACING THE COOPERATIVE PROGRAM VISION IN THE CHURCH

Scripture states that without a vision, the people perish (Proverbs 29:18, KJV). This is certainly true regarding church members' understanding and commitment to reaching people through the Cooperative Program. If they do not comprehend where their gifts go and who they impact, they will lack a vision for what can be achieved.

In many churches, the responsibility of sharing the vision regarding the Cooperative Program often falls to the pastor. However, sometimes the pastor feels uncomfortable doing so or has other pressing duties that take precedence. In many churches, a budget development committee determines the amount or percentage of gifts given through the Cooperative Program. Someone, whether it's a missions committee or an individual with a passion for missions, needs to take on the responsibility of helping this group understand what the Cooperative Program is, how it works, and whom it impacts. In the hustle and bustle of budget preparation, it's easy for a budget preparation committee to view the Cooperative Program as simply a line item in the budget or a bill to be paid. Since the church treasurer is typically someone who has been in position for several years, allowing the church treasurer to lead or coordinate this vision and education effort is a logical step.

There are many video and print resources that can help the budget preparation committee and the entire congregation understand the process and see the benefits of the Cooperative Program. Start by contacting your Baptist State Convention for available resources. You can find additional resources at sbc.net/missions/the-cooperative-program/.

Request copies of the current and, if available, proposed Cooperative Program budget. This should provide the big-picture information vital to the budget preparation committee.

The church treasurer should also request that the budget preparation committee seek a statement, if it is not already in print, from the church regarding its desire for missions support. This could be accomplished through discussion and a vote during a church business meeting. If a missions committee exists, the budget preparation committee could ask that committee to provide a statement. Such a statement will assist the budget preparation committee in allocating appropriate resources to the Cooperative Program and other mission priorities of the church.

Ongoing missions education is essential for raising the CP vision and commitment among church members. In cooperation with pastoral leadership, the church treasurer should ensure that the missions committee, or someone passionate about missions, is responsible for this important task. Ideas and resources for ongoing missions promotion can be obtained through the state convention, the national Cooperative Program Office in Nashville, TN, or by logging onto www.sbc.net/missions/the-cooperative-program/.

WEB RESOURCES

Cooperative Program
Missions Resources
sbc.net/missions/the-cooperative-program/

**Official website of
the Southern Baptist
Convention**
sbc.net

[illegible]

DISBURSING CHURCH FUNDS

Petty Cash

Typically, cash disbursements should be exceptions rather than the rule, but they do occur. To accommodate these emergency disbursements, many churches maintain a limited petty cash fund managed by a financial secretary, bookkeeper, or office administrator. Usually, a check is issued in the name of the Custodian of Petty Cash for a small amount ranging from \$100 to \$250, with the cash kept in a locked cash box. When small items are purchased, individuals can present their receipts to the custodian and receive reimbursement from petty cash. When the money needs to be replenished, the custodian totals the amount used, attaches the relevant receipts, and requests a check disbursement for replenishment after review and approval by the church treasurer. All cash disbursements must align with the church's current written financial policies and guidelines. No cash disbursements should occur without receiving a written request for the disbursement. Maintaining a paper trail is essential for adequate financial review.

Checks

It is recommended that any disbursements made by check require two signatures. Some churches modify this control by requiring only dual signatures on checks exceeding a certain amount. If a church uses this type of signature control, they should print their requirement on the face of the check (e.g., "All checks over \$2,500 require two signatures – this is an internal control enforced by churches because banks do not do it.") It is advised that one of the signatures may be that of the church treasurer, provided that the treasurer is not responsible for writing the checks. Depending on individual job responsibilities, the cosigner could be the church secretary, the financial secretary, or a member of the church financial committee. Anyone responsible for creating checks should not be considered or even eligible to sign checks. When the treasurer's signature is the only one required on checks, this places a heavy responsibility on that individual. Many churches employ a financial secretary who handles all record-keeping, writing checks, and so on, while the treasurer supervises, and signs checks to authorize the disbursement of funds.

Accountable Reimbursement Plans


A third way is for the church to establish an accountable reimbursement plan to manage ministry-related work expense reimbursements for employees effectively. An accountable reimbursement plan allows for advances or reimbursements of an employee's ministry-related expenses incurred while performing their duties. To ensure that these church-reimbursed ministry expenses are considered non-taxable, it is essential to follow strict IRS guidelines. According to IRS Publication 1828, any accountable reimbursement plan must meet the following requirements: (Also see Publication 463 – Travel, Entertainment, Gift, and Car Expenses.)

1. Involves a business (ministry) connection
2. Requires the employee to substantiate expenses incurred;
 - Typically, Amount, Date, Place, and Business Purpose (See Expense Type Chart)
3. Requires the employee to return any excess amounts
 - a. Expense or Advance must be substantiated within 60 days
 - b. Excess reimbursements (cash advances) must be returned within 120 days

Reimbursement Eligibility Checklist

IRS-Compliant Reimbursements

- ☒ Written policy before expenses are incurred
- ☒ Itemized receipts required
- ☒ 60-day submission window
- ☒ Return excess funds within 120 days
- ☒ No allowance arrangements.

 Failure = taxable income

Expense Types

Adequate Substantiation (Adapted from Publication 463)

Expense Type	Amount (What)	Time / Date (When)	Place (Use) or Description (Where)	Ministry Purpose (Why)	Ministry Relationship (Who)
Travel Expenses (Overnight)	Cost of each separate expense (travel, lodging & meals)	Date left & returned for each trip & no. of days spent on ministry	Ministry destination or name of city/ town	For travel outside of regular business location	Employees
Entertainment and Meal Expenses	Cost of each separate expense	Date of entertainment (if after a meeting, date & duration of meeting)	Name and address or location of entertainment (Type)	For expenses incurred while fostering relationships for church business	Guest speakers or church business associates or members
Gift Expenses	Cost of the Gift (\$25 limit)	Date of the gift	Description of the gift	For expenses fostering relationships	Guest speakers or church business associates or members
Transportation Expenses (Local - Auto)	Cost of each separate expense (Trip Mileage)	Date of the Expense	Ministry Destination (To/From)	Business expense travel outside of the regular commute	Employees
Conferences	Cost of each separate conference / seminar	Date of the Expense	Date and location of conference / seminar	Expense for development, networking, and church training	Employees and/or members
Supplies	Cost of each purchase	Date of purchase	Description of items and receipt	Expenses carrying out business in the church	Employees
Mobile Phone	Cost of Monthly bill	Date of bill	Description	Expenses for being on call	Employees

Any plans that meet the above requirements are:

1. Excluded from an employee's gross income;
2. Not required to be reported on the employee's IRS Form W-2, Wage and Tax Statement; and
3. Exempt from the withholding and payment of wages subject to FICA taxes and income tax withholdings.

What should be included in the Accountable Reimbursement Plan:

1. Description of the accountable reimbursement (Travel, Entertainment/Meals, Transportation/Auto)
2. Identify the staff positions that can utilize the reimbursable plans
3. Documentation required for reimbursement
4. Procedure for reimbursement by church

Example: A mileage travel/transportation reimbursement will be provided for ministerial staff. Each minister should submit an itemized monthly listing of church related mileage, incurred on their personally owned vehicle, for reimbursement. This request should identify: trip mileage, time/date, place (or use), and ministry purpose of each trip. When the mileage reimbursement is submitted, the church will reimburse the employee up to the current IRS standard mileage rate.

One question that often arises regarding accountable reimbursements is: what will control spending? The straightforward answer is that the approved church budget should be the controlling factor. For instance, if the church were to set up a travel reimbursement, the amount allocated in the budget for travel reimbursement would be the maximum that could be spent. If the individual eligible for this benefit exhausts the total amount before the end of the budget year, it will be up to the church to determine the next steps. At that point, the church can either increase the budget to cover the remaining expenses for the year or inform the employee that the budget cannot be raised and the rest of the year's auto and other ministry-related costs will be the employee's responsibility.

Key Point

Any amount the church reimburses for qualified employee expenses is not considered taxable income. However, if the church reimburses an employee at a lower mileage rate than the IRS allows, or if it cannot repay the full amount of the substantiated expense, the employee may not claim the unreimbursed business expenses as an itemized deduction on their personal federal tax return. Tax Update: The 2017 Tax Cuts and Jobs Act eliminated an employee's ability to include unreimbursed business expenses related to their employment as an itemized deduction on their taxes. (Made permanent by the 2025 OBBBA). Churches should strive to reimburse ministry expenses to their staff under a proper, accountable reimbursement plan. (See [GuideStone.org/taxguide](https://www.guidestone.org/taxguide) for resources on minister's taxes)

Non-Accountable Reimbursement Plans

Non-accountable reimbursements refer to any payment made to an employee that is not properly substantiated in line with IRS guidelines mentioned earlier. For instance, if a church provides a minister with a monthly travel allowance of \$200 and does not require the minister to substantiate any mileage or ministry expenses, the full amount is considered taxable. It must be reported in Box 1 of the minister's Form W-2. Moreover, any unused (leftover) budgeted expense funds should not be disbursed to employees as additional income. If this happens, the entire amount of the budgeted expenses would be deemed taxable income, as this approach renders the entire plan "non-accountable."

IMPORTANT REMINDER

Cell Phones: In 2011, the IRS issued Notice 2011-72 (IR -2011-93) which provided guidance on the tax treatment of cell phones provided to employees for business (ministry) purposes. An employer-provided cell phone can be excluded from taxable wages as a working condition fringe benefit (even if there is some personal use) if the following conditions are met and substantiation is provided to the employer :

The cell phone must be provided primarily for "substantial business reasons" such as:

1. the need to contact the employee at all times for work-related emergencies;
2. the requirement that an employee be able to speak to clients at times when the employee is away from the office; and
3. the employee's need to speak to clients in other time zones outside of the employee's normal business hours.

The cell phone must also be provided for noncompensatory purposes. The IRS cites the following examples that would result in the cell phone cost being treated as compensation to the employee:

1. promoting the morale or good will of an employee;
2. attracting a prospective employee; or
3. furnishing additional compensation.

If the above conditions are not met, the cost/reimbursement of the cell phone would be considered taxable income to the employee.

SAMPLE ACCOUNTABLE REIMBURSEMENT POLICY

In accordance with IRS regulations 1.162-17 and 1.274-5T(f) the Baptist Church hereby establishes an accountable reimbursement policy for all ministers and employees with the following terms and conditions:

1. The minister or employee will be reimbursed by the church for ordinary, necessary, reasonable, substantiated, authorized, and ministry-related expenses incurred on behalf of the church. Subject to budget limitations, such expenses will include:

- **Travel Expense:** Ministry travel away from home including travel, lodging, and meals on overnight ministry trips.
- **Entertainment/Hospitality Expense:** Reimbursed only if ministry connection requirement is met.
- **Transportation Expense:** Mileage reimbursement for local ministry use of personal automobile, up to the current IRS standard mileage rate.
- **Training Expense:** Convention, conference, and ministry related workshop fees.
- **Educational Expense:** Reimbursed only if otherwise qualified as an itemized deduction and in accordance with IRS guidelines.
- **Subscriptions Expense:** Periodicals, books, and tapes will be reimbursed if ministry or employment related and ownership does not transfer to employee.
- **Cell Phone Expense:** Reimbursed only if provided primarily for "substantial business reasons."

2. The minister or employee will substantiate each allowable expense in writing within 60 days, including the following documentation with the original receipt:

- **What:** Amount, itemized amount requested for reimbursement
- **When:** Time/Date of expense
- **Where:** Place/Location of expense
- **Why:** Ministry purpose/description of expense
- **Who:** Name and Ministry relationship (meals and entertainment expense)

3. The minister or employee will return to the church any amount received (advances) in excess of the substantiated expenses within 120 days of receipt.

Under this accountable reimbursement plan, the church will not report any properly substantiated reimbursement payments as income on any Form W-2. Additionally, any employee should not report properly reimbursed amounts as income on Form 1040.

(Refer to IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses, for more information.)

MANAGING DESIGNATED FUNDS

Designated contributions, including love offerings, are donations made to a church with the understanding that the funds will be used for a specific purpose. As a general principle, a donor can receive a charitable contribution credit from the church if the designated contribution is handled properly. Designated funds should not be spent for unintended purposes unless the church has established a prior written agreement. The church may not borrow from or overspend the funds in the designated account. Without a prior written agreement in the church documents, the only way a church can change the purpose of a designated donation is typically through legal proceedings. (See Page 30 for information on the Uniform Prudent Management of Institutional Funds Act and its impact on gift restrictions.) If the cash donation is designated for an approved project or ministry of the church and the designated fund has been established, the cash donation can be recorded on the donor's contribution statement.

Designated funds established before the church adopts a new written policy will remain unaffected by that policy. The church must adhere to the original terms (either verbal or written) that were understood when the existing designated funds were set up. The new written policy will only apply to designated funds created after the church has approved it.

Contributions designated for a group or organization within the church (such as a Sunday School class) for the exclusive use and total control of the organization are not considered deductible contributions to the church. (The class is not a 501(c)(3) organization.) The church cannot include the designated contribution on the donor's contribution statement since it does not maintain any control over the contribution.

Designated Fund Lifecycle



Suggested Steps in Establishing a Designated Fund

1. The church should create a written policy outlining the procedure for donors to request the creation of a new designated fund.
2. The policy should outline the following conditions:
 - Identify the purpose of the fund – What is the need for this designated fund, and how will it support the church's mission?
 - Draft a governing policy – How will contributions be received for the fund, and what will the reporting requirements to the church be?
 - Establish a procedure for disbursing the fund – How will the money be spent? How can the designated account be closed?
 - Establish accountability procedures – Periodic expenditure reports to the church and appropriate substantiation for the church should be included in the accounting procedure.

- Members should be informed that the policy has been established and will be adhered to.
- Maintain a list of contributors – A record of contributions and donors should be maintained for the Internal Revenue Service's required record-keeping.

Working Model of a Designated Fund Policy

Individuals can give designated gifts for the ministry of the church. However, the designated fund must be established before the church receives the cash or cash-equivalent designated gift.

If the designated gift is a gift of property, not cash or cash equivalent, then the church or finance committee reserves the right to use the property for the purpose of the church. The church or finance committee will try to honor the intention of the donor, but the finance committee or church reserves the authority to use or dispose of the property that best fosters the church's ministry as described by the designated policy.

The process of establishing a designated fund by the church (based on the church's approved policy):

- Any member of the church or community may request the establishment of a designated fund.
- The member must present a verbal or written request to the church or finance committee, (the church committee assigned to oversee church financial matters). The church or finance committee must approve the establishment of the requested designated fund.
- Before the church accepts a contribution for the designated purpose, the designated fund must be approved.
- If the finance committee or the church fails to approve a request for a designated fund, the designated fund cannot be established and the church will not receive any money.
- A list of contributors and their contributions is maintained for Internal Revenue Service required record keeping.

The established designated fund must meet the following requirements in writing by the finance committee or church:

- The purpose of the fund and how it furthers the mission of the church must be stated. Procedure on how the fund will be spent must be recorded.
- The procedure on how the fund can be closed should be stated.
- The policy should state how to disburse any money left in the fund after the fund is closed.

SPECIAL NOTE ON DESIGNATED FUNDS

Increasingly the term "designated fund" can be misused and misunderstood. Donor gifts received by the church for a specific purpose are categorized as "Restricted" funds for accounting/legal purposes and should be distinguished from funds set aside/established by church action and/or fee-based activities. Temporarily or Permanently restricted funds (or funds classified as "with donor restrictions") are subject to state law guidelines, while the administration of many church designated funds are subject only to church bylaws and policies.



FOR YOUR INFO

Recently, some states have passed legislation known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This legislation updated the existing state statutes known as UMIFA related to the management of institutional funds. One provision of this legislation, which some states have adopted, provides a continuing mechanism to release a restriction on donated funds as follows:

- Subsection (a) restates the rule from UMIFA allowing the release of a restriction with donor consent.
- Subsections (b) and (c) make clear that an institution can always ask a court to apply equitable deviation or cy pres to modify or release a restriction, under appropriate circumstances.
- Subsection (d), a new provision, permits an institution to apply cy pres on its own for small funds (Varies by state \$25,000 to \$100,000) that have existed for a substantial period of time (20+ years), after giving notice to the state attorney general.

Please check with your state's attorney general or a knowledgeable not-for-profit attorney to determine the specific legislation enacted by your state. Your Baptist State Foundation may also be able to assist you with matters regarding UPMIFA in your state.

UPMIFA Legislation Excerpt:

If an institution determines that a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund is unlawful, impracticable, impossible to achieve, or wasteful, the institution, [days] after notification to the [Attorney General], may release or modify the restriction, in whole or part, if:

1. the institutional fund subject to the restriction has a total value of less than [Varies by State];
2. more than [Varies by State] years have elapsed since the fund was established; and
3. the institution uses the property in a manner consistent with the charitable purposes expressed in the gift instrument.

Samples of Designated Funds

Benevolence Fund

The church, in exercise of its religious purposes, has established the benevolence fund to assist persons in financial need. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the control and discretion of the benevolence committee or church. The committee may consider recommendations from anyone, but in no event is the committee bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution on the grounds that the committee failed to honor the donor's recommendation.

The church recognizes that planning for future needs is a practice of good stewardship and has established this fund as an ongoing fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general budget of the church.

Also, the benevolence committee or church should record the required Internal Revenue Service documentation for benevolence requests. The following documentation for benevolence requests should be recorded for accurate record keeping:

WEB RESOURCES

Tax, financial and administrative resources
gabaptist.org/resource/financial/

Evangelical Council on Financial Accountability resources for nonprofit religious organizations
ecfa.org

National Association of State Charity Officials with links to each state government charity office
nasconet.org

1. A complete description of the assistance. The purpose for which the aid was given.
2. The church or benevolence committee's objective criteria for disbursing assistance under the benevolence fund.
3. How the recipients were selected.
4. The name, address, and amount distributed to each recipient.
5. Any relationship between a recipient and officers, directors, or key employees or substantial contributors to the Church. (Documentation is crucial to prevent possible taxable benefits, excess benefit transactions, or private inurement issues.)

Sample Comparison of Designated Fund Types for Small Churches

Fund Name	Purpose	Oversight
Benevolence	Assist persons in need	Benevolence committee
Building	Maintain Bldg. & Grounds	Bldg. & grounds committee
Property	Major repairs / reno. / or expansion	Bldg. & grounds personnel
Missions	Individuals or Organizations on mission	Missions
Love Offering	Special services or occasions	Finance / Deacons
Memorial	Gifts in memory of someone	Finance
Ministry	Ministry specific special offering	Specific ministry committee

Closure Policy: Either by using up funds or have language allowing closure on policy prior to money received

Building and Grounds Fund

The church, in pursuit of its religious purposes, has established a fund to maintain its building, grounds, and equipment. Contributions to this fund are welcomed. The administration of the fund, including all disbursements, is under the control and discretion of the building and grounds committee or the church. While the committee may consider recommendations from anyone, it is not obligated in any way to honor those recommendations. Donors will not be allowed to recover a contribution on the grounds that the committee did not honor their recommendations.

The church recognizes that maintaining its building, grounds, and equipment is a practice of good stewardship, and it has established this fund as an ongoing resource. If, at any point in the future, the church decides to close this fund, all money remaining in the fund at that time will be transferred to the church's general fund.

Property Fund

The church, in pursuit of its religious mission, has established a property fund to address future needs for major repairs, significant remodeling, expansion, or the construction of new facilities. Contributions to the fund are encouraged. The administration of the fund, including all disbursements, is managed by the property committee or the church. While the church may consider recommendations from anyone, it is not required to honor any of them. Donors cannot reclaim their contributions on the grounds that the church failed to fulfill their recommendations.

The church recognizes that planning for future needs is a practice of responsible stewardship and has created this fund as a lasting resource. If the church chooses to close this fund in the future, any remaining balance at that time will be transferred to the church's general fund.

Missions Fund

The church, in pursuit of its religious purposes and mission, has established a missions fund to provide resources for the church, its members, or other worthy individuals and organizations that spread the gospel of Jesus Christ. The fund can also support church members or other deserving individuals for short-term mission trips or long-term mission initiatives. Contributions to the fund are welcome. The administration of the fund, including all disbursements, is under the control and discretion of the missions committee or the church. The missions committee may consider recommendations from anyone, but is under no obligation to honor those recommendations. Donors will not be allowed to reclaim a contribution on the grounds that the committee did not adhere to the donor's suggestion.

The church recognizes that spreading the Gospel is the primary purpose of the church (Matthew 28:19-20) and has established this fund as an on-going fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general fund on the church.

Ministry Fund

The church, in pursuit of its religious purposes and mission, has established a ministry fund to provide resources for itself and its various ministries. The ministries include, but are not limited to, the following: music ministry, youth ministry, children's ministry, adult ministry, senior adult ministry, Sunday School, WMU, Baptist Men on Mission, Discipleship Training, and evangelism. The church welcomes contributions to the fund, and donations may be requested for a specific ministry provided that the church has allocated funds in the general budget for that ministry. The administration of the fund, including all disbursements, is subject to the control and discretion of the finance committee or the church. The finance committee or the church may consider recommendations from anyone; however, they are not obligated in any way to honor those recommendations. Donors will not be allowed to recover a contribution based on the assertion that the finance committee or church did not follow the donor's recommendation.

The church acknowledges that ministry is a crucial aspect of its purpose and has created this fund as a continuing resource. If the church decides to close this fund in the future, all remaining funds at that time will be transferred to the church's general budget.

Love Offering Fund

The church, in fulfilling its religious and charitable mission, has established a love offering fund. This fund is designed to honor laborers in the field with a financial gift. The church encourages contributions to the fund. However, the love offering will be deemed taxable income for the recipient. The management of the fund, including all disbursements, is under the exclusive control and discretion of the finance committee or the church. While the finance committee may consider recommendations from any individual, it is not obligated to follow them. Donors cannot reclaim a contribution if the committee does not act on the donor's recommendation.

The church acknowledges that the love offering fund is part of its ongoing mission and has established this fund as a perpetual resource. If the church votes to close this fund in the future, all funds remaining at that time will be transferred to the church's general budget.

Memorial Fund

The church, in exercise of its religious and charitable purposes, has established a memorial fund to honor the memory of deceased individuals.

The church welcomes contributions to the fund in memory of loved ones. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the finance committee or church. The finance committee may consider recommendations from anyone, but the committee is not bound in any way to honor the recommendations. Donors will not be permitted to recover a contribution because the committee failed to honor the donor's recommendation.

The church recognizes that the memorial fund is part of the continuing mission of the church and has established this fund as an on-going fund. Should at any time in the future the church vote to close this fund, all money in the fund at that time will go in the general fund of the church.

COMPENSATING CHURCH WORKERS

Working with the Personnel Committee on Staff Compensation

It is the responsibility of the church treasurer to provide the committee, which oversees the details of personnel compensation, information to assist them with their work. This information can be broken down as follows:

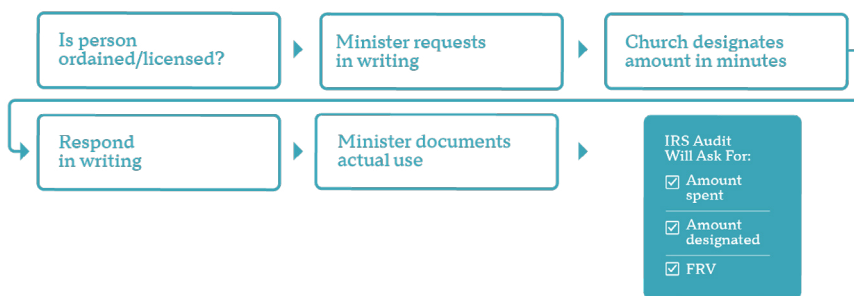
1. How much compensation each staff member is currently receiving
2. How the compensation is broken down
3. What amount is available for the committee to consider for each employee

Church employees are divided into two areas: ministerial and support. The church personnel committee can help reduce each employee's taxable income by separately identifying payments into the following categories:

1. Housing Allowance (for ministers only)
2. Non-Taxable Employer Provided Fringe Benefits (direct payment – see accountable reimbursement guidelines on page 51)
3. Taxable Employer Provided Benefits

Note: Expense reimbursements should never be included as a part of the staff compensation if the church has accountable reimbursement plan.

Housing Allowance Flowchart



IRS RESOURCES

Publication 517 Social Security and Other Information for Members of the Clergy and Religious Workers

Publication 525 Taxable and Nontaxable Income

Maximizing Tax Benefits for Ministers

Housing Allowance

The first way a church can assist a staff member is through properly designating a housing allowance. This designation is the only one that is specifically limited to the ministerial staff. The IRS does not define housing allowance as a benefit, but rather considers it to be a part of salary. The part of the salary amount that is identified as housing allowance is given a special tax consideration.

In order to qualify for a housing allowance, an individual must be considered a minister according to guidelines set forth by the Internal Revenue Service and their compensation must be related to services they perform in the exercise of their ministry. Currently the IRS relies on the Knight test to qualify an individual as a minister. This test poses the following questions when determining who is a minister for federal tax purposes (IRS Publication 517):

1. Has the individual been duly ordained, licensed, or commissioned?
(REQUIRED) Does the individual administer the sacraments (ordinances)?
2. Does the individual conduct religious worship?

If a minister isn't ordained, licensed or commissioned into the ministry, then they cannot be considered to be treated as minister for tax purposes nor can they utilize housing allowance.

3. Does the individual have management responsibilities in a local church (control, conduct, or maintenance of the church)?
4. Is the individual considered a religious leader by their church?

The answer to the first question must be answered affirmatively, and a balancing test is applied to the remaining four factors when determining ministerial status.

Once it has been established that the individual meets the qualifications mentioned above, the church needs to take the following steps to properly designate the minister's housing allowance:

1. **Adopt Initial Procedure:** The church should implement a procedure to determine who will handle the minister's housing allowance request and who will respond on behalf of the church, enabling the minister to designate salary funds as housing allowance. This requires a one-time church vote. If the church does not alter the adopted procedure, it will not need to revote or adopt any additional procedures.
2. **Receive Written Request:** The church must obtain a written request from each minister asking for a specific amount of their salary to be designated as a housing allowance for a definite period (usually the calendar year). There is no required form to complete, and it can be done in any manner the church identifies in its adopted procedure. To avoid any potential confusion, it is strongly recommended that ministers submit a written housing allowance request annually for approval and designation by the church.
3. **Written Response:** The church must provide a written reply confirming that the request has been accepted and approved by the church. The church and the minister must keep a copy of the request and the official church documentation (e.g., employment contract, church minutes, church budget, or any other document indicating official action).

Designate in Advance: For the housing allowance to be valid, it must be designated by the church before the payment is made. "In advance" means that the declaration must occur prior to receiving the salary where the housing allowance is defined. A retroactive designation is not permissible.

Ministers can submit a request to change housing to the church or committee, but it can only cover the remaining pay for the year (cannot be retroactive to beginning of year or pay already received).

Determining the Amount

Many churches mistakenly assume that the phrase "must designate" means they are responsible for calculating the housing allowance amount. The IRS illustrates the designation process in Publication 517. However, a better approach is to have the minister specify the amount while the church designates it. There are two main reasons for this suggestion:

- First, if the church adopts a procedure, receives a written request, and responds with a written designation in advance, the church has fulfilled its duty as defined by the IRS.
- Second, the church could adversely affect the minister's tax situation by approving an amount different from what the minister requires.

If the minister is audited, the IRS agent will ask the minister to provide the following information:

1. The amount actually used to provide a home,
2. The amount officially designated as a housing allowance, and
3. The fair rental value (FRV) of the home, including furnishings and appurtenances (such as a garage) plus the cost of utilities.

WEB RESOURCES

**GuideStone Financial
Resources for Ministers**
guidestone.org

**Church & Clergy
Tax Guide (Updated
Annually)**
[Store.churchlawandtax.
com](http://Store.churchlawandtax.com)

**Reporting Procedures
for Congregations**
ecfa.org

Once these amounts have been identified, the IRS agent will allow the lowest of these three amounts to be considered as the housing allowance. If the church establishes an amount that is the lowest and the minister actually spends more, the minister would lose valuable tax savings related to the difference between the two amounts. For these reasons, it is far better for the minister to define and request the amount while the church designates the specific requested amount.

Sample Housing Allowance Worksheet to be Submitted to the Church

ESTIMATED HOUSING COST	ESTIMATED EXPENSE
Financing cost including interest, down payment, principle, mortgage insurance, and points	
Monthly rent	
Homeowner's or Renter's insurance	
Utilities including electricity, gas, telephone, cable, satellite, Internet, water, and garbage collection	
Property taxes and homeowner's association dues	
Home, lawn maintenance, and repairs	
Home furnishings or equipment purchases	
Other expenses related to providing a home	
TOTAL ESTIMATED HOUSING EXPENSE	
Signature of Minister	Date

Tax Tip

If a minister finds that their actual housing expenses for the year are less than the amount designated as Housing Allowance by the church, they must add any unused Housing Allowance back as taxable income on their 1040 form. The IRS also suggests you enter "Excess allowance" on the dotted line next to line 7 - Form 1040.

Non-Taxable Employer Paid Fringe Benefits (Direct Payments)

NOTE: The Affordable Care Act (ACA) has made significant impact on these type of plans.

The second way that a church can assist employees is through non-taxable fringe benefits paid on an employee's behalf via a group plan to a third party (direct payment). This type of payment may include tax-sheltered retirement contributions, group medical insurance premiums, or specific benefits paid under a Flexible Spending Arrangement (FSA or Cafeteria Plan), Health Reimbursement Arrangement (HRA), or Health Savings Account.

These amounts should be administered through a written group plan established in advance by the personnel/budget committee and if paid correctly can be treated as non-taxable employer provided fringe benefits. (For a complete listing see IRS Publication 969 - Health Savings Accounts and Other Tax-Favored Health Plans or IRS Publication 15-B Employer's Tax Guide to Fringe Benefits.)



IRS RESOURCES

Publication 463 Travel, Entertainment, Gift and Car Expenses

Publication 517 Social Security and Other Information for Members of the Clergy and Religious Workers






Publication 525 Taxable and Nontaxable Income

Publication 583 Starting a Business and Keeping Records

Publication 969 Health Savings Accounts and other Tax-Favored Health Plans

Publication 970 Tax Benefits for Education

Fringe Benefit Options Table

	HSA	HRA	FSA	QSEHRA	ICHRA
 Funded by	Employer / Employee	Employer	Employer / Employee	Employer	Employer
 Tax Benefits	Tax free reimbursement of qualified medical expenses does NOT include insurance premiums	Tax free reimbursement of qualified medical expenses does NOT include insurance premiums	Tax free reimbursement of qualified medical expenses does NOT include insurance premiums	Tax free reimbursement of qualified medical expenses and includes insurance premiums	Tax free reimbursement of qualified medical expenses and includes insurance premiums
 Portability / Roll Over	Portability and Rolls over	NOT Portable Limited employer roll over available	Neither	NOT Portable Limited employer roll over available	NOT Portable employer roll over available
 Annual Limits	IRS Sets Max 2025 Single - \$4,300 Family - \$8,550	No IRS Max	IRS Sets Max 2025 - \$3,300	IRS Sets Max 2025 Single - \$6,350 Family - \$12,800	No IRS Max
 Eligibility	Must be in a high deductible health plan usually coupled with employer plan	Employer offers with group plan	Employer offered Use it or lose it	Employee in a qualified plan no offered by employer 50 or fewer employees	Employee in a qualified plan Unlimited employees

QSEHRA ideal for churches with <50 employees. ACA compliance matters.

IMPORTANT TAX UPDATE

HEALTH CARE REFORM

The ACA legislation introduced new penalties, fees, taxes, reporting requirements, and mandatory coverage provisions. Flexible Spending Accounts (FSA), Health Savings Accounts (HSA), Health Reimbursement Accounts (HRA), and other Medical Insurance Plans have all been affected by the recent ACA legislation.

Note: GuideStone Financial Resources provides regularly updated resources on the impact of Health Care Reform at www.guidestone.org/healthreform.

Key Provisions Impacting Churches

Employer Mandate

- One of the primary provisions of the ACA is that all employers with more than 50 full-time equivalent employees must offer affordable, minimum-value coverage to nearly all full-time employees, or they will face substantial penalties.

Summary of Benefits and Coverage

- Every plan participant must receive this government-required summary for the offered plans. (Your insurer should provide this for you.)

W-2 Reporting

- The ACA generally requires employers who issue 250 or more W-2s to report the cost of coverage under an employer-sponsored group health plan. Currently, the cost of qualified group health care coverage is not taxable. The value of employee health care coverage must be reported annually to the IRS on Form W-2, Box 12, Code DD for applicable employers.

There are several special transition relief rules and church plan exemptions that affect this reporting requirement. Contact GuideStone or your health insurance provider for current updates.

1095-B Reporting

- Providers of health care coverage, whether fully insured insurance carriers or self-insured employers, must report certain information to the government by filing form 1095-B with the IRS and by providing form 1095-B to their employees by the end of January each year. This information will be used by the government to determine who has Minimum Essential Coverage as required by the ACA and is therefore exempt from the Individual Mandate penalty. Note: If an employer manages a separate retiree HRA, they are responsible for filing additional 1095-B forms on behalf of their retirees. (Additional reporting on forms 1094-C and 1095-C is also required by Applicable Large Employers with 50 or more full-time employee equivalents. These rules may impact smaller organizations if they are controlled by a “parent” organization that is considered an ALE.)

PCORI Fees

- In 2013, a provision went into effect known as the Patient-Centered Outcomes Research Institute (PCORI) fee. For any employer who sponsors a self-funded plan, they are required to file IRS Form 720 by July 31 of each year and submit the PCORI fee. This per-person fee also applies to employer provided FSA/HRA plans that are administered outside of a group health plan. (Contact your health insurance provider to see if they are filing this on your behalf.)

FSA Contribution Limits

- For 2025, employee tax-sheltered FSA contributions for qualifying medical expenses will be limited to \$3,300. (Increased annually by the cost of living adjustment.) Note: Employers are allowed to make additional contributions to FSA's on behalf of employees. (Contact your plan administrator for specific guidelines.)

Reimbursing Employee Insurance Premiums

- In 2015, tax penalties went into effect for some employers who reimburse individual employee insurance premiums outside of a qualified group health plan or other prescribed legal plan, such as a QSEHRA. (This penalty is \$100 per person, per day, per violation.)

GuideStone Insurance

- Per GuideStone, “Employees covered under GuideStone’s Group Plans or Personal Plans are considered to be covered under a Group Health Plan.”

One Participant Employee Exception

- Notice 2015-17 allows an employer who covers only a single employee to reimburse a properly substantiated individual employee insurance premium on a pre-tax basis without any penalties.

Spouse’s Group Health Plan Exception

- IRS CCA 201547006 detailed an exception where an employer may exclude from an employee’s income, the documented payments it makes for the employee’s health insurance provided through his or her spouse’s group health plan, but only to the extent the spouse paid for all or part of the coverage on an after-tax basis. (This is a very limited exception.)

Taxable Income Supplement

- Notice 2015-17 states that employers who want to help multiple employees with individual insurance premiums can avoid penalties by increasing all employees’ taxable compensation to help offset the cost of individual insurance premiums as long as the additional payment is not conditioned on the purchase of health coverage.
- For more information see IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, IRS Publication 502, Medical-Dental Expenses, www.HealthCare.gov.
- Continuing changes to government legislation could continue to have significant impacts on Health Care Reform. Stay informed by visiting www.GuideStoneInsurance.org.

Southern Baptist Annual Compensation Study

This biennial Compensation Study, updated in 2022, is a collaboration among state Baptist Conventions, GuideStone Financial Resources, and LifeWay Christian Resources. Compensation and congregational data is gathered anonymously from ministers and office/custodial staff of Southern Baptist churches and church-type missions. Comparison reports are derived from compensation information provided by over 14,000 respondents across all 40 state conventions.

Although this data is provided with respect for the autonomy of each local church, it can help a church objectively consider appropriate staff compensation.

Advantages of using this Salary Comparison Study:

- It is uniquely Southern Baptist. All responses included in the survey are for ministers/employees of Southern Baptist churches.
- It is free. The participating state conventions Lifeway Christian Resources, and GuideStone Financial Resources pay all costs.
- All reports are available on the Internet.
- Most compensation studies provide reports based on attendance, budget, etc. The customized report option is unique to the SBC study. This makes it possible to get compensation data based on churches most like your own by combining criteria.
- Every survey form received is evaluated for valid, useable data, and over 20 data integrity filters are used on the data before study results are compiled.

Information on this survey can be obtained by contacting your local state convention office or obtained directly at <http://compstudy.lifeway.com>.

Employer Provided Educational Assistance:

If a church follows a written plan and adheres to IRS guidelines, certain payments made on behalf of its employees for educational assistance may be considered non-taxable.

Effective January 1, 2013, the American Taxpayer Relief Act of 2013 permanently permits employees to exclude up to \$5,250 of income annually for undergraduate or graduate educational assistance. For additional information, refer to IRS Publication 970.

Tax Tip

The 2017 Tax Cuts and Jobs Act included a provision that requires employers (extended in 2025) to treat any reimbursements made to employees for Moving Expenses as a taxable fringe benefit and to include it on the employees annual W-2 statement. Check for updates at churchlawandtax.com or through your tax accountant.

WEB RESOURCES

SBC Compensation Study

compstudy.lifeway.com

Churchsalary.com

LUKE 10:7A

Remain in the same house, eating and drinking what they offer, for the worker is worthy of his wages.

I TIMOTHY 5:18

For the Scripture says: You must not muzzle an ox that is threshing grain, and, The laborer is worthy of his wages.

[illegible]

FINANCIAL SUPPORT WORKSHEET

A. Ministry Related Expenses (not income)

- | | |
|---|-----------------|
| 1. Personal vehicle expenses (ministry mileage) | \$ _____ |
| 2. Travel expenses (food, lodging, etc.) | \$ _____ |
| 3. Ministry expenses (materials for sermon preparation studies or church functions) | \$ _____ |
| 4. Hospitality expenses (hosting church groups, speakers, etc.) | \$ _____ |
| 5. Professional development expenses (continuing education, workshops, or learning conferences) | \$ _____ |
| Total Reimbursable Ministry Related Expenses | \$ _____ |

B. Employee Benefits (not income)

- | | |
|--|-----------------|
| 1. Medical Insurance | \$ _____ |
| 2. Term Life Insurance | \$ _____ |
| 3. Disability Insurance | \$ _____ |
| 4. Retirement Plan Contribution (403(b)(9)
(retirement plan contributions paid by church) | \$ _____ |
| Total Employee Benefits | \$ _____ |

C. Personal Income

- | | |
|--|-----------------|
| 1. Personal Salary
(salary paid to minister/employee by the church) | \$ _____ |
| 2. Housing Allowance (housing allowance, if applicable, that will be provided by the church next year.) | \$ _____ |
| 3. SECA taxes Offset (amount of self-employment (SECA) tax by your church provided to help you OFFSET your personal SECA taxes included in taxable income on W2) | \$ _____ |
| Total Personal Income | \$ _____ |

Worksheet adapted from GuideStone Financial Resources, "Compensation Planning Guide".
www.guidestone.org/ministrytools

HIRING CONSIDERATIONS FOR NEW EMPLOYEES

Once suitable candidates for employment have been selected and properly screened according to church guidelines, the following steps should be taken to complete the hiring process for a new employee. A more comprehensive statement on the 10 basic steps to hiring a new employee can be found at www.sba.gov/business-guide/manage-your-business/hire-manage-employees, or visit www.irs.gov and search for "Hiring Employees."

1. I-9 Form - Employment Eligibility Verification

The government requires each employer, including churches, to complete a Form I-9 for every employee within the first three days of employment to document and verify the employee's eligibility to work in the United States. This form must be completed and retained in the church office. (DO NOT MAIL). <http://www.uscis.gov/i-9> (See page 55 for detailed information.)

2. W-4 Form - Employee's Withholding Allowance Certificate

This form must be completed, and the employee and the employer must keep a copy. IRS Publication 1828 states, "A church is not required to withhold income tax from the compensation it pays ministers. However, an employee minister may enter into a voluntary withholding agreement with the church by completing IRS Form W-4, Employee's Withholding Allowance Certificate." If a minister plans to file their own taxes quarterly, they should still fill out a W-4 form for the church and mark it Exempt.

Note: Refer to Publication 15 Circular E, Employer's Tax Guide for further guidance. Additionally, check Publication 15-T, New Wage Withholding Tables, or the Online Withholding Tax Estimator at <https://www.irs.gov/individuals/tax-withholding-estimator> for assistance in determining the correct federal tax withholding amounts for employees. If a new employee does not submit a complete Form W-4, the church must withhold taxes as if they are single with no withholding allowances.

3. State Withholding Form

The requirements for state withholding tax vary significantly by state. Some states have no state income tax, while others have specific forms, and some rely on the Federal W-4 Form. It is advisable to contact your State Department of Revenue to ensure compliance with applicable state laws. (See www.americanpayroll.org/news-resources/resource-library for individual state tax offices links.)

4. Mandatory New Hire Reporting Form

Since 1997, all employers (including churches) are required to report all newly hired or returning employees within 20 days of hiring to their respective states or face possible penalties. (See <http://www.americanpayroll.org/news-resources/resource-library> for links to individual state New Hire Reporting offices.) (See page 57 for detailed information.)

5. Social Security Number (SSN)

Each employer, including churches, must obtain each employee's legal name and Social Security Number (SSN). The easiest way is to ask employees to present their Social Security card. If the employee has lost their card or does not possess an SSN, they can apply for one using Form SS-5, Application for Social Security Card (see <http://www.ssa.gov/online/ss-5.pdf>).

Note: Never accept an Individual Taxpayer Identification Number (ITIN) instead of a Social Security Number (SSN) for a potential employee. An ITIN is available only to resident and nonresident aliens who are not eligible for U.S. employment and require identification for other tax purposes. You can recognize an ITIN as a 9-digit number that begins with "9" and has either a "7" or an "8" as the fourth digit, formatted like an SSN (9NN-7N-NNN).

6. Unemployment and Workers Compensation Insurance

Federal Unemployment Tax (FUTA): Compensation given to employees of religious organizations (churches) is automatically exempt from Federal Unemployment Tax regulations.

State Unemployment Insurance (SUI) and State Workers' Compensation Insurance: There is considerable variation in how each state handles unemployment and workers' compensation insurance. Most states follow the federal guidelines for eligibility. Please check with your state Department Of Labor website to insure the church is handling properly. Some states exempt churches, while others do not. It is important to consult your state convention office or an employment specialist in your state. (<https://payroll.org/news-resources/resources/resource-library?>)

IMPORTANT TAX UPDATE

W-2 Form – Wage and Tax Statement: This form must be made available to employees BY JANUARY 31 of the year following the applicable tax year.

W-3 Form – Transmittal of Wage and Tax Statements: This summary form must be submitted to the Social Security Administration. (Hard copies are generally due prior either in hard copy or electronic version BY JANUARY 31 of the year following the applicable to March 1 of the year following the applicable tax year and electronic copies are tax year.)

The W-3 form and copies of the W-2 forms must both be submitted to the Social Security Administration annually by January 31. (www.socialsecurity.gov/employer)

941 Form – Employer's Quarterly Federal Tax Return: This form is due on the last day of the month following the end of each calendar quarter.

944 Form – Employer's Annual Federal Tax Return: Allows small employers with an annual tax liability of \$1,000 or to file once a year, rather than quarterly using the 941 Form. IRS approval is needed to file the 944 Form, and it must be filed by January 31.

Note: Typically, the IRS will notify an employer if they are eligible to use this form. You may contact the IRS at 1-800-829-0115 to find out if your church qualifies.

7. Employee Federal Tax Reporting

When applying for an Employer Identification Number for the first time, a new church can indicate on form SS-4 that it expects its annual tax liability to be \$1,000 or less each year and request to file an annual 944 Form.

8822-B Form – Change of Address or Responsible Party – Business: Effective January 1, 2014, this form must be filed within 60 days whenever a church has a change in responsible party or principal officer or a change of address. Submitting this form ensures that the appropriate person at the church receives all IRS notifications.

5578 Form – Annual Certification of Racial Nondiscrimination: Churches that operate, supervise, or control a private school must submit this form annually by May 15. (The term "school" also includes preschools.)

8. Fair Labor Standards Act (FLSA)

Effective July 1, 2024, new overtime pay regulations will impact businesses and nonprofits. The FLSA requires employers to classify employees as either exempt or non-exempt regarding overtime pay requirements. Most ordained ministers are not subject to FLSA requirements.

WEB RESOURCES

Department of Labor

<https://webapps.dol.gov/elaws/postersRecordKeeping.html> (DOL) Poster Advisor helps employers comply with the poster requirements of laws administered by the DOL. (Free labor posters)

Overtime Pay Flowchart for Churches and Religious Organizations provided by Batts, Morrison, Wales & Lee CPA's

<https://nonprofitcpa.com/news-resources/>

Along with other factors, the most significant change was set to be a provision raising the minimum salary required annually for an employee to be considered exempt from overtime pay requirements. Due to a federal judge's ruling issued in November 2025, the proposed regulation to increase the base wage amount to \$43,388 annually was blocked from implementation. While discussions about raising the exempt base earnings rate continue, no new regulations have been issued on this topic as of 2024.

Verifying Employment Eligibility: Form I-9

Periodically, the Department of Homeland Security's U.S. Citizenship and Immigration Services (USCIS) issues a new Form I-9, Employment Eligibility Verification, which all employers (including churches) must use to document and verify potential employees' eligibility to work in the United States. (There are substantial penalties for noncompliance.)

- Form I-9 download (English) www.uscis.gov/i-9 (Check for latest form).
- Employers Handbook to the Form I-9 www.uscis.gov/files/form/m-274.pdf

Are churches and other exempt organizations required to fill out this form?

YES. The government requires all employers (including exempt organizations) to complete a Form I-9 for every employee within the first three days of employment. The requirements are as follows:

1. Ensure that your employees fill out Section 1 of the Form I-9 when they start to work;
2. Review original document(s) establishing each employee's identity and eligibility to work;
3. Properly complete Section 2 of the Form I-9;
4. Retain the Form I-9 for three years after the date the person begins work or one year after the person's employment is terminated, whichever is later; and
5. Upon request, provide Form I-9 to authorized officers of the Department of Homeland Security (DHS), the U.S. Department of Labor (DOL), or the Office of Special Counsel for Immigration Related Unfair Employment Practices (OSC) for inspection.

TIP: Many exempt organizations keep their I-9 forms (along with copies of the identification documents they used) in a confidential personnel file instead of including them in their regular personnel file. This approach is sensible from a privacy perspective and can also prevent USCIS agents from accessing your entire personnel file during a site visit.

Where do we send the completed Form I-9?

This form is only kept at the employer's offices. You should not mail this form to any government agency; instead, maintain it at your offices in either hardcopy or electronic form for a minimum of three (3) years after the date of hire or one (1) year after employment ends, whichever is later.

The Evangelical Council for Financial Accountability offers valuable tips on personnel files at www.ecfa.org/Content/Personnel-Files.

How can we make sure we are getting a valid Social Security Number?

There are actually two methods. The first is a program called E-Verify, and the second is the Social Security Number Verification Service. Both services are VOLUNTARY for most employers who do not receive federal funding.

WEB RESOURCES

U.S. Citizenship and Immigration Service
website link to updated I-9 form
uscis.gov/files/form/i-9.pdf

Social Security Administration Official Site
ssa.gov

1. E-Verify (www.uscis.gov/e-verify) is a free and voluntary service that quickly determines new hires' employment eligibility and the authenticity of their Social Security Numbers. Initiated in 1997, this project is now managed by the Department of Homeland Security (DHS) in collaboration with the Social Security Administration (SSA). While the system is mandatory for all Federal contractors, it has been expanded to allow any employer to register and utilize the service at no cost.

2. Social Security Number Verification Service (SSNVS) www.ssa.gov/employer/ssnv.htm

- Allows employers to immediately verify Social Security numbers
- Faster and easier to use than submitting your requests for paper listings
- Results in more accurate wage reports
- Saves processing costs and reduces the number of corrected W-2's that must be filed
- Allows Social Security to properly credit your employees' earnings record

Reporting New Hires: Mandatory Laws

In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act, Public Law 104-193 (also known as Federal Welfare Reform), included a provision that requires all employers, including churches, to report certain information about newly hired employees to a specific state agency, effective October 1, 1997. This legislation mandates that all employers submit specific employee information, including details about ministers, to the state to track employment and reduce the number of parents who are not paying child support.

Note: If you are required to give the employee a W-2 or the employee is a minister, then you need to report the employee or minister as a new hire.

State child support enforcement officials use this information about new hires to find nonpaying parents, enforce child support obligations, and minimize potential unemployment fraud. The information gathered from employers is recorded in a statewide registry and subsequently sent to the U.S. Department of Health and Human Services, National Directory of New Hires.

What information must we report?

Notification must include the following information at a minimum:

1. Employee's Name
2. Employee's Social Security Number
3. Employee's Address (City, State and Zip Code)
4. Employer's Federal
5. Employer Identification Number
6. Employer's Name
7. Employer's Address (City, State, and Zip Code)

Some states require or request additional information to help track and prevent potential fraud. This is done by cross-matching submitted details with the state Unemployment Insurance and Workers' Compensation agencies.

How long do we have to report New Hire Information?

Federal legislation mandates that employers report new hires within 20 calendar days. Some states have implemented stricter laws requiring the reporting of new hires as soon as seven days from the employee's start date.

TIP: Make new hire reporting a part of your regular semi-monthly, bi-weekly, or weekly payroll processing.

We were unaware we were required to report, what do we do now?

Reporting is crucial, as penalties can range from \$20 to \$25 for each instance of non-reporting and can escalate to \$500 per offense if the non-reporting stems from a conspiracy. If you have never reported, you should contact your state agency and start reporting immediately. (The catch-up requirements vary significantly by state.)

TIP: Some states do not require a “hire date” or may make it an optional field. If this is the case, you may want to consider submitting the required information on all current employees hired since October 1997 and leaving the “hire date” field empty.

Where do I send this information, and in what format?

The federal legislation did not require a specific method for collecting this information, allowing each state to establish its own policies and procedures for data collection. Information is typically gathered in one of the following ways:

Paper information format:

- Copy of W-4 Form, Printed listing (including six data elements listed above) or state form
- Information may be mailed or faxed (some states also allow phoning in the information)
- Electronic information may be sent via magnetic media (Typically for large employers)

Online Registration:

- Information may be sent via the Internet through a state-developed website
- Some states have created Downloadable New Hire software for online reporting

Screening New Hires

One of the most important steps in hiring employees and enlisting volunteers is to ensure they are properly screened. This step is essential for protecting the children served by your church.

If your church currently lacks a screening or background check policy, you should contact your insurance carrier for assistance in creating policies and procedures to protect your children and your church from avoidable risks. You can discover additional resources on the following websites or by reaching out to your local Baptist state convention.

WEB RESOURCES

Sbc.net/resources-for-church-safety-and-security

www.guideone.com/resources/safety-resource-library

backgroundchecks.com

churchmutual.com/resources

brotherhoodmutual.com/resources/

ministrysafes.com

protectmyministry.com

cdc.gov/ncipcdrv/PreventingChildSexualAbuse.pdf

Employee Onboarding Checklist

FEDERAL

Church Staff Hiring Packet

- ☐ I-9 (w/ verification deadline)
- ☐ W-4 (Federal Income Tax Withholding)
- ☐ State Tax Form
- ☐ Background Check
- ☐ New Hire Reporting
- ☐ SSN Verification
- ☐ State withholding form if necessary

FEDERAL REPORTING REQUIREMENTS (PAYROLL)

Excerpts from GuideStone's "Federal Reporting Requirements for Churches"

The most important federal reporting obligation for most churches involves withholding and reporting employee income taxes and Social Security (FICA) taxes. These payroll reporting requirements apply to nearly every church. However, many churches fail to comply with these regulations because they do not fully understand them. This misunderstanding can result in significant penalties.

Warning: Federal law specifies that any corporate officer, director, or employee who is responsible for withholding taxes and paying them over 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 over to the government. This penalty is of special relevance to church leaders.

Unfortunately, many churches do not fully understand these rules. This is due to a number of factors, including the following:

- Many church treasurers are unpaid volunteers who do not know the unique rules that apply to churches.
- The high turnover rate of church treasurers affects church compliance with payroll tax reporting rules.
- Some church treasurers falsely assume that churches are exempt from any reporting requirements. Courts have rejected the argument that application of payroll tax reporting rules to churches violates the constitutional guarantee of religious freedom.

Several unique rules apply to churches and "ministers for tax purposes." While churches may label some employees as ministers, those employees might not qualify as ministers for tax purposes under IRS criteria. Churches must identify which employees on their payrolls are ministers for tax purposes so they can comprehend and adhere to the special payroll and reporting rules applicable to those taxpayers.

1. Ministers have a "dual tax status." They are always self employed for Social Security purposes with respect to their church compensation, but most ministers are employees for federal income tax reporting purposes, with respect to their church compensation. This means that they pay self employment (SECA) tax rather than the employee's share of Social Security and Medicare (FICA) taxes, even if they report their federal income taxes as a church employee. Churches should not treat ministers as employees for Social Security purposes and withhold the employee's share of Social Security and Medicare (FICA) taxes.
2. A minister's compensation is exempt from income tax withholding whether a minister reports their income taxes as an employee or as selfemployed (IRC 3401(a)(9)). This does not mean the minister is exempt from federal income taxes. Ministers should use the estimated tax procedure to pay their federal income taxes, unless they have entered into a voluntary withholding agreement with their employing church (using form W-4).

IRS RESOURCES

irs.gov

or 1-800-TAX-FORM

Publication 15 (Circular E)

Employer's Tax Guide

Publication 15-A

Employer's Supplemental Tax Guide

Publication 15-B

Employer's Tax Guide to Fringe Benefits

Publication 15-T

New Wage Withholding and Advance EIC Payment Tables

Publication 557

Tax Exempt Status for your Organization

Publication 919

How do I adjust my Tax Withholding?

Complying with Federal Payroll Tax Reporting

(Adapted/excerpted from GuideStone Financial Resources' "Minister's Tax Guide." Check the guide yearly for latest info – <https://www.guidestone.org/TaxGuide>)

Reporting Obligations

Step 1. Obtain an employer identification number (EIN) from the IRS if the church does not have one. This can be done by submitting Form SS-4, or online at www.irs.gov (search for EIN). The church EIN is only used for official church purposes and bank accounts controlled by the church.

Step 2. Determine whether each church worker is an employee or independent contractor.

- **Key Point.** If in doubt, churches always should treat a worker as an employee, since substantial penalties can be assessed against a church for treating a worker as an independent contractor if the IRS later reclassifies the worker as an employee. See IRS Publication 15-A or Form SS-8 for more information. (Key considerations are behavioral control, financial control, and the type of relationship between the church and the worker with latest emphasis being that worker must have possibility of profit/loss in the relationship to be a contractor; otherwise, the worker should be classified as an employee)
- **Key Point.** Some employer-provided benefits are nontaxable only when received by employees. A common example is employer provided 403(b)(9) retirement plan. See IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits..
- **Key Point.** Only employees of churches (workers who receive a Form W-2 from a church) may participate in a church sponsored 403(b) retirement plan. However, other tax-qualified plans may be available from GuideStone Financial Resources. (Call 1-888-984-8433 for additional information)

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

Step 4. Have each employee complete a Form W-4 and each contractor completes a W-9.

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 on the employee's Form W-4. A church must determine the wages of each employee that are subject to withholding. Wages subject to federal withholding include pay for services performed. The pay may be in cash or in other forms. Measure pay that is not in money (such as property) by its fair market value. Wages often include a number of items in addition to salary. See IRS Publication 15 and 15-A for additional information. Some common examples are listed below and in Step 10.

- Bonuses
- Vacations

IMPORTANT TAX UPDATE

Beginning with the 2016 year-end employer tax filings, the IRS has announced that all W-2, W-3, and most 1099-Misc forms must be filed with the federal government by January 31 of the year following the applicable tax year.

WEB RESOURCES

Official Electronic Federal Tax Payment System service offered free by the U.S. Department of the Treasury to help business and individual taxpayers conveniently pay all their federal taxes electronically
eftps.gov

Form SS-4 Application for Employer Identification Number
irs.gov/pub/irs-pdf/fss4.pdf

Form SS-8 - Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
irs.gov/pub/irs-pdf/fss8.pdf

Form W-4 Employee's Withholding Allowance Certificate
irs.gov/pub/irs-pdf/fw4.pdf

- Christmas and special occasion offerings (includes love offerings)
- Gift cards
- Retirement gifts
- The portion of the minister's SECA 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 under a non-accountable plan
- Imputed interest on below market interest church loans
- Most reimbursements of a spouse's travel expenses

Step 6. Determine the amount of income tax to withhold from each employee's wages. Most financial software packages will help with correctly paying employees and submitting applicable taxes.

Step 7. Withhold Social Security and Medicare (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:

- Federal income taxes withheld from employees' wages
- The employees' share of Social Security and Medicare (FICA) taxes (withheld from employees' wages)
- The employer's share of Social Security and Medicare (FICA) taxes

Note: Only non-ministerial staff will have Social Security withholding (employee and employer share). Ministers are not eligible for Social Security tax withholding.

An employer's deposit status is determined by the total taxes reported in a four-quarter "look-back" period.

Electronic deposit requirement. Beginning in 2011, most churches must use electronic funds transfer to make all federal tax deposits (e.g. employment taxes). Generally, electronic fund transfers are made using the Electronic Federal Tax Payment System (EFTPS). EFTPS is a fast, secure and free service provided by the Department of Treasury. Information on EFTPS, including how to enroll, can be found at www.eftps.gov or by calling EFTPS Customer Service at 1-800-555-4477.

If an organization fails to make a timely deposit, it may be subject to a 10% failure-to-deposit penalty.

Step 9. All employers subject to income tax withholding, Social Security and Medicare (FICA) taxes, or both, must file form 941 quarterly.

Form 941 reports the number of employees and amounts of Social Security and Medicare (FICA) 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 and may be filed electronically. For more information, see www.irs.gov.

Exception for Small Employers. If one of the following applies, a church/employer may make a payment with Form 941, Employer's Quarterly Federal Tax Return or Form 944, Employer's Annual Federal Tax Return, instead of depositing, without incurring a penalty:

- Form 941 total tax liability for either the current quarter or the preceding quarter is less than \$2,500. If you are not sure your total tax liability for the current quarter will be less than \$2,500, (and your liability for the preceding quarter was not less than \$2,500), make deposits using the semi-weekly or monthly rules so you won't be subject to failure to deposit penalties; or
- Employers who have been notified to file Form 944 can pay their fourth quarter tax liability with Form 944 if the fourth quarter tax liability is less than \$2,500. Employers must have deposited any tax liability due for the first, second, and third quarters according to the deposit rules to avoid failure-to-deposit penalties for deposits during those quarters.

For additional information regarding these requirements contact the IRS at 1-800- 830-5215 or see IRS Publication 15, Circular E, Employer's Tax Guide.

Step 10. Prepare a Form W-2 for all employees, including ministers and church staff.

The IRS operates a centralized call center to answer questions about reporting information on these forms (W-2, W-3, 1099, or 1096). If you have any questions about filling out these forms, call the IRS toll-free at 1-866-455-7438. The employee W-2 form must be mailed by January 31 of each year. Additionally, a copy of the W-2 and W-3 (Transmittal of Wage and Tax Statements) must be sent to the Social Security Administration (SSA) either in hard copy or electronic format by January 31. See [www.socialsecurity.gov/ employer](http://www.socialsecurity.gov/employer).

Need help completing a W-2, W-3, 1099, or 1096 form?

While the IRS has a centralized call site to address questions about reporting information on these forms, it is advisable to consult with a local CPA or tax firm experienced in nonprofit and church tax reporting.

Payroll Reporting Calendar

January W-2s/W-3 944 1099s Previous years 4th qtr. 941	February	March 941s	April 941 - First Qtr.
May 5578	June	July 941 - Second Qtr.	August
September	October 941 - Third Qtr.	November	December

REPORTING GROUP-TERM LIFE INSURANCE

Excerpts from GuideStone's "Minister's Tax Guide"

Check the guide yearly for latest info - <https://www.guidestone.org/TaxGuide>

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, include the imputed cost of that coverage. (See *IRS Publication 15-B Employer's Tax Guide to Fringe Benefits* for additional information regarding calculating taxable benefit related to employer provided group-term life insurance.)

APPLYING FOR THE HEALTH CARE TAX CREDIT

Included in the 2010 Patient Protection and Affordable Care Act approved by Congress, was a provision which provides a Health Care Tax Credit for small businesses, tax-exempt organizations, and churches. Following is a summary of the requirements that can be found at www.irs.gov. Additional information can be located at www.guidestoneinsurance.org.

Eligibility Requirements

- **Provision:** Qualifying employer must cover at least 50% of the cost of health care coverage for some of its workers based on the single rate.
- **Size:** Church must have less than 25 full-time employees or equivalent part-time employees.
- **Average Wage:** Average wage of the full-time employees must be under \$50,000. (The average wage would exclude any minister's housing allowance.)

Amount of Credit:

- **Maximum Amount:** The credit is worth up to 25% of a church's premium cost.
- **Limitations:** The credit also cannot exceed the actual amount of income taxes and Medicare taxes withheld and paid to the IRS. Also, refund payments issued to small tax-exempt employers claiming the refundable portion of credit are subject to sequestration. Most importantly, beginning in 2014, only employers who purchased insurance through the SHOP Marketplace are eligible. (Visit Healthcare.gov for more information.)

Claiming the Credit

- In order to claim the credit, eligible organizations must file IRS Form 8941.
- Additionally, in order to obtain the credit, churches must file a Form 990-T, Exempt Organization Business Income Tax Return.

Considerations

- Church leadership should decide whether it is wise to accept government involvement and assistance in running the ministry of the church.
- Financial leaders must determine if it meets the complex healthcare credit eligibility requirements and whether the church's operations depend on the limited credit amount.
- Claiming credit increases the risk of IRS audit exposure.
- Finally, the church must determine whether the health care tax credit is truly worth the cost of hiring a qualified accountant to ensure compliance with IRS health care tax credit regulations.

HIRING CONSIDERATIONS FOR INDEPENDENT CONTRACTORS

W-9 Form: Request for Taxpayer Identification Number and Certification

When a worker is determined to be an independent contractor (non-employee) of the church (e.g., evangelist, contract labor, guest musician, etc.), provides a service to the church, and receives payment of \$600 or more, the church must obtain a valid Social Security Number or an Employer Identification Number prior to paying

the individual, group, or organization (unless the payment is made to an incorporated business). The simplest way to acquire the necessary information is to have the individual or group complete a Form W-9. The church should keep the W-9 on file at the church, separate from other personnel files.

Note: If the independent contractor does not provide the required information, the church must withhold 24% of the reportable payment due the contractor and submit it to the IRS as federal tax withholding.

Independent Contractor Federal Tax Reporting (Form 1099, 1096)

1099-NEC Form – Non employee compensation: This form is used to report payments to independent contractors in the course of business to another person (non-employee) for services rendered of \$600 annually. Copies of this form must be made available to workers by January 31 of the year following the applicable tax year. Beginning 2026, the thresholds requiring filing for all 1099s will increase from \$600 to \$2,000 or more annually per the Big Beautiful Bill Act.

The IRS compares the payments shown on the information returns with each recipient's income tax return to determine whether the payments were properly reported as taxable income. (1099-NEC forms do not generally have to be issued to incorporated businesses.)

Example: If an evangelist or guest speaker visited a church during the year and received \$600 or more in payment from the church in 2025 (net of any travel expense reimbursement under an accountable reimbursement plan), the church would be required to issue them a 1099-NEC.

1096 Form – Annual Summary and Transmittal of U.S. Information Returns:

If 1099 Forms (NEC, MISC, etc.) are being sent to the IRS in paper format, this summary form must accompany them (generally due by January 31). The 1096 Form should reflect the total from all of the 1099 forms that the church issues. Form 1096 is used to transmit paper forms to the IRS, but if those forms are filed electronically, 1096 is unnecessary. Therefore, if you are e-filing your 1099 forms, you do not need to e-file the 1096.

WORKING WITH GUIDESTONE FINANCIAL RESOURCES

GuideStone Financial Resources of the Southern Baptist Convention provides numerous programs and services for church staff members – both ministerial and support staff. The church treasurer should be acquainted with GuideStone and be able to advise the church committee charged with responsibility of designing the compensation package for church employees.

GuideStone provides a full array of insurance and retirement services for church employees and also offers extremely practical information related to church tax and compensation issues on their website (www.guidestone.org/LearningCenter/Ministry).

WEB RESOURCES

GuideStone Financial Resources Main Site
guidestone.org

GuideStone Property and Casualty Insurance Site
propertycasualty.org

GuideStone Retirement Services for church staff
guidestoneretirement.org

GuideStone Employee Benefit Plans for Christian Organizations
guidestoneinsurance.org

GuideStone ministry to assist retired pastors and their widows
missiondignity.org

Safeguarding Church Assets

LUKE 16:10

Whoever is faithful in very little is also faithful in much, and whoever is unrighteous in very little is also unrighteous in much.

II CORINTHIANS 8:21

For we are making provision for what is honorable, not only before the Lord but also before men.

Resources Available through GuideStone:

- Life, Accident, Disability Insurance plans for church staff (1-844-467-4843)
- Medical and Dental Insurance plans for church staff (1-844-467-4843)
- Retirement plans and investment opportunities for churches and church staff (1-888-984-8433)
- Property and Casualty Insurance (214-720-2868)
- Financial Resource for Churches and Pastors
 - Minister's Tax Guide (Detailed)
 - Compensation Planning Guide
 - Federal Reporting Requirements for Churches
 - Minister's Tax Issues
 - Minister's Housing Allowance
- SBC Compensation Study (Joint project of Baptist Conventions, GuideStone Financial Resources, and Lifeway Christian Resources)

ETHICS OVERVIEW

One challenge that a church treasurer may encounter is how to proceed when the church and/or a church staff member wants a situation handled in one way, but the law or IRS code requires the treasurer to address it differently. The treasurer typically considers one of two options: 1) to follow the instructions of the church and/or church staff member; or 2) to inform the church and/or church staff member that their request does not comply with legal guidelines and disregard it.

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

1. Obtain a written statement of the law or IRS guidelines related to the issue.
2. The church treasurer should then present the law and guidelines to the church and church staff members.
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 laws or guidelines for properly handling the issue and ask the church to reverse its earlier request.
5. If the church does not permit a reversal of the original request from either the church or the church staff member, the church treasurer should consider resigning from the position.

ETHICS RESOURCES

The Ethics and Religious Liberty Commission of the SBC
erlc.com

ecfa.org/knowledgecenter.aspx

Evangelical Council for Financial Accountability
ecfa.org/standards

Church & Clergy Tax Guide
churchlawandtax.com

WEB RESOURCES

AICPA Audit Committee Toolkit: Not-for-Profit Organizations
aicpa-cima.com

Evangelical Council for Financial Accountability has extensive resources in their Knowledge Center related to nonprofit audits
ecfa.org

Association of Certified Fraud Prevention Check-up
acfe.com/fraud-resources/fraud-prevention-check-up

Arkansas Baptist State Convention resource for conducting an internal financial examination for a church
absc.org/resources/audit-guide-for-churches-associations/

DEVELOPING A CHURCH FINANCIAL EXAMINATION PROCESS

Every church, regardless of size, needs to have some type of financial examination completed annually. This will give the congregation confidence that the financial policies and procedures adopted by the church have been followed. A financial examination also assures the church members that the accounting system is intact and functioning properly, accurate reports are being presented to the church body, and most importantly, members' gifts are being used efficiently and effectively to carry out the church's mission. Additionally, a financial examination will help protect the integrity of the church's financial management team and prevent them from being unjustly accused of any financial mismanagement.

There are several types of financial examinations that a church may consider. The first consideration is whether it will be conducted by an independent external accounting firm or by an internal church financial examination committee.

External Financial Examinations:

Ideally, a qualified Certified Public Accountant should conduct the financial examination, ensuring they meet the professional standard of independence from the church. The professional standards established by the American Institute of Certified Public Accountants (AICPA) offer guidance on this matter. A major challenge faced by many churches is the expense associated with a full financial audit.

Instead of dismissing the idea of an external examination, the church should contact other local congregations or accounting firms to obtain an estimate for hiring an external accounting firm. If the cost is too high, the church should consider taking the estimated amount and dividing it by the number of years needed to gather the necessary funds for an outside examination.

It is advisable to conduct an external examination at least every five years. This strategy will provide the budget committee with a figure to include in the budget annually until the necessary funds can be gathered to finance the examination. To help minimize costs, the church may also want to consider which of the following services are offered by an external accounting firm.

- **Audit:** A formal examination of church financial statements is intended to assess the accuracy and thoroughness of financial records. An independent auditor performs this procedure on a set of financial statements to express an opinion regarding whether the financial statements, when taken as a whole, are materially correct. (Materiality is often a function of the size of the organization.) An unqualified audit opinion indicates that the financial statements conform to generally accepted accounting principles in the United States of America (GAAP) and that the services have been carried out in accordance with generally accepted auditing standards (GAAS). An audit is more expensive than either a review or a compilation due to the extensive testing requirements. Depending on the church's financial deadlines, an audit can often be scheduled with a CPA during a "non-busy" period, which often results in a reduction of fees.
- **Review:** A service aimed at obtaining moderate assurance that no material changes need to be made to the financial statements for them to conform with the applicable financial reporting framework (commonly U.S. GAAP). While significantly narrower in scope than an audit, a review offers more assurance than a compilation. In carrying out this assurance and attest engagement, the accountant must adhere to the AICPA Statements on Standards for Accounting and Review Services (SSARS). A review is less costly than an audit but pricier than a compilation. (No Opinion by a CPA is rendered.)
- **Compilation:** A service designed to help management present financial information through financial statements. A compilation DOES NOT provide a basis for obtaining any level of assurance on the compiled financial statements. In conducting this attest engagement, the accountant must adhere to the AICPA Statements on Standards for Accounting and Review Services (SSARS). A compilation is less costly than either an audit or a review. (Compiled financial statements are reported as the responsibility of management.)

- **Financial Statement Preparation:** In 2015, a revised Statement on Standards for Accounting and Review Services (SSARS) No. 21 went into effect, which codified a new service known as Financial Statement Preparation. This service allows CPAs to meet the needs of their clients without a full audit, review, or compilation. It may be particularly useful when dealing with taxing authorities, banking services, litigation services, or church valuations. This is considered a non-attest service.
- **Agreed-upon Procedures:** Specific procedures are to be completed and agreed upon between a CPA firm and the church. An agreed-upon procedure may include a staff compensation analysis, tax compliance examination, internal control assessment, or specific procedures requested by a lending institution prior to granting a loan. These types of services may be most cost efficient for a church that has a very specific or limited need.

Internal Financial Examinations

Another option is for the church to conduct an annual internal financial examination. This responsibility is sometimes assigned to the standing Audit Committee in certain churches. If there is no Audit Committee, it would involve selecting an internal financial examination committee (EC), elected by the church, and adhering to the rules and procedures outlined in the church's governing documents. The qualifications for the EC members should include the following:

1. Active church members (See exception in point 3 below)
2. Duly elected in a church business session
3. Independent from any other responsibilities related to managing the church's finances (If there aren't enough qualified individuals in the church, consideration should be given to partnering with another local church and confidentially reviewing each other's records.)
4. Possess integrity and financial knowledge
5. Given complete and open access to church records
6. Given clear task assignment

The main purpose of the Examination Committee is to review the work of the treasurer, financial secretary, and the Finance Committee to ensure compliance with financial guidelines. The Committee should also provide assurance that proper stewardship is exercised in receiving, disbursing, reporting, and safeguarding the church's assets in accordance with government regulations. Once the annual financial examination is complete, a full report should be presented to the church.

Possible Types of Financial Examinations

- **Internal Financial Examination:** Review the receipts, disbursements, and financial reports to ensure the accuracy of the financial system.
- **Internal Control Examination:** Review the church policies and procedures to ensure that appropriate safeguards and separation of accounting duties are in place to mitigate the risk of mishandling the church's funds.
- **Property & Equipment Inventory Examination:** Inventory of all church property, furniture, and equipment. This review will produce a comprehensive listing of all assets owned by the church for insurance and accounting purposes, aiding in the protection of the church's assets.
- **IRS Tax Inquiry – Audit Examination:** A review of a church's records initiated by the Internal Revenue Service can only occur if an appropriate high-level official has a reasonable belief, based on documented facts and circumstances, that the church may not qualify as a tax-exempt organization or may be failing to pay tax on unrelated business or other taxable activities. Once this determination is made and the church is notified, the IRS has considerable discretion over the documents it can request in accordance with Internal Revenue

Code Section 7611. If your church is selected for an IRS audit, seeking professional assistance to address any concerns as promptly as possible is advisable. (Refer to IRS Publication 557, Tax-Exempt Status for Your Organization. Also consult IRS Publication 5146, Employment Tax Returns: Examinations and Appeal Rights.)

INTERNAL CONTROLS

(Safeguarding Church Assets)

Definition:

Accounting controls have been defined by the American Institute of Certified Public Accountants (AICPA) as “the plan of organization and the procedures and records that concern the safeguarding of assets and the reliability of financial records.” This definition has evolved over the years but provides a fundamental framework for understanding financial accountability and effective stewardship.

Internal controls are specifically defined as the methods, measures, and plans (policies and procedures) that an organization (such as a church) adopts to ensure the following objectives are achieved:

1. Safeguarding of assets
2. Improving the accuracy and reliability of financial records
3. Ensuring compliance with organizational (church) policies

To practice good stewardship, every church should create and implement a comprehensive set of financial policies and procedures. In coordination with the church treasurer, the Finance or Audit Committee should develop a set of guidelines to be approved by the church which ensures the resources entrusted to the church are properly handled.

Separation of Duties:

A fundamental concept in any internal control system is the principle of separation or segregation of duties. Essentially, this principle should be applied throughout the organization to ensure accountability and transparency. Ideally, different individuals should perform the following activities related to financial transactions:

- Authorization (e.g. Check signing)
- Record keeping (e.g. Writing checks – recording in accounting system)
- Reconciliation/Asset Custody (e.g. Reconciling bank statements)

The unfortunate reality in many churches is that one person carries out all three of these roles, which offers no protections for either the church or the individual assigned to these duties.

SUGGESTED FINANCIAL POLICIES AND PROCEDURES

Financial Policies and Procedures Manual

The church should establish a committee (Finance Committee, if one exists) to develop and present policies and procedures that will guide its financial operations. The items listed below are simply suggestions. Ultimately, it is up to the church to decide which items to include in the manual and to determine the precise wording of the policies and procedures. Some considerations for the Financial Policies and Procedures Manual include:

WEB RESOURCES

Church Tax and Law

store.churchlawandtax.com

Book: Church Finance – The Complete Guide to Managing Ministry Resources

Book: Essential Guide to Church Financial Health

Book: Internal Controls for Churches Finances

Money Handling Procedures:

- Counting and banking money on Sunday:** A group of individuals should be elected by the church to count the money on Sunday morning and immediately deposit the funds in the bank after the service. The group should consist of at least two unrelated individuals. There should always be a minimum of two people present in the counting room. As the money enters the counting room, it should be divided into two work piles. Each person in the counting room should count the pile assigned to them. A tally sheet should be prepared for each person's count and signed by the counter. Once completed, the piles should be swapped and recounted to verify the tally sheet. The tally sheet should then be countersigned. The piles should be combined, and a bank deposit slip should be prepared. Each check should bear an endorsement stating "For Deposit Only" along with the church's bank account number. The money and the deposit slip should be placed into a tamper resistant lockable bank bag. The tally sheet, a copy of the bank deposit slip, and the offering envelopes should be placed in a secure location for retrieval by the church treasurer or the financial secretary. For any checks that arrive in the counting room without an envelope, some churches to ensure proper documentation, create an envelope for the check. However, a check and check number usually will suffice because an auditor could verify it electronically. Any cash that enters the counting room without an envelope should not be credited to any individual or group, and no envelope should be created for it.
- Handling money that comes in other than Sunday:** The financial policies committee should create guidelines and procedures for money received by the church when a counting committee is unavailable.
- How much cash to keep at the church:** The financial policies committee should set a maximum amount of money allowed to be kept in the church offices. Once this maximum is reached, the funds should be promptly deposited in the bank. Procedures for depositing the money should also be outlined in the financial manual.
- How to handle cash receipts:** The financial policies committee should develop policies and procedures for securely handling cash that enters the church's financial system. This should include giving a receipt to the person turning in the money, creating a paper trail for the cash.
- Check writing policies and procedures:** The financial policies committee should create policies and procedures regarding check writing. A team should be assembled to sign checks. Checks must have two signatures, especially if they exceed a predetermined amount. Check signers should not be members of the counting committee, nor should anyone involved in the financial record keeping be part of the check-signing group. The financial policies committee should also designate a specific day of the week for signing checks. Disbursements should not occur without sufficient documentation, such as an approved check request, original receipts, or invoices, being submitted to the church. (See page 35 regarding Accountable Reimbursement Policies). A policy should also be created to define what constitutes an emergency check-signing situation and the procedure for obtaining signed checks during an emergency. Control procedures should be established concerning electronic banking transfers of funds, commonly known as ACH or WIRE transfers.
- Financial policies and procedures for building use:** The church should establish and adopt guidelines for charging usage fees associated with the use of its buildings and/or equipment. The policies should outline occasions when the buildings and/or equipment may be utilized for non-church activities. The procedures should include details on how to reserve the buildings and/or equipment and the associated charges for their use. Renting church equipment for non-church activities may have tax implications. (Refer to page 10 for additional information regarding Unrelated Business Income Tax)
- Policies and procedures for church material use:** In today's highly complex world, churches are discovering that they need to utilize gas credit cards, purchasing credit cards (such as Visa, MasterCard, American Express), computers, electronic media duplicating equipment, and more to enable church staff and members to carry out the daily activities of the church. Policies for dispensing such materials should be developed, along with procedures for using them. These procedures should provide guidance on how to use the materials and clarify what is not allowed in their use.

- **Policies and Procedures for budget oversight:** Once the budget has been developed and adopted by the church, it should be submitted to the church treasurer for oversight. The church treasurer should adhere to the guidelines on page 6 regarding their role and provide regular reports to the church. Updated information should also be shared with the Finance, Budget, or Stewardship Committee. In the event of a financial crisis, such as a cash shortfall, the church treasurer must alert the Finance Committee. The Finance Committee will then review the relevant policies and procedures and establish a course of action to navigate the crisis. Subsequently, the Finance Committee will instruct the church treasurer to follow the appropriate church-adopted procedures. If the procedure needs to be modified for the immediate crisis or a new procedure needs to be developed, the Finance Committee will recommend action to the church. If the church adopts the recommendation, the treasurer will then be directed by the church to implement the new procedure until the crisis is resolved. Current adopted procedures will then resume for the church treasurer and the Finance Committee to follow.
- **Purchasing policies and procedures:** Many churches adopt an open checkbook approach to spending the money donated to them. Whenever someone in the church needs something, regardless of its size, they purchase it and request either cash or a check from the church treasurer for reimbursement. While this system may suit a very small congregation, it becomes inefficient as the church's membership grows. A policy should be established to help church members understand how to purchase items needed for church events. Detailed procedures need to be created outlining the specific steps for acquiring items for the church. For instance, a purchase order system could be implemented. The policy could mandate that no purchases will be made or reimbursed without obtaining a purchase order in advance. This purchase order would be presented to the vendor at the time of purchase. The purchase order number would be noted on the receipt and submitted to the church treasurer. When a check is issued to either reimburse the purchaser or to settle the related invoice, the receipt and a copy of the purchase order would be attached to the unsigned check. This process would assure the check signers that the proper procedures were followed. Additionally, the purchase order system enables financial leaders to be aware of incoming invoices or receipts ahead of time, which aids in managing the cash flow of church funds.
- **Policies and procedures for designated monies:** A policy must be established to define the process for determining whether funds should be accepted by the church, specifically for designated purposes or items. Procedures need to be created to outline how designated funds are to be received, reported, stored, and spent. Additionally, a procedure should be formulated to guide the church when a designated item has funds allocated to it, but the designated item no longer exists. (See page 42 for sample designated fund policies.)
- **Policies and procedures for fund raising activities:** Church members come up with various reasons and excuses to organize fundraising activities. Policies need to be developed to provide guidance on which types of projects should be funded through fundraising activities and which should not be. Procedures should be established to guide church members and groups on how to obtain permission for a fundraising activity, how to gather materials for the event, how to manage the money received, which fundraising activities are permitted in association with the church, and which activities are not allowed. Financial leaders should also be aware that certain fundraising activities may have implications related to State Sales and Use Tax, as well as Unrelated Business Income Tax.
- **Policies and procedures for contribution records:** A statement regarding the acceptance of charitable donations should be included in the church's incorporation documents. Additionally, a policy should be established to define what qualifies as a charitable contribution and what does not. IRS Publication 526 will be useful in creating this policy. Some of the information this publication provides includes:
 - If you receive a benefit from contributing to a qualified organization, you can only deduct the portion of your contribution that exceeds the value of the benefit received.
 - If you pay more than the fair market value to a qualified organization for merchandise, goods, or services, the amount you pay that exceeds the item's value may be considered a charitable contribution. To qualify for the excess amount, you must intend to make a charitable contribution when you pay it.

Example 1: You pay \$65 for a ticket to a dinner program at a church, and all the proceeds from the event go to the church. The ticket for the dinner program has a fair market value of \$25. When you purchase your ticket, you know its value is less than what you paid. To determine the amount of your charitable contribution, you subtract the value of the benefit you receive (\$25) from your total payment (\$65). Therefore, you can deduct \$40 as a charitable contribution to the church.

Example 2: During a charity auction, you pay \$600 for a week's stay at a beach house. The amount you pay reflects no more than the fair rental value. You have not made a deductible charitable contribution. (Note: In this case, the donor of the "week" is not eligible for a tax deduction since they have not relinquished complete control of the property.)

A basic rule of thumb is that a contribution is acceptable when a church or an authorized committee determines how the donated money will be spent. If the donor decides how the money is to be used, the contribution cannot be classified as a charitable contribution and should not be included on the contribution statement.

- **Policy and procedures for non-cash gift acceptance:** Policies should be developed to outline the types of non-cash gifts the church will accept. The primary benefit of gift acceptance policies is to ensure consistent discipline in gift acceptance and management. The procedures should specify which committee or group will determine the acceptance of gifts, helping to prevent potential costs in time, money, and the church's reputation. There are certain gifts that the church may not desire or require.
- **Policies and procedures for special offerings:** Policies must be established to clarify which special offerings are permitted and which are prohibited. Procedures should be created to outline how special offerings are to be managed.
- **Policies and procedures for bonding:** Every individual involved in the church's financial processes must be bonded to safeguard the church against loss and damage. Bonding is included as a rider on the church's property insurance.
- **Policies and procedures for petty cash:** A policy needs to be developed to provide guidance on managing petty cash in the church office. The policy should specify the maximum amount allowed in the petty cash fund. Procedures should be established outlining how to request petty cash, distribute petty cash, and report on petty cash activities.

[illegible]

CHURCH FINANCIAL ORGANIZATION MODELS



The following section offers an overview of the duties and responsibilities of various members of the church financial team. The functions and responsibilities of these groups will vary according to the size, needs, and organizational systems of each church. Depending on the church's operating structure, some of the responsibilities noted below may be combined, assigned to staff members (e.g., business administrator), or distributed among additional committees with financial responsibilities (e.g., Deacons, Elders, Trustees, and Committees for Facilities, Personnel, Budget, Stewardship, Benevolence, or Missions).

- **Responsibilities and Procedures of a Church Treasurer:**

The church treasurer is responsible for receiving, disbursing, accounting for, and safeguarding church resources in accordance with the established policies and procedures. (See page 5 for details on the responsibilities of the Church Treasurer.)

- **Responsibilities and Procedures of a Counting Team (Committee):**

The counting team is responsible for properly receiving, counting and depositing all funds received by the church. (See page 12 regarding the work of the Counting Team/Committee)

- **Responsibilities and Procedures of a Finance Committee:**

The Finance Committee is tasked by the church with developing and presenting the financial policies and procedures to the congregation. This committee holds the overall responsibility for coordinating the church's financial activities, monitoring accounts and expenditures to ensure adherence to these policies and procedures and revising them if necessary. The church treasurer should serve as an ex-officio member of the Finance Committee.

- **Responsibilities and Procedures of a Budget (Preparation)**

Committee: In many churches, the Finance Committee also functions as the Budget Committee. This committee is tasked by the church with the responsibility of planning and presenting an annual budget for the upcoming church fiscal year. The procedure for assigning this responsibility to the committee should be documented in writing and approved by the church. The church treasurer will have significant interaction with this committee. [See page 59 regarding Budget Preparation]

- **Responsibilities and Procedures of a Financial Secretary/**

Bookkeeper/Accountant: The financial secretary or bookkeeper should serve as an assistant to the church treasurer. They are typically responsible for posting contributions, mailing statements, writing checks, preparing monthly financial reports, and maintaining the church's financial records. Despite this distribution of duties, the church treasurer still retains legal and fiduciary responsibility for these functions. Many churches do not have a financial secretary or bookkeeper. It is not a requirement as part of a quality financial

structure, especially for small churches. Most medium and large churches will have some type of paid staff involved in the church's financial administration.

- **Responsibilities and Procedures of a Stewardship Committee:**

The Stewardship Committee should be responsible for planning year-round biblically-based stewardship education for the entire church membership. This encompasses annual budget awareness initiatives, promoting capital fundraising campaigns, encouraging estate bequests, and coordinating personal money management education efforts.

- **Responsibilities and Procedures of an Audit Committee (Financial Examination Committee):** The church should have its financial

Examination Committee): The church should have its financial records examined regularly. The purpose of this committee is to review the work of the treasurer and the Finance Committee, ensure that financial guidelines are being followed, and provide assurance that proper stewardship is used in receiving, disbursing, reporting, and safeguarding the church's assets. (See page 53 regarding Internal and External Financial Examinations.)

SAMPLE CHURCH FINANCIAL ORGANIZATIONAL MODELS

According to [SBC.net](https://www.sbc.net), the 2023 Annual Church Profile showed that the Southern Baptist Convention comprised 46,906 autonomous Baptist churches. These churches exhibit a wide range of organizational and operational models. One size of church organization certainly does not fit all. (The following models are adapted from the Mississippi Baptist Convention's Safeguarding Your Church Offerings booklet.)

These models offer a clear overview of the potential separation of duties and responsibilities within the entire church financial management team. While each church may differ from this model, it provides a structured presentation of the financial team's main responsibilities. A key principle is to separate duties related to the authorization, record keeping, and reconciliation/custody functions of cash management. (Refer to page 68 on Internal Controls/Financial Policies and Procedures.)

[illegible]

Type	Treasurer	Counting Team (Committee)	Finance/Budget Committee
BASIC	<ul style="list-style-type: none"> • Pay bills/payroll • Write checks • Monthly financial reports • Post contribution/mail statements • Maintain church financial records • Tax compliance • Report to church regularly • Coordinate staff compensation issues 	<ul style="list-style-type: none"> • Separate & count offerings • Write deposit slips • Complete offering reports • Safeguard deposits • Deposit money 	<ul style="list-style-type: none"> • Reconcile bank statements • Monitor accounts, expenditures, & cash flow • Review financial reports • Plan and present budget for adoption • Recommend budget adjustments • Plan and conduct stewardship campaigns • Conduct periodic financial examination
EXPANDED	<ul style="list-style-type: none"> • Cosign checks • Monitor accounts, expenditures and cash flow • Report to church regularly • Coordinate staff compensation issues • Recommend budget adjustments 	<ul style="list-style-type: none"> • Separate & count offerings • Write deposit slips • Complete offering reports • Safeguard deposits • Deposit money 	<ul style="list-style-type: none"> • Reconcile bank statements • Review financial reports • Plan and present budget for adoption • Plan and conduct stewardship campaigns • Conduct periodic financial examination • Recommend debt & finance options
ELABORATE	<ul style="list-style-type: none"> • Cosign checks • Monitor accounts, expenditures and cash flow • Report to church regularly • Recommend budget adjustments • Coordinate staff compensation issues 	<ul style="list-style-type: none"> • Separate & count offerings • Write deposit slips • Complete offering reports • Safeguard deposits • Deposit money 	<p>Coordinate financial input from church leadership:</p> <ul style="list-style-type: none"> • Staff • Ministry Leaders • Missions Committee • Personnel Committee • Facilities Committee • Review financial reports • Plan and present budget for adoption

Continued on page 62

Financial Secretary Bookkeeper / Accountant	Stewardship Committee	Audit Committee
<p>Ideally, checks should be signed by two people who are not responsible for record keeping (writing checks) or performing bank reconciliations.</p>		
<ul style="list-style-type: none"> • Pay bills/payroll • Write checks • Monthly financial reports • Post contributions • Mail giving statements • Maintain church financial records • Tax compliance 		
<ul style="list-style-type: none"> • Pay bills/payroll • Write checks • Monthly financial reports • Post contributions • Mail giving statements • Maintain church financial records • Tax compliance 	<ul style="list-style-type: none"> • Plan year-round stewardship education • Conduct annual budget promotion • Coordinate biblical money management training opportunities • Encourage estate bequests • Coordinate capital fundraising campaign 	<ul style="list-style-type: none"> • Reconcile bank statements • Recommend budget adjustments • Review financial records • Conduct periodic financial examinations • Recommend debt & finance options • Administer designated gifts

Continued from page 61

HOW LONG DOES THE CHURCH NEED TO KEEP VARIOUS CHURCH RECORDS?

Every church is unique. However, good recordkeeping is a common issue for all churches. How long should a church retain a specific type of document? The answer varies, but the following chart serves as a general guideline to help churches determine the minimum retention period for records. The duration for keeping a document depends on historical interest, potential liability concerns, and tax considerations. Depending on the church's needs, some records may need to be retained longer than suggested.

Record Minimum Time to Keep Record

Articles of Incorporation, Constitution, and ByLaws	Permanent
Church Minutes.....	Permanent
501(c)(3) Determination Letter to Indicate Church's Nonprofit Status	Permanent
General Ledger Books and Church Financial Statements	Permanent
Employee's Personnel File including the Application, Interview Form	Permanent
and Reference and Background Checks	
Federal and State Employer Identification Numbers.....	Permanent
Form 8274 if the Church elected Exemption from FICA Taxes.....	Permanent
Bank Statements without Cancelled Checks or Deposit Slips.....	Permanent
Church Financial and Employee Benefit Policies	Permanent
Church Audits/Financial Reviews and Government Correspondence	Permanent
403(b) Retirement Plan Document.....	Permanent
Canceled Checks, Deposit Slips, Check Stubs	7 to 10 Years
Invoices and Receipts	7 to 10 Years
Annual Contribution Credit Statements	7 to 10 Years
W-4, State Withholding Forms, I-9, New Hire Reporting Form after an	10 Years
Employee leaves Employment . (I-9's should be kept three years after an employee leaves employment)	
Salary Reduction Agreements of Employees.....	7 Years
Housing Allowance Designations given to Ministers.....	7 Years
Form 8282 to report to the Government sale of Donated Property valued over \$5,000.....	7 Years
Payroll Tax Forms like 941s, 944, W-2s, W-3, 1099MISC, and 109	7 Years
Form 5578 used by Church Schools to comply with Nondiscrimination Requirements.....	4 Years
Offering Envelopes – See Page 20 for suggestions on donor communication.....	3 to 7 Years

This document is intended to provide churches, pastors, and staff with current and accurate information about the subjects covered. However, such information is not intended to be sufficient for dealing with a particular legal problem, and the authors and distributors do not warrant or represent its suitability for such purpose. The reader should not rely upon this document as a substitute for independent legal consultation or IRS instructions. This document has been updated based on information originally appearing in the Georgia Baptist Convention, Tax-Fax Updates, Volume 2008, Number 2.

REPORTS

Working with the Budget Preparation Committee

A church needs a budget to provide financial guidance and evaluation for its missions and ministries. The church budget serves as a spending plan for the congregation. Besides functioning as a measurement tool, it should also narrate the story of the church's ministry to the congregation and foster personal stewardship and commitment. The church treasurer plays a crucial role in supporting the church in this essential area. The treasurer will either be a member of the finance or budget preparation committee or will supply necessary information to this committee.

The church treasurer can assist the church budget committee by providing information to help them develop a "ministry-based budget." A ministry-based budget emphasizes what the church aims to achieve for the Kingdom of God rather than focusing on how much money the church has or needs. As a financial leader in your church, you will need to support the budget committee in projecting ministry priorities for the upcoming year. Once the ministry priorities are established, a plan can be created to achieve those priorities through careful financial planning and budgeting.

Four actions are involved in planning and promoting a church budget that will impact the Kingdom of God.

1. Seek spiritual direction
2. Consult with church leaders
3. Build congregational acceptance
4. Encourage personal commitment

First, the budget committee needs to seek spiritual direction before proceeding with budget planning.

Prior to the process of putting budget numbers in place, there needs to be a clear definition and understanding of your church's mission and vision. The committee must seek God through prayer and request His wisdom on how to best utilize the church's resources to fulfill its priorities.

This time can also be dedicated to teaching personal biblical stewardship as a key support for fulfilling the church's mission. Church members will be more motivated to give if they genuinely understand and are committed to the church's mission.

Second, the budget committee should consult with church leaders from each ministry area of the church. This ensures that every ministry area will be considered for support in the proposed budget. Each leader responsible for a ministry can submit a budget proposal for their specific area. The committee can then consult with each leader to make necessary adjustments to those proposals.

Once all ministry proposals are submitted, the committee can finalize a comprehensive plan that addresses the church's ministry needs.

ACCOUNTING/ RECORD KEEPING

DEUTERONOMY 25:15-16

You must have a full and honest weight, a full and honest dry measure, so that you may live long in the land the LORD your God is giving you. For everyone who does such things and acts unfairly is detestable to the LORD your God.

"A church needs to have a budget to give financial direction and evaluation to the mission and ministries of the church."

Budget Preparation Models (People Based):

Each model should involve significant church member participation:

- **Incremental Budget (Most Common):** This approach typically starts with the budgeted or actual expenditure amount from the previous year, with minimal, if any, adjustments for the proposed budget (also known as Line Item, Same as Last Year, and Traditional Budgeting).
- **Zero-Based Budget:** This is the most effective yet also the most time-consuming model. Essentially, this approach begins with a blank sheet of paper, requiring each ministry area to justify its needs and request the necessary funds to achieve the ministry goals for the upcoming budget year. This approach demands a critical evaluation of each activity to assess its effectiveness and efficiency in fulfilling the church's mission.
- **Blended/Combination Budget:** Many churches incorporate both preparation models into their budgeting process. Certain line items have to stay consistent from year to year with slight increases. In contrast, others are assessed annually, leading to either elimination or inclusion based on ministry priorities and available resources.

Third, the budget committee must foster congregational acceptance. This can be achieved by crafting an appealing and easy-to-understand budget proposal and providing a copy to every church member. In a ministry-based budget proposal, members can immediately see how their tithes and offerings will be used to fulfill the church's mission and goals.

Once the proposed budget is presented to the members, they should be given an opportunity for dialogue and questions. Members need this opportunity to "own" the budget and commit to supporting the church's ministries.

Budgeting Models Comparison Table

	Incremental	Zero-Based	Blended
Presentation Model	Line Item	Line Item or Ministry	Ministry action Mission narrative
Planning Approach	Prev. Year Budget/Actual	Start from Scratch	Some Hybrid Historical Expenses
Strengths	Ease of Use Control	Cost Consciousness Assesses Effectiveness and Efficiency	Focus priorities Simple for congregation
When to Use	Volunteer Teams Doesn't Change Much	Critically elevated Optimize resources	Balance goals / mission Adapting to change

Budget Presentation Models:

- **Line Item/Accounting Budget:** This model delineates the standard accounting presentation of natural or functional accounts (e.g., salaries, benefits, postage, utilities, etc.) and is a valuable tool for internally tracking monthly activities among staff and financial leadership.

- **Ministry Action/Based Budget:** This model effectively presents budgeted activities organized into categories such as Missions, Personnel, Church Growth, and Operational Ministries. This practical approach helps categorize church expenses into ministry action areas by focusing on what the church aims to achieve for the Kingdom of God.
- **Missional/Narrative Budget:** This is a modern approach used to link the church's mission, vision, and goals directly to the budgeted expenditures for the upcoming year. The missional budget should clearly and concisely tell a compelling story to the congregation through a straightforward narrative.

This model aims to engage church members by connecting the missional spending plan (budget) with the church's vision and mission.

Fourth, the budget/finance committee should encourage personal commitment to support God's work through the church. There are several ways this can be done.

- Interpret the Bible's teachings on stewardship and giving through solid teaching and preaching about generosity.
- Incorporate testimonies from members practicing biblical stewardship during each service.
- Encourage members to share their intentions to give through commitment cards or make a public declaration during a worship service.
- Provide envelopes to each member of the family to encourage and remind them of their personal commitment to support the Lord's work.

Create your church budget using a biblical strategy to lead your church from its Mission to its Vision! While budgeting, allow plenty of room for God to work miracles in the hearts of your people.

REPORTING TO STAKEHOLDERS

Every church has a complex web of relationships which impact its mission and ministry. The organizational concept of stakeholders includes any person, group, or organization that can indirectly or directly affect, or be affected by, the church's mission, ministry, objectives, and policies. While each stakeholder has varying degrees of influence, they each represent an entity that may require periodic reporting. Key stakeholders for the church include the congregation, local community, denominational entities, government agencies, and other donors.

Congregation

Reporting to the congregation is as essential as proper distribution and recording. An informed church is more responsible and active than an uninformed church. Therefore, reporting should be as informative and transparent as possible.

It should be straightforward yet detailed as necessary. Some churches require that every penny brought into and sent from the church be presented to the church membership during regular business meetings for discussion. Some churches ask the financial committee to closely monitor the finances and provide a general or summary report to the congregation at the regular business meetings.

The church treasurer is responsible for ensuring the reports are completed, accurate, and presented promptly to the appropriate group. Even churches with a financial secretary should have the treasurer as the final reviewer of the reports before they are given to the proper group.

If not specified in the church bylaws, the financial policies and procedures should define when the financial reports are to be provided. The church treasurer should recognize that the church could request a report at any time by adhering to the established guidelines and procedures.

Community

At certain times, the church's financial information may become public. When this need arises, the congregation should grant it through agreement. This type of need often occurs when the church needs to secure funds

from an external source, such as a loan for a building program. Again, the church treasurer must ensure the information needed is properly gathered and presented. The treasurer should also review the requested information to ensure no confidential details are disclosed.

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 (SBC). An illustration of this voluntary disclosure is the Annual Church Profile (ACP) that is compiled by the church and sent to the associational office. It is also sent to the state convention and the SBC. There are several questions on the ACP regarding the church's finances. Usually, the church treasurer is asked by the church to provide the person completing the ACP with financial information. If the church enters into a financial arrangement with a denominational entity or agency, it will be required to provide that entity or agency with some financial information.

Government

While the financial secretary may gather the information and complete the government regulation forms, the Church Treasurer holds the responsibility for adhering to Internal Revenue Service regulations regarding payroll tax reporting for church staff and employees. These duties are detailed in IRS Publication 15, Circular E, Employer's Tax Guide. Since these guidelines may change slightly from year to year, it is the church treasurer's duty to ensure that all forms and information are filed accurately and thoroughly.

Additionally, any church that operates, supervises, or controls a private school (including a daycare or preschool) is required to file Form 5578 (Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax) with the IRS annually. Typically, this form is due by May 15 of each year for the preceding calendar year.

Donors

Any gift to the church must be documented (i.e., a canceled check, recorded offering envelope, or a letter from the church acknowledging receipt of goods or money). The individual privacy of these gifts and records is extremely important. See the Substantiating Charitable Contribution information on page 20.

WEB RESOURCES

Annual Comparison of Church Financial and Donor Management Software
mbsinc.com

Church Software provider
acstechnologies.com

Church Software provider
elexio.com

Church Software provider
powerchurch.com

Church Software Provider
aplos.com

Church Software provider
shelbyinc.com

Software provider (Nonprofit Edition)
quickbooks.com

Provides comparisons for Church Management Software features
capterra.com/church-management-software

Excellent IRS online
stayexempt.irs.gov

KEEPING FINANCIAL RECORDS

Church Treasurer's Role

The church treasurer is responsible for maintaining an accurate financial record of all funds associated with the church. This responsibility holds even if a financial secretary is handling day-to-day bookkeeping. The church's finance committee or the church treasurer may select a financial record-keeping system and submit it to the church for approval.

Any future changes should be managed in the same manner. There are numerous sources for financial record-keeping systems, including Lifeway Christian Resources, which offers software for churches as well as manual financial record-keeping systems. The chosen record-keeping system should meet all the church's requirements and be one with which the church treasurer feels comfortable.

The church treasurer is responsible for recording or supervising of all receipts. A counting committee should gather money collected during meetings such as Sunday School, worship services, and revival services. The counting committee and the church treasurer should communicate effectively. It is advisable that the church treasurer not be one of the individuals responsible for gathering and counting the money.

Additionally, the church treasurer is responsible for recording or overseeing all expenditures. According to the church's established policies, these expenditures must be entered into the record-keeping system under the appropriate categories.

The church treasurer is responsible for recording or overseeing the recording of all members' gifts into overseeing the recording of all members' gifts in personal contribution records. The 2006 Pension Protection Act required that persons filing an itemized income tax form may not use canceled checks to verify donations for any individual gift of \$250 or more. The amount of the donation is to come from the statement issued by the church. For money to qualify as a charitable contribution, it must be given in exchange for 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. Examples of this type of contribution include the Lottie Moon Christmas Offering, Annie Armstrong Easter Offering, State Missions Offering, and local church building fund offering.

Individuals may not receive credit for certain items for which they have donated money to the church. An example of a commonly misused donation is a church supper or fundraising dinner. A person may write a check for a church meal, but the amount spent on the meal will not count as a charitable contribution to the church. Only any amount exceeding the fair market value of the meal may be considered a charitable contribution to the church. Other items not qualifying for donations include registration fees for camps or concerts. Additionally, individuals cannot deduct the value of personal time or services contributed to a qualified organization. See the Substantiating Charitable Contribution information on page 20.

WEB RESOURCES

GuideStone Financial Resources – Tax Information for Ministers & Churches
Guidestone.org/taxguide

The Church Network –
thechurchnetwork.com

RESOURCES FOR CHURCHES

Health Index to help your church identify its financial strengths and weaknesses
capincrouse.com/how-we-serve-nonprofit-auditing-services/nonprofit-consulting-services-church-

DOING IT RIGHT: ACCURACY & ACCOUNTABILITY

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. See page 64 for sample record retention policy.

Follow Established Church Guidelines

When a person assumes the position of church treasurer, they must first study the financial policies and guidelines of the church. Suppose the policies and procedures are non-existent or incomplete. In that case, it is the responsibility of the treasurer, budget, and finance committee to request the church remedy the situation as soon as possible.

Bonding Insurance

Page 12 of this guide states that members of the Counting Team (Committee) should be bonded. In fact, bonding insurance should also be obtained to cover anyone in the church who handles money.

Accountability Involves Everyone

In a Baptist church, anyone who wishes to may request to see or question financial information. Baptist churches generally allow anyone to access and inquire about financial documents to promote transparency and accountability. While most records should be available for public inspection, individual giving records do not need to be publicly disclosed. Those making inquiries could include the pastor, staff member, financial committee, internal or external financial reviewer, or financial review committee. It may also involve local, state, or federal government representatives. It is advisable to consult a professional financial expert, such as a Certified Public Accountant or lawyer, before releasing financial information if an individual, organization, group, or government official seeks access to financial records that are not publicly available.

RESOURCES

Evangelical Council for Financial Accountability

440 West Jubal Early Drive
Suite 130
Winchester, VA 22601
Phone: 1-800-323-9473
Website: ecfa.org

ECFA is an accreditation agency dedicated to helping Christian ministries earn the public’s trust through adherence to Seven Standards of Responsible Stewardship™. Founded in 1979, ECFA provides extensive resources on their website for faithful financial management of nonprofit organizations.

GuideStone Financial Resources

5005 LBJ Freeway
Suite 2200
Dallas, TX 75244-6152
Customer Relations: 1-888-984-8433
Property Casualty Ins: 1-214-720-2868

Websites

- guidestone.org (Main)
- guidestonepropertycasualty.org (Property & Casualty Insurance)
- guidestoneretirement.org (Retirement Services)
- guidestoneinsurance.org (Employee Benefit Plans)
- missiondignity.org (Ministry to retired pastors/widows)

GuideStone provides detailed resource for pastors and churches in the areas of tax compliance; retirement plans and investment opportunities; medical, dental, life, accident and disability insurance plans; and church property and casualty insurance.

Annually updated resources include the following:

- Ministers Tax Guide
- Compensation Planning Guide
- Federal Reporting Requirements for Churches
- Minister’s Tax Issues
- Minister’s Housing Allowance

Internal Revenue Service

- Request Tax Forms:.....1-800-TAXFORMS (1-800-829-3636)
- Employment Tax Questions:.....1-800-829-4933
- Information Reporting Questions:1-866-455-7438 (W-2/1099 Aid)
- Exempt Org. Customer Service:1-877-829-5500
- Electronic Federal Tax Payment Systems Inquiries:1-800-555-4477
- Electronic Federal Tax Payment System website: eftps.gov

- IRS Exempt Organizations website: [irs.gov/charities-and-nonprofits](https://www.irs.gov/charities-and-nonprofits)
- IRS Exempt Organization Online training website: stayexempt.irs.gov
- Federal Resources for Financial information: mymoney.gov

IRS Publications

IRS Publications can be found at [irs.gov/publications](https://www.irs.gov/publications)

Publication 15	Circular E, Employer's Tax Guide
Publication 15-A	Employer's Supplemental Tax Guide
Publication 15-B	Employer's Tax Guide to Fringe Benefits
Publication 15-T	New Wage Withholding and Advance EIC Payment Tables
Publication 463	Travel, Entertainment, Gift, and Car Expenses
Publication 502	Medical and Dental Expenses
Publication 517	Social Security & Other Information for Members of the Clergy & Religious Workers
Publication 525	Taxable and Nontaxable Income
Publication 526	Charitable Contributions
Publication 538	Accounting Periods and Methods
Publication 557	Tax-Exempt Status for your Organization
Publication 561	Determining the Value of Donated Property
Publication 583	Starting a Business and Keeping Records
Publication 596	Earned Income Credit
Publication 598	Tax on Unrelated Business Income of Exempt Organizations
Publication 910	IRS Tax Guide to Free Services
Publication 919	How do I adjust my Tax Withholding?
Publication 950	Introduction to Estate and Gift Taxes
Publication 969	Health Savings Accounts and other Tax-Favored Health Plans
Publication 1771*	Charitable Contributions – Substantiation and Disclosure Requirements
Publication 1828*	Tax Guide for Churches and Religious Organizations (Key Publication)
Publication 3833*	Disaster Relief, Providing Assistance Through Charitable Organizations
Publication 4220*	Applying for 501(c)(3) Tax-Exempt Status
Publication 4221-PC*	Compliance Guide for 501(c)(3) Public Charities
Publication 4302*	Charity's Guide to Vehicle Donations
Publication 4303*	Donor's Guide to Vehicle Donations
Publication 4484	Choose a Retirement Plan for Employees of Tax-exempt Organizations
Publication 4573	Group Exemptions
Publication 4630*	Exempt Organizations Products and Services Navigator

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IRS/Federal Forms

Form 1-9	USCIS - Employment Eligibility Verification (www.uscis.gov/i-9)
Form W-2	Wage and Tax Statement
Form W-3	Transmittal of Wage and Tax Statements
Form W-4	Employee's Withholding Allowance Certificate
Form W-9	Request for Taxpayer Identification Number and Certification
Form SS-4	Application for Employer Identification Number
Form SS-5	SSA - Application for a Social Security Card (www.ssa.gov)
Form SS-8	Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
Form 720	Quarterly Federal Excise Tax Return
Form 941	Employer's Quarterly Federal Tax Return
Form 941-X	Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund

Form 944	Employer's Annual Federal Tax Return
Form 990-T	Exempt Organization Business Income Tax Return
Form 1023	Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
Form 1023-EZ	Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
Form 1094-C	Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns
Form 1095-B	Health Coverage
Form 1095-C	Employer-Provided Health Insurance Offer and Coverage Insurance
Form 1096	Annual Summary and Transmittal of U.S. Information Returns
Form 1099-Misc	Miscellaneous Income
Form 5578	Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax
Form 8822-B	Change of Address or Responsible Party – Business
Form 8940	Request for Miscellaneous Determination

The Church Network

The Church Network (TCN) is an inter-denominational, professional, Christian organization that exists to serve the church by promoting the highest level of professional competence in individuals serving Christ through administration in local churches. TCN provides many articles, bulletins, and other pertinent information about church administration in their multiple publications. Additionally, TCN coordinates a national certification program for Church Business Administrators.

100 North Central Expressway, Suite 914 • Richardson, TX 75080-5326

Phone: 1-800-898-8085 • Website: thechurchnetwork.net

Southern Baptist Convention (National) Websites

Southern Baptist Convention, Official Website	sbc.net
Southern Baptist Convention, Executive Committee	sbcec.net
Cooperative Program Resources.....	www.sbc.net/missions/the-cooperative-program/
Southern Baptist Foundation	sbfnd.org
My Legacy of Faith	mylegacyoffaith.org
International Mission Board, SBC	imb.org
North American Mission Board, SBC	namb.net
Annie Armstrong Easter Offering Resources	anniearmstrong.com
The Ethics & Religious Liberty Commission, SBC	erlc.com
Woman's Missionary Union	wmu.com

Your Church Resources/Christianity Today International

Christianity Today International provides extensive online and print resources in the area of church administration (Books and Monthly Newsletters). They publish annually, updated resources in the areas of church and clergy taxes in conjunction with Richard Hammar, J.D., LL.M., CPA. A few of the resources available through churchlawandtax.com include the following:

- (Annual) Church & Clergy Tax Guide
- Church Finance: The Complete Guide to Managing Ministry Resources
- Essential Guide to Church Financial Reporting
- Essential Guide to Church Budgeting
- Essential Guide to Church Financial Health

- Essential Guide to Internal Controls for Churches
- Affordable Care Act: Church Administrators Survival Guide

Christianity Today International

465 Gundersen Drive
Carol Stream, IL 60188

Hardgood/physical products Orders1-800-222-1840
Downloadable products Support.....1-877-247-4787

Affiliated Websites

christianitytoday.com
churchlawandtax.com

Social Security Administration

Phone: 1-800-772-1213

Website: ssa.gov



ADDITIONAL FORMS AND CHECKLISTS

SAMPLE CASH RECEIPT COUNT SUMMARY FORM

CASH RECEIPTS COUNT SUMMARY

For Period _____ to _____

	Sunday School	Sunday AM	Sunday PM	Wed. Evening	Received During Week	TOTALS
Coins	\$	\$	\$	\$	\$	\$
Currency						
Checks						
TOTALS	\$	\$	\$	\$	\$	\$

Breakdown By Type Of Gifts

General Operating Budget						
Worship Service(s)	\$	\$	\$	\$	\$	\$
Sunday School						
In Mail						
Donor Designated Gifts						
Building Fund						
Missions Fund						
Benevolence Fund						
Other Designated Gifts: (List each separately)						
Non-Contribution Receipts						
Interest Income						
Rental Income						
Use of Facilities Fee:						
TOTALS	\$	\$	\$	\$	\$	\$

Counted By : _____
 (Each Person Should Sign) _____

Deposited On : _____ , 20 _____

Note: Attach validated bank deposit slip and other receipt documentation.

SAMPLE MONTHLY BANK RECONCILIATION FORM

BANK RECONCILIATION

BANK / ACCOUNT _____

FOR THE MONTH _____, 20 _____

Bank Balance Shown on statement \$ _____				Church Check Register Balance \$ _____			
Add (+) Deposits not shown on this statement (if any) \$ _____				Add (+) Other credits shown on this statement but not in check register \$ _____			
Total \$ (+) _____				Total \$ (+) _____			
Subtract (-) Checks and other items outstanding but not paid on this statement (if any)				Add (+) Interest paid (for use in balancing interest-bearing accounts only) \$ _____			
Ck #	\$	Ck #	\$	Subtract (-) Other debits shown on this statement but not in check register Service Fees (if any) \$ _____			
Total		Total					
BALANCE \$ _____				BALANCE \$ _____			
↑ These balances should agree ↑							
ADDITIONAL SUPPORT / COMMENTS: _____							

Prepared By _____

Date _____

Reviewed By _____

Date _____

SAMPLE CHECK REQUEST FORM

CHECK REQUEST

FUND _____

GENERAL INFORMATION

Payable To			Vender No.	
Address			Phone	
City		State		Zip
Date Required		Total Amount	\$	
Mail Check?	Yes / No	Other Instructions		
Description/Comments				

ACCOUNT DISTRIBUTION

[illegible]

REQUIRED SIGNATURES

Prepared By	_____	Date	_____
Approved By	_____	Date	_____

FOR FINANCE OFFICE USE ONLY

Check Preparer Verified (initial or N/A each):		Paid :	
Invoice to P/R#	_____	Discount Taken	Date _____
Footings	_____	Payment Terms	_____
Calculations	_____	Account Number	Ck No. _____
Tax Exemption	_____	Adequate Support	_____
Items Received	_____	Form 1099 (payee)*	_____
Service Performed	_____	* Obtain Form W-9 from payee	General Ledger:
			Entered: _____
Comments	_____		

CHURCH ACCOUNTING

PERIOD CLOSING PROCEDURE CHECKLIST

Sample Monthly Closing Checklist

Monthly Procedures:	Preparer	Reviewer
Bank reconciliations (may add line for each account)		
Review of cancelled checks		
Investment reconciliation (beginning balance, purchases, sales, interest and dividends, gain/loss, fees, ending balance) by investment account		
Accounts receivable subledger tied to general ledger		
Review allowance for doubtful accounts estimate for reasonableness		
Reconcile prepaid expenses to general ledger		
Reconcile accounts payable subledger to the general ledger		
Reconcile deferred revenue balances to the general ledger		
Reconcile notes payable balances to bank statements		
Update temporarily restricted net asset schedule (beginning balance, contributions, releases, ending balance)		
Reconcile the donor system to the general ledger contributions accounts		
Record any noncash gifts received		
Proper review of journal entries recorded for the month		
Prepare department financial statement reports		
Prepare committee and board financial reports		
Prepare financial/nonfinancial dashboard report		
Quarterly/Annual Procedures:		
Quarterly 941 payroll reconciliation to general ledger		
Record depreciation and update fixed asset schedule (asset description, purchase date, cost, life and accumulated depreciation information) tying to the general ledger. This may be completed monthly, quarterly, or annually.		
Perform inventory count and adjust general ledger balances. This can be done annually or cyclically.		
Record accrued vacation balances at least annually as well as accrued salaries and wages, if applicable		
Monitoring of internal controls by the board or a committee		
Annual W-2 preparation		
Annual 1099 preparation		
Annual donor statements		

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IMPORTANT DOCUMENTS AND RECORDS CHECKLIST – PAGE 1



Legal/Finance Checklist

Documents and Records

Charters, bylaws, member lists, and more—the list of legal documents and records that church leaders must work with is seemingly endless. It is always a good idea to seek legal counsel on any matters concerning legal documents, but church leaders must also have a working knowledge of the importance of these documents.

	Yes	Needs Attention
1. If your church is incorporated, do you consistently file an annual report with the Secretary of State's office?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are you familiar with your church's organizational document (e.g., articles of incorporation, charter, or constitution)?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are you aware of any restrictions and limitations outlined in your church's organizational documents?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does your church's organizational document include any provisions that are required/recommended by the IRS?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does your church's organizational document state that your organization's duration is perpetual, rather than a specified number of years?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do your leaders have a working knowledge of the church bylaws?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you have your church bylaws reviewed by an attorney regularly, or when any changes are made to the document?	<input type="checkbox"/>	<input type="checkbox"/>
8. Are all your church leaders familiar with the organization's financial and accounting records?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do board members review church finances at each board meeting, and are they encouraged to ask questions?	<input type="checkbox"/>	<input type="checkbox"/>
10. Does your church maintain a current list of active, voting members?	<input type="checkbox"/>	<input type="checkbox"/>
11. Do your church records include a complete set of minutes from all board and committee meetings, as well those from annual business meetings and other special meetings?	<input type="checkbox"/>	<input type="checkbox"/>
12. Does your church maintain up-to-date records on all insurance policies and keep records of past policies as well?	<input type="checkbox"/>	<input type="checkbox"/>

(Continued on back)

This is a sample document only. Your organization is responsible for compliance with all applicable laws. Accordingly, this form should not be used or adopted by your organization without first being reviewed and approved by an attorney. Brotherhood Mutual Insurance Company assumes no liability in the preparation and distribution of this sample form.

IMPORTANT DOCUMENTS AND RECORDS CHECKLIST – PAGE 2



Legal/Finance Checklist

	Yes	Needs Attention
13. Are church leaders familiar with tax records and requirements, including payroll tax forms, housing allowance designations, and contribution records?	<input type="checkbox"/>	<input type="checkbox"/>
14. Do you keep well-organized employment records for each employee, including applications for employment, reference checks, disciplinary actions, attendance records, changes in employee status, and I-9 immigration forms?	<input type="checkbox"/>	<input type="checkbox"/>
15. Are you familiar with your church's property deed and any restrictions that may be outlined in it?	<input type="checkbox"/>	<input type="checkbox"/>
16. Do your church leaders consult with the church's attorney before signing any contracts on behalf of the church?	<input type="checkbox"/>	<input type="checkbox"/>

Notes: _____

Completed by: _____ Date: _____

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CHURCH ADMINISTRATION CHECKLIST – PAGE 1



Administration Checklist

Church Board Administration

The governing board of a church plays a key role in the ministry. You're responsible for guiding the church and helping the ministry fulfill its mission. As a board member, you're held to a higher standard of accountability than others in the congregation. The following questions can help you determine whether you're taking necessary steps to protect the church and board members from legal liability, fines and other loss.

	Yes	Needs Attention
Are we incorporated?		
1. Does our Secretary of State's office have a record of our ministry's incorporation?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the name that we use for filing with the IRS and other government offices indicate incorporation?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do our bylaws, constitution, or other governing documents state whether the ministry is incorporated?	<input type="checkbox"/>	<input type="checkbox"/>
Do we follow our bylaws?		
4. Are members, pastors, and church leaders accepted into the church in accordance with the bylaws?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do we adhere to the bylaws in making church decisions?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do we conduct meetings in keeping with the bylaws?	<input type="checkbox"/>	<input type="checkbox"/>
Are we putting the ministry's needs first?		
7. Do we follow established rules to prevent self-dealing, or using one's position on the board for personal benefit rather than the church's benefit?	<input type="checkbox"/>	<input type="checkbox"/>
8. Do we follow a set of rules to prevent conflicts of interest from affecting church board decisions?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are all financial decisions documented and available to church members?	<input type="checkbox"/>	<input type="checkbox"/>
Are we protected by good Samaritan laws?		
10. Are we familiar with our state's good Samaritan law, which provides limited protection for people who provide emergency medical aid?	<input type="checkbox"/>	<input type="checkbox"/>
11. Do we know the limits of protection under our state's good Samaritan law?	<input type="checkbox"/>	<input type="checkbox"/>
12. Does our state's good Samaritan law apply to all church staff members?	<input type="checkbox"/>	<input type="checkbox"/>
Do charitable immunity laws protect us from lawsuits?		
13. Do the charitable immunity laws in our state provide any protection for our ministry?	<input type="checkbox"/>	<input type="checkbox"/>
14. Do our state's charitable immunity laws protect all ministry volunteers?	<input type="checkbox"/>	<input type="checkbox"/>
15. Do the charitable immunity laws in our state prevent ministry beneficiaries from suing volunteers who serve on our governing board?	<input type="checkbox"/>	<input type="checkbox"/>

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CHURCH ADMINISTRATION CHECKLIST – PAGE 2

Go to brotherhoodmutual.com/resources to download the
BIG BOOK OF CHECKLISTS with over 40 checklists on key ministry areas.

	Yes	Needs Attention
Do indemnification provisions in the bylaws help us?		
16. Do our bylaws contain a provision that will protect board members from paying out-of-pocket costs if they're sued in connection with their ministry work?	<input type="checkbox"/>	<input type="checkbox"/>
17. Do the indemnification provisions also protect employees and volunteers working on behalf of the ministry?	<input type="checkbox"/>	<input type="checkbox"/>
18. Do the bylaws give our governing board the right to decide when and if an individual will be indemnified for out-of-pocket costs associated with the lawsuit?	<input type="checkbox"/>	<input type="checkbox"/>
Are we protecting our ministry from loss?		
19. Do we have a process in place to identify common causes of physical injury and property damage at our church?	<input type="checkbox"/>	<input type="checkbox"/>
20. Have we developed an effective approach to promptly correct safety concerns or threats to ministry property?	<input type="checkbox"/>	<input type="checkbox"/>
21. Do we have an effective worker screening in place?	<input type="checkbox"/>	<input type="checkbox"/>
Do we comply with tax-exempt requirements?		
22. Do we qualify for automatic recognition as an "exempt organization"?*	<input type="checkbox"/>	<input type="checkbox"/>
23. Are we filing an annual report with the IRS and the state, if required?**	<input type="checkbox"/>	<input type="checkbox"/>
24. Are we following the rules restricting political and lobbying activity by tax-exempt organizations?	<input type="checkbox"/>	<input type="checkbox"/>
Are we properly reporting any unrelated business income to the IRS?		
25. Do we have church income from non-ministry activities, such as selling coupon books, renting our parking lot, or operating a coffee shop or book store?	<input type="checkbox"/>	<input type="checkbox"/>
26. Are we properly documenting this income separately from tax-exempt income?	<input type="checkbox"/>	<input type="checkbox"/>
27. Are we filing Form 990-T with the IRS to report this unrelated business income?	<input type="checkbox"/>	<input type="checkbox"/>
Are board members covered individually by the church's insurance policy?		
28. Does our insurance policy grant coverage to church leaders specifically?	<input type="checkbox"/>	<input type="checkbox"/>
29. Does our insurance policy include directors and officers coverage?	<input type="checkbox"/>	<input type="checkbox"/>
30. Does our insurance policy cover church leaders for claims related to employment or sexual misconduct?	<input type="checkbox"/>	<input type="checkbox"/>
Notes: _____		

Completed by: _____ Date: _____		
<p>* Ask the church's attorney or certified public accountant (CPA) to answer this question. Churches with related ministries that resemble non-church organizations should not assume that the automatic exemption applies to all church operations.</p> <p>** Ask the church's attorney or certified public accountant (CPA) if your state has any annual filing requirements for tax-exempt organizations. Religious organizations must file Form 990 with the IRS each year, but churches are exempt from this requirement.</p>		

[illegible]



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