

Key Tax Dates December 2021

Housing allowance designations, year-end transactions, 2021 donations, and more.

Monthly requirements

If your church or organization reported withheld taxes of *\$50,000 or less* during the most recent lookback period (for 2021, the lookback period is July 1, 2019, through June 30, 2020), then withheld payroll taxes are deposited monthly. Monthly deposits are due by the 15th day of the following month.

Note, however, that if withheld taxes are *less than \$2,500* at the end of any calendar quarter (March 31, June 30, September 30, or December 31), the church need not deposit the taxes. Instead, it can pay the total withheld taxes directly to the IRS with its quarterly Form 941. Withheld taxes include federal income taxes withheld from employee wages, the employee's share of Social Security and Medicare taxes, and the employer's share of Social Security and Medicare taxes.

Semiweekly requirements

If your church or organization reported withheld taxes of *more than \$50,000* during the most recent lookback period (for 2021, the lookback period is July 1, 2019, through June 30, 2020), then the withheld payroll taxes are deposited semiweekly.

This means that for paydays falling on Wednesday, Thursday, or Friday, the payroll taxes must be deposited on or by the following Wednesday. For all other paydays, the payroll taxes must be deposited on the Friday following the payday.

Note further that large employers having withheld taxes of \$100,000 or more at the end of any day must deposit the taxes by the next banking day. The deposit days are based on the timing of the employer's payroll. Withheld taxes include federal income taxes withheld from employee wages, the employee's share of Social Security and Medicare taxes, and the employer's share of Social Security and Medicare taxes.

December 15, 2021: Complete year-end transactions and make UBIT payments

Year-end transactions

Complete all year-end transactions to be sure that they are reportable on your income tax return.

Payment for unrelated business income tax liability

A church must make quarterly estimated tax payments if it expects an unrelated business income tax (UBIT) liability for the year to be \$500 or more. Use IRS Form 990-W to figure your estimated taxes. For 2021, quarterly estimated tax payments of one-fourth of the total tax liability are due by April 15, June 15, September 15, and December 15, 2021, for churches on a calendar-year basis. Deposit quarterly tax payments using [Electronic Federal Tax Payment System](#) (EFTPS).

December 31, 2021: Housing and Parsonage allowance designations, donations for 2021, and more

Housing allowance

Churches must [designate](#) a portion of each minister's compensation as a housing allowance by this date in order for ministers who own or rent their homes to receive the full benefit of a housing allowance exclusion for calendar year 2022.

The designation should be adopted during a regular or special meeting of the church board and should be contained in the written minutes of the meeting.

Parsonage allowance

Churches should designate a parsonage allowance for any minister who lives in a parsonage and who is expected to pay some of the expenses of maintaining the parsonage (e.g., utilities, furnishings, repairs, improvements, yard care).

Checks for 2021 donations

Donors must *deliver* checks on or by this date to claim a charitable contribution deduction for 2021. Checks that are placed in the church offering during the first worship service in 2022 *will not qualify for a charitable contribution deduction in 2021*, even if the check is predated to 2021 or was written in 2021. However, checks that are written, mailed, *and postmarked* in 2021 will be deductible in 2021 even though they are not received by a church until 2022.

Marital status

An employee's marital status on this date determines his or her filing status for the year.

Reclassifying someone as an employee

If you have a minister or lay worker who is treated as self-employed for federal income tax reporting purposes, but who you would like to reclassify as an employee, the ideal time to make the change is on January 1, 2022.

For complete information, consult the [2021 Church & Clergy Tax Guide](#) by [Richard R. Hammar, JD, CPA](#). Visit [ChurchLawAndTax.com](#) for the expert insights you need to manage tax issues with confidence.

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