

KEY TAX DATES JANUARY 2023

Noting the key tax forms due this month, along with other recurring deadlines.

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Monthly requirements

If your church or organization reported withheld taxes of *\$50,000 or less* during the most recent lookback period (for 2023, the lookback period is July 1, 2021, through June 30, 2022), then withheld payroll taxes are deposited monthly. Monthly deposits are due by the 15th day of the following month.

Tip: The [2023 Church & Clergy Tax Guide](#) is out. Have you pre-ordered your copy?

Note, however, 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 2023, the lookback period is July 1, 2021, through June 30, 2022), 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 (7.65 percent of wages), and the employer's share of Social Security and Medicare taxes (an additional 7.65 percent of employee wages).

January 1, 2023: Payroll taxes

Social Security and Medicare taxes

Employees and employers each pay Social Security and Medicare taxes equal to 7.65 percent of an employee's wages. The tax rate does not change in 2023.

The 7.65 percent tax rate is comprised of two components: 1) a Medicare hospital insurance tax of 1.45 percent, and 2) an "old age, survivor and disability" (Social Security) tax of 6.2 percent. There is no maximum amount of wages subject to the Medicare tax. The tax is imposed on all wages regardless of amount.

For 2023, the maximum wages subject to Social Security taxes (the 6.2 percent

amount) is \$160,200. Stated differently, employees who receive wages in excess of \$160,200 in 2023 pay the full 7.65 percent tax

rate for wages up to \$160,200, and the Medicare tax rate of 1.45 percent on all earnings above \$160,200. Employers pay an identical amount. The Medicare tax rate for certain high-income taxpayers increases by an additional 0.9 percent.

Self-employment taxes

The self-employment tax rate (15.3 percent) does not change in 2023. The 15.3 percent tax rate consists of two components: (1) a Medicare hospital insurance tax of 2.9 percent, and (2) an "old age, survivor and disability" (Social Security) tax of 12.4 percent. There is no maximum amount of self-employment earnings subject to the Medicare tax. The tax is imposed on all net earnings regardless of the amount.

For 2023, the maximum earnings subject to the Social Security portion of self-employment taxes (the 12.4 percent amount) is \$160,200. Stated differently, persons who receive compensation in excess of \$160,200 in 2023 pay the combined 15.3 percent tax rate for net self-employment earnings up to \$160,200, and only the Medicare tax rate of 2.9 percent on earnings above \$160,200. The Medicare tax rate for certain high-income taxpayers increases by an additional 0.9 percent.

These rules directly impact ministers, who are considered self-employed for Social Security with respect to their ministerial services. Ministers should take these rules into account in computing their quarterly estimated tax payments.

Federal income taxes

Beginning on this date, churches having non-minister employees (or a minister who has elected voluntary withholding) should begin withholding federal income taxes from employee wages. To know how much federal income tax to withhold from employees' wages, employers should have a Form W-4 on file for each employee. Employees should file

an updated Form W-4 for 2023, especially if they owed taxes or received a large refund when filing their previous tax return. Employees should use the [IRS Tax Withholding Estimator](#) to determine accurate withholding.

January 17, 2023: Fourth quarter estimated taxes due

Ministers (who have not elected voluntary withholding) and self-employed workers must file their fourth quarterly estimated federal tax payment for 2022 by this date (a similar rule applies in many states to payments of estimated state taxes).

Employees of churches that filed a timely Form 8274 (waiving the church's obligation to withhold and pay FICA taxes) are treated as self-employed for Social Security purposes, and accordingly are subject to the estimated tax deadlines with respect to their self-employment (Social Security) taxes unless they have entered into a voluntary withholding arrangement with their employing church or organization.

January 31, 2023: Tax forms due

Churches must furnish Copies B, C, and 2 of Form W-2 ("wage and tax statement") by this date to each person who was an employee during 2022. This requirement applies to clergy who report their federal income taxes as employees rather than as self-employed, even though they are not subject to mandatory income tax (or FICA) withholding. Non-minister church employees must also receive a W-2.

Churches must send Copy A of Forms W-2, along with Form W-3, by this date to the Social Security Administration. If you file electronically, the due date is also January 31, 2023.

Churches must issue Copy B of Form 1099-NEC ("nonemployee compensation") by this date to any self-employed person to whom the church paid nonemployee compensation of \$600 or more in 2022. This form (rather than a W-2) should be provided to clergy who report their

federal income taxes as self-employed, since the Tax Court and the IRS have both ruled that a worker who receives a W-2 rather than a 1099-NEC is presumed to be an employee rather than self-employed. Other persons to whom churches may be required to issue a Form 1099-NEC include evangelists, guest speakers, contractors, and part-time custodians.

Churches must send Copy A of Forms 1099-NEC, along with Form 1096, to the IRS by this date.

Churches must distribute a 2022 1099-INT form to any person paid \$600 or more in interest during 2022 by this date (a \$10 rule applies in some cases).

Note: *If a date listed for filing a return or making a tax payment falls on a Saturday, Sunday, or legal holiday (either national or statewide in a state where the return is required to be filed), the return or tax payment is due on the following business day.*

Note: *You must use electronic funds transfer to make all federal employment tax deposits. This is generally done using the [Electronic Federal Tax Payment System](#), a free service provided by the US Department of Treasury. If you don't wish to use EFTPS, you can arrange for your tax professional, financial institution, or payroll service to make deposits on your behalf. Failure to make a timely deposit may subject you to a 10-percent penalty.*

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