



Mastering the 2025 Tax Season

A webinar presented by:

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Church Considerations



It's the New Year – Immediate Concerns

Filing Requirements for January 31, 2025

- ❑ Form 941 and Forms W-2 – Have you:
 - ❑ Review for noncash benefits that need to be added
 - ❑ Review for cash benefits that need to be added – especially those gift cards and holiday bonuses
 - ❑ Prepare for mandatory electronic filing requirements

- ❑ Forms 1099 – Have you:
 - ❑ Review all vendor payments to determine those who received \$600 or more
 - ❑ Obtain reporting information from all applicable vendors
 - ❑ Prepare for mandatory electronic filing requirements

- ❑ Confirm 2025 payroll is correctly set up
 - ❑ Housing allowances have been established
 - ❑ Benefit elections are made
 - ❑ Payroll amounts are correct
 - ❑ Confirm tax deposit requirements

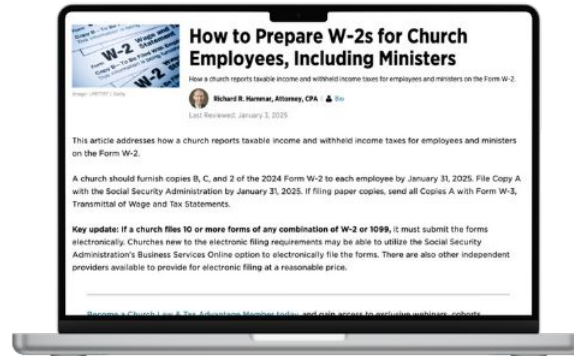
Related Resources

2025
FEDERAL REPORTING
REQUIREMENTS
FOR CHURCHES

RICHARD R. HAMMAR
J.D., LL.M., CPA

Church
Law&Tax
LITIGATION RESOLUTION WITH CONFIDENCE

[2025 Federal Reporting Requirements](#)



[How To Prepare W-2s](#)

Designating a Housing Allowance for 2025

Take advantage of the housing allowance, which is the most important tax benefit available to ministers.

Richard R. Hammar, Attorney, CPA

The housing allowance is the most important tax benefit available to ministers.

But many ministers do not take full advantage of it because they (or their tax adviser or church board) are not familiar with the rules.

What can church leaders do to help? Consider the following guidance.

Designating a housing allowance for ministers in church-owned parsonages

Ministers who live in a church-provided parsonage or manse can exclude from their income for federal income tax reporting purposes (1) the fair rental value of the parsonage, and (2) the portion of their compensation designated in advance by the church as a "parsonage allowance"—to the extent that it is used to pay for parsonage-related expenses such as utilities, repairs, and furnishings and does not exceed the fair rental value of the home (furnished, plus utilities).

Recommendation. If your pastor lives in a church-provided parsonage or manse, and incurs any out-of-pocket expenses being there (for example, for utilities or furnishings), then have the church designate a portion of the pastor's 2025 compensation as a "parsonage allowance." This should be done in December 2024 so that it will be effective for all of 2025. Parsonage allowances cannot be designated retroactively.

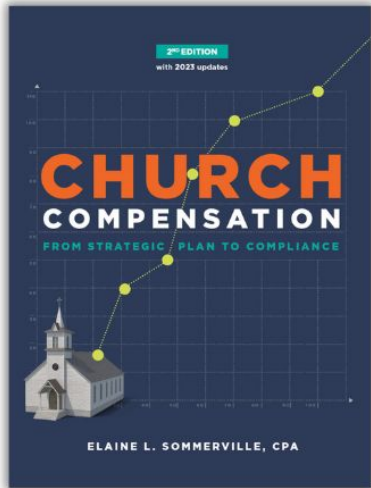
Example. Your youth pastor lives in a church-provided parsonage. He is expected to pay his utilities and provide his furniture. His compensation for 2025 will be \$35,000. In its December 2024 meeting, the church board designates \$3,000 of this amount as a "parsonage allowance." The youth pastor has parsonage expenses of at least \$3,000 in 2025 (for utilities and furnishings). At the end of the year, the church treasurer issues the youth pastor a W-2 reporting only \$32,000 as church compensation. The parsonage allowance is not taxable (assuming that it was used for parsonage expenses) for income tax reporting purposes.

[Designating a Housing Allowance](#)

Other Beginning of the Year Tasks

- Prepare contribution receipts (not technically due by the end of January)
- Review worker classifications and see if there are any deserving of a separate analysis either from the perspective of the Department of Labor or the IRS
- Confirm all credentialed ministers are properly set up regarding FICA/Medicare taxes
- Review compensation packages including housing allowance approvals
- Update budgets and review the chart of accounts to see if it is still functional
- Review any restricted funds that may receive contributions to confirm they are still necessary
- Update mileage rates for reimbursement plans to .70 cents per mile
- Consider updating the fair rental value of the parsonage

Related Resources



[Church Compensation -
Second Edition](#)



[IRS Bumps 2025 Business
Use Mileage Rate](#)



[The Right Way To
Handle Wage
Classifications](#)

Retirement Planning

- ❑ Law changes may require plan document amendments
- ❑ Acceptable hardship distributions may need to be redefined
- ❑ Provision for Roth accounts may need to be added
- ❑ Expansion of benefits to long term part-time employees may be considered
- ❑ Consideration of provisions providing plan matching contributions based on student loan payments may be desired
- ❑ Catch up provisions in the plan may need to be updated for the increased amount for those 60 to 63 years old
- ❑ Consider employee training sessions to gain better retirement plan participation
- ❑ Review the plans for funding retirement plans for staff members, especially key staff members – do not leave for later years – a little now is better than nothing

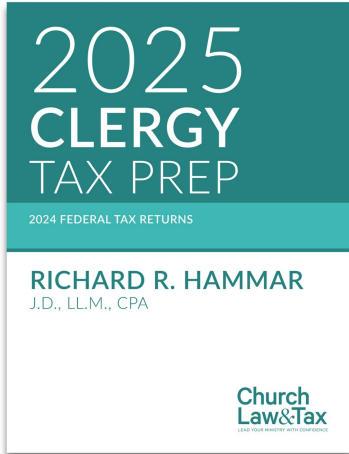
Minister Considerations



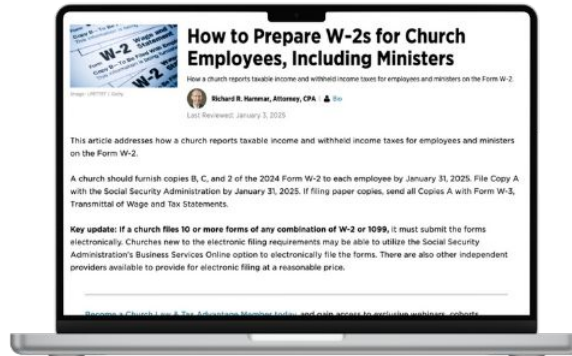
Considerations for 2024

- Prepare for filing the 2024 1040 by April 15th
 - Review 2024 income reported and confirm accuracy – are you aware of any income that should be reported that is not reported on your Form W-2
 - Gather outside income, such as honorariums, and related expenses for reporting on Schedule C
 - Gather receipts for contributions, medical, and interest
 - Gather receipts and information for unreimbursed employee business expenses – not available for a federal tax deduction but may reduce the amount of self-employment tax due
 - Engage an experienced tax professional
- Consider eligibility for making IRA contributions for either spouse by April 15, 2025
 - Regular contributions – either deductible or nondeductible
 - Catch up contributions
 - Roth contributions
- Are you filing Form 4361 to opt out of self-employment tax?

Related Resources



[2025 Clergy Tax Prep Guide](#)



[How To Prepare W-2s](#)



[Six Questions to Ask When Exempting a Minister from Social Security](#)

Consider the Earned Income Credit

Many families may be eligible for the earned income credit including a minister's family when the minister has elected out of self-employment tax

- ❑ There are income limitations
- ❑ If a minister has opted out of self-employment tax, then the housing allowance or parsonage value or the earnings on Schedule C are not considered as "earned income"

Considerations for 2025

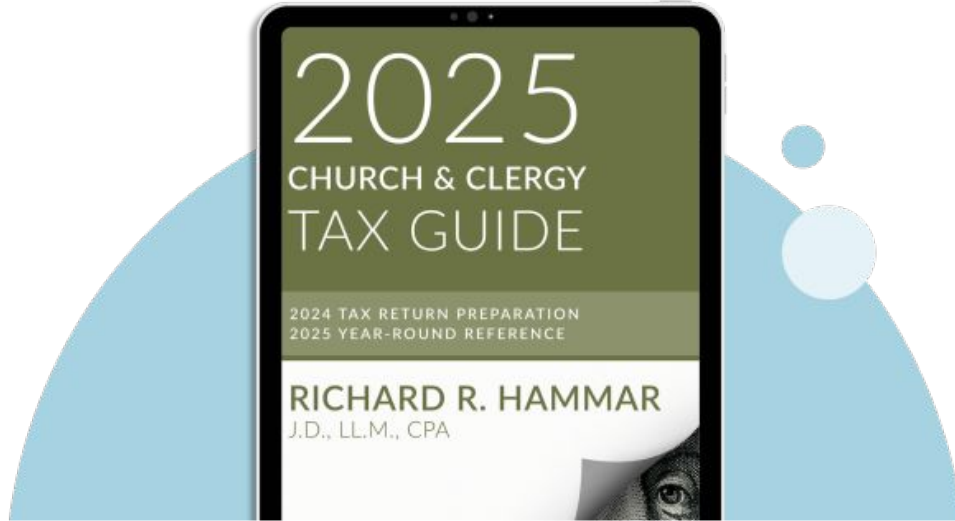
Don't leave for tomorrow what could be advantageous today!

- ❑ Should requests to withholding federal income tax be adjusted – better now than later
- ❑ If you make estimated tax payments – are you prepared for the 4/15/25 payment
 - ❑ EFTPS – make tax payments with ease
- ❑ Is your housing allowance adequate
- ❑ Retirement plan contributions
 - ❑ Review elective deferrals considering potential catch up amounts
 - ❑ Regular deferral \$23,500
 - ❑ Catch up deferral \$7,500 except for those 60 through 63 and their catch up is \$11,250
 - ❑ To Roth or not to Roth – that is a question
- ❑ Are there other benefit plans that may be available for 2025 through the church

More 2025 Considerations

- ❑ Social Security considerations
 - ❑ Will you turn 65 during 2025 and trigger Medicare considerations
 - ❑ Are there plans to initiate SS retirement payments – consider effect on income tax estimates & earnings limits
 - ❑ If you are or plan to be participating in receiving benefits or participating in Medicare, have you considered the effects on employer provided health benefits, especially HSA plans
- ❑ Is it time to reevaluate the fair rental value of your home for purposes of determining the housing allowance limitations – this should be done every 3 to 5 years
- ❑ Will required minimum distributions from retirement accounts be a factor
- ❑ If you are 70 or older, do you want to consider charitable giving through IRAs

Now Available: [2025 Church & Clergy Tax Guide](#)



[PDF](#)

[Print](#)

[Bundle](#)

Included:

Tax Returns

Prepare and file your 2024 tax returns.

Withholdings

Properly calculate how much you can withhold.

Social Security

Sort out social security and medicare.

Donations

Know how to handle charitable contributions.

Housing

Maximize your housing allowance benefits.

Exclusions

Identify exclusions from gross income.

Expenses

Correctly process business expenses.

Tax Reporting

Comply with tax reporting requirements

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