

PAYROLL TAX WITHHOLDING CHECKLIST FOR 2026

(a church's withholding obligations)

Employers are legally required to withhold payroll taxes (income taxes and Social Security and Medicare taxes) from the wages of employees.

Churches are not required to withhold payroll taxes from wages paid to ministers for ministerial services.

Ministers who are treated as employees by the church can elect voluntary withholding of income taxes by submitting a Form W-4 to the church. Note, however, that ministers are always treated as self-employed for compensation paid for ministerial services, so churches should not withhold Social Security and Medicare taxes from their wages even if they elect voluntary withholding. However, ministers who elect voluntary withholding can request that their employing church withhold additional income taxes in an amount that will be sufficient to cover their self-employment taxes. These additional income tax withholdings become a credit that can be applied to self-employment taxes on the minister's tax return. The additional income tax withholdings are requested on line 6 of Form W-4.

Some churches have elected to exempt themselves from the employer's share of Social Security and Medicare taxes by filing a timely Form 8274 with the IRS. The filing of this form has the effect of recharacterizing lay employees as self-employed persons for purposes of Social Security, meaning that the church does not withhold Social Security or Medicare taxes from their wages. However, the church is not relieved of the obligation to withhold income taxes.

See IRS Publication 15 for information on computing the correct amount of income taxes, as well as Social Security and Medicare taxes, to withhold.

Employees whose wages are subject to withholding should provide the church with a completed Form W-4. If this is not done, then the church must withhold federal income taxes from an employee's wages as if he or she were a single person with no other entries on the form.

Some lay employees are exempt from income tax withholding. To qualify for exempt status, the employee must have had no tax liability for the previous year and must expect to have no tax liability for the current year. However, if the employee can be claimed as a dependent on a parent's or another person's tax return, additional limitations may apply.

Exemption from withholding is claimed by submitting a properly completed Form W-4 to one's employer. The exemption is claimed by completing the form and signing it. A Form W-4 claiming exemption from withholding is valid for only one calendar year. To continue to be exempt from withholding in the next year, an employee must complete a new Form W-4 claiming exempt status by February 15 of that year. If the employee does not provide the employer with a new Form W-4, the employer must withhold tax as if he or she were a single person with no other entries on the form. However, if the employing church has an earlier Form W-4 (not claiming exempt status) for this employee that is valid, it should withhold as it did before.

Employees should be encouraged to review their Form W-4 annually to see if they need to file a new one with the church. Forms W-4 often become obsolete because of changes in an employee's circumstances. This can result in withholding that is significantly above or below the actual tax liability. There are many reasons an employee's W-4 may be inaccurate, including the birth of a child, a pay raise, or significant medical expenses. These same considerations apply to ministers who have elected voluntary withholding of their taxes. The tax cuts passed by Congress in recent years have reduced taxes for most Americans, and this is another reason some church employees will want to submit a new Form W-4.

Any unauthorized change or addition to Form W-4 makes it invalid. This includes taking out any language by which the employee certifies that the form is correct. A Form W-4 is also invalid if, by the date an employee gives it to you, he or she indicates in any way that it is false. An invalid Form W-4 should not be used to determine federal income tax withholding. The employee should be informed that it is invalid and asked for another one. If the employee does not provide a valid Form W-4, taxes should be withheld as if he or she were a single person with no other entries on the form. However, if the employing church has an earlier Form W-4 for this employee that is valid, it should withhold as it did before.

When requested by the IRS, a church must make original Forms W-4 available for inspection by an IRS employee. A church may also be directed to send certain Forms W-4 to the IRS. Requested copies of Form W-4 should be sent to the IRS at the address provided and in the manner directed by the notice. After submitting a copy of a requested Form W-4 to the IRS, continue to withhold federal income tax based on that Form W-4 if it is valid. However, if the church is later notified in writing by the IRS that the employee is not entitled to claim exemption from withholding or a claimed number of withholding allowances, it should withhold federal income tax based on the effective date, marital status, and other information on the form as specified in the notice (commonly referred to as a "lock-in letter").

Frivolous tax protester arguments like those summarized at the beginning of this chapter (and in Chapter 1, section A.1, beginning on [page 11](#)) should never persuade a church to ignore its payroll tax withholding obligations. The only way for an employee to claim exemption from withholding is by submitting a properly completed and signed Form W-4.