

TABLE 11-3

## 10 COMMON PAYROLL TAX REPORTING ERRORS

| COMMON ERROR   | CORRECT REPORTING PROCEDURE  |
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| 1. Treating ministers as self-employed for income tax purposes   | Most ministers are employees for federal income tax reporting purposes.  |
| 2. Treating ministers as employees for Social Security purposes  | Ministers always are self-employed for Social Security purposes with respect to ministerial services (except some chaplains).  |
| 3. Withholding taxes from ministers' pay without authorization   | Ministers are exempt from income tax withholding, whether they report their income taxes as employees or self-employed; ministers who report their income taxes as employees can request voluntary withholding by submitting a Form W-4 to the church.   |
| 4. Withholding payroll taxes from ministers who report their income taxes and Social Security taxes as self-employed   | Do not withhold payroll taxes from self-employed persons.  |
| 5. Giving Forms W-2 to self-employed ministers   | Provide self-employed workers who are paid \$600 or more in 2025 (\$2,000 or more in 2026) with a Form 1099-NEC, not a Form W-2.   |
| 6. Failure to provide Forms 1099-NEC to nonemployee recipients of \$600 or more of annual compensation in 2025 (\$2,000 or more in 2026)                           | A Form 1099-NEC must be issued to such persons.  |
| 7. Church employees failing to pay self-employment taxes if their employing church exempted itself from the employer's share of FICA taxes (by filing a Form 8274) | Such employees are treated as self-employed for Social Security purposes with respect to their church compensation and must pay the self-employment tax.   |
| 8. Not filing Forms 941  | These forms must be filed quarterly by a church with one or more nonminister employees (or a minister who elects voluntary withholding).   |
| 9. Not issuing Forms W-2 or 1099-NEC   | A Form W-2 must be issued to each employee, and a Form 1099-NEC must be issued to each nonemployee (who received compensation of at least \$600 during 2025).  |
| 10. Not complying with payroll tax deposit requirements  | Submit directly to the IRS payroll taxes of less than \$2,500 at the end of any calendar quarter with Form 941; if accumulated payroll taxes are \$2,500 or more at the end of any month, deposit them by electronic funds transfer using the Electronic Federal Tax Payment System (EFTPS). If you do not want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make deposits on your behalf. |