

Tax Reminders for February 2021

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 (7.65 percent of wages), and the employer's share of Social Security and Medicare taxes (an additional 7.65 percent of employee wages).

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.

February 1, 2021: Tax forms due

Copies of W-2s for employees

Churches must furnish Copies B, C, and 2 of Form W-2 ("wage and tax statement") to each person who was an employee during 2020 by this date. 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. Nonminister church employees must also receive a W-2.

Filing W-2s with the Social Security Administration

Churches must send Copy A of Forms W-2, along with Form W-3, to the Social Security Administration by this date. If you file electronically, the due date is also February 1, 2021.

Copies of 1099-NEC for self-employed persons

Churches must issue Copy B of Form 1099-NEC ("nonemployee compensation") to any self-employed person to whom the church paid nonemployee compensation of \$600 or more in 2020 by this date. 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.

Filing 1099-NEC and 1096 with the IRS

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

Distributing 1099-INT

Churches must distribute a 2020 1099-INT form to any person paid \$600 or more in interest during 2020 by this date (a \$10 rule applies in some cases).

February 10, 2021: Employer's quarterly federal tax return due

Churches having nonminister employees (or one or more ministers who report their federal income taxes as employees and who have elected voluntary withholding) may file their employer's quarterly federal tax return (Form 941) by this date instead of February 1 if all taxes for the fourth calendar quarter (of 2020) have been deposited in full and on time.

February 28, 2021: IRS forms due

Filing IRS 1098-C for reporting vehicle sale or donation

Churches file Copy A of Form 1098-C with the IRS by this date to report the sale or use of a donated

vehicle. Generally, you must furnish Copies B and C of this form to the donor no later than 30 days after the date of sale if box 4a is checked, or 30 days after the date of the contribution if box 5a or 5b is checked. If box 7 is checked, do not file Copy A with the IRS and do not furnish Copy B to the donor. You may furnish Copy C to the donor. The donor is required to obtain Copy C or a similar acknowledgment by the earlier of the due date (including extensions) of the donor's income tax return for the year of the contribution or the date that the return is filed. If filing electronically, this form is due by March 31, 2021.

Filing 1095-C and 1094-C for applicable large employers and ACA compliance

Applicable large employers, generally employers with 50 or more full-time employees (including full-time equivalent employees) in the previous year, must file a Form 1095-C for each employee who was a full-time employee of the employer for any month of the previous calendar year by this date. Generally, the employer is required to furnish a copy of Form 1095-C (or a substitute form) to the employee. The employer also files a Form 1094-C transmittal form with the IRS (including copies of each Form 1095-C). The purpose of this form is to ensure that applicable large employers are complying with the shared responsibility provisions of the ACA. Forms 1094-C and 1095-C must be issued by March 31, 2021, if issued electronically.

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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