

BASIC CHURCH TREASURER MATERIAL

Becoming a Church Treasurer

Qualifications of a Treasurer

The church should desire a church treasurer that exhibits a willingness to work cordially with people and has the ability to be fair minded. The person selected to be treasurer should also have knowledge of the working organization of the church. The church treasurer is to be one of the elected leaders in a church.

The **character** of the treasurer should reflect the highest Christian ideals. The experience and background of the person holding this office should give confidence to church members that the financial affairs of the church will be carried on in a fair and trustworthy way. The person selected to be church treasurer should have knowledge of accounting procedures or the willingness to learn accounting procedures. It is important that the person selected to be church treasurer is a tither.

The church may wish to set guidelines covering the length of continuous membership prior to election as treasurer. It is sometimes beneficial for the same person to serve as treasurer for several years. The length of service is to be a decision of the church.

Church Structure and the Treasurer

The treasurer's relationship to church members depends on the organizational and committee structure of the church. For example, in some churches the treasurer would normally relate directly to church members. In other churches the treasurer may relate to a financial committee, which then communicates with the church members. (Some churches call this committee a budget committee, finance committee or stewardship committee.) The Louisiana law relating to churches that are incorporated dictates that the Trustees have some financial accountability for the church. The treasurer may be required to submit reports to the Trustees. For more information please see "Keeping Your Church Out of Court" notebook (available from the Louisiana Baptist Convention). Please see page 43 of this manual for more information on the notebook.

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The Work of a Church Treasurer

PRINCIPAL FUNCTION: The church treasurer is responsible for the proper receipt, accounting and disbursement of church funds within policies established by the church for adequate financial control. It is suggested that the treasurer's work focus primarily on financial records and payment procedures rather than the handling of cash. In some churches this duty is assigned to a staff member who works with all church financial matters.

Treasurers may have the following responsibilities. * ¹

1. Keep accurate records in appropriate financial journals of all monies received and disbursed.
2. Reconcile monthly bank statements and correct ledgers as needed.
3. Sign checks in accordance with church policies and procedures and verify the supporting data for each check request.
4. Make monthly and annual reports to the church. If the church has a committee to oversee the financial matters of the church the treasurer should also make regular reports to the committee.
5. Prepare and maintain records of individual contributions.
6. Prepare and distribute contribution statements.
7. Suggest possible investment opportunities concerning any funds the church wishes to hold.
8. Keep church staff and appropriate committees informed of any trends or changes in fiscal matters.
9. Instill and preserve a high financial confidence throughout the congregation.
10. Submit accurate financial records for annual audit according to church policy.
11. Train an associate treasurer selected by the church.

***As determined by the church. Each church may be different.**

Working relationships between the treasurer and the church family. * ¹

1. Serve as ex-officio member of the church committee assigned to oversee church financial policy and procedure. Confer with this committee in: recommending and establishing policies related to receiving, accounting and disbursing of church money; developing the annual church budget; provide a continuing program of stewardship education for the church; coordinate the annual stewardship campaign; and prepare and present a financial report in the church business meeting. Also confer with moderator about presentation of a financial report.
2. Receive a copy of the deposit slip or a summary of the receipts record from the Counting Committee after each deposit.
3. Work closely with the financial secretary in maintaining records of individual contributions.
4. Confer with church staff members and deacons to maintain communication concerning financial matters of the church.
5. Work with staff members, officers and organizations in administering financial details of church projects.

6. At the request of the church committee assigned to oversee church financial matters of the church, serve as advisor to various committees and groups in preparing and maintaining their budgets.
7. Be available to help individual church members plan a personal and/or family budget.
8. Serve as an active member of the Church Council. Advise the council and various committee chairpersons about available funds and budget.¹

***As determined by the church.**

NOTES:

¹ Powers, Bruce P., ed, *Church Administration Handbook*, (Broadman & Holman Publishers Nashville, TN., 1997) p 45-46

The Length of Service of a Church Treasurer

Personal Commitment

Long terms of service may provide more stable leadership and continuity of the financial program of the church. If this is the desire of the church, the church should set maximum term limits for continuous service in major church leadership positions. A suggestion would be to set the length of continuous service to a maximum of five years.

One alternative is for the church to elect the treasurer annually. This would allow the church to examine the work of the treasurer. If there is a problem with the quality of work the church should ask appropriate leaders to discuss the situation with the treasurer and set into motion a procedure to improve the quality of work. If the treasurer does not wish to comply with the suggestions, the church may choose to elect someone else to the position. The negative to the annual election is the possibility of inconsistency of work due to a frequent turnover in people filling the treasurer position. If the church has an annual election and agrees the quality of work of the current treasurer is of a high standard, the church may choose to use the election as a time to appreciate the treasurer.

Whatever is the desire of the church concerning length of service, the church constitution and by-laws should indicate the desire concerning service limits of elected officers.

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Developing a Concept of Money

Whose Money Is It? God's!

It is important for the church treasurer to recognize that all money that comes into the church's financial system is God's money. In fact, part of the stewardship training is for the treasurer to help lead the church and church members to see that all money is God's money. Many people think that it is their money and they will give a portion of it to God. The correct Biblical concept of money is that God owns it all and allows us to manage it for him. In managing it we are to return a portion of it to God's organized family – the church.

Who Gives The Money?

Individuals

The Bible teaches individual responsibility for handling God's money. This is called stewardship. The actual definition of stewardship is "the act of being a steward." The definition of a steward is "one that cares for someone else's things."

Most churches rely on individual contributions from their members and non-members to maintain their financial health. Members are expected to contribute to the financial health of the church. Non-members are allowed to contribute if they so desire. Individuals may make contributions through organizational meetings such as Sunday School, through worship services and revival services, mail in their contributions or bring their contributions to the church on a weekday.

Groups

Groups of people, both inside and outside the church membership, may give money. Groups may consist of organizations such as the Women's Missionary Union or the Baptist Men's group. These groups may collect money for a special reason and turn it in to the church's financial system. The group contributions will need to be examined to see if any individuals that gave to the group contribution can receive credit for a charitable contribution.

Churches

Churches may give money to other churches to meet special short-term goals, emergencies or operational support until the receiving church becomes financially able to meet its obligations.

Businesses

Businesses are allowed to give monetarily or make capital donations to a church as a gift or in response to a request. Receipt of that gift needs to be made on official church stationary, signed by a duly authorized officer or by a church staff representative.

Other

The sources of income to any particular church are innumerable. They may include examples like: Fundraisers (within and outside the church i.e., T-Shirt sales, tickets to banquets, etc.); Trips for church sponsored events (i.e., Youth trips, Sr. Adult trips, etc.). They would also include items such as revival offerings (paid directly to visiting guests). Rental charges (of church property) and interest bearing accounts are other sources of income.

As you can see, there could be many sources that generate monies that need to be accounted for. Every church will be unique in identifying these “other” sources of income.

How Did We Get It?

Money may come into the church financial system from several sources. The treasurer should be able to identify the source of the contribution and any use for which it is designated. Accuracy is important here. It is suggested that the treasurer keep record of the amount of money entering the financial system from the various avenues. This information could be important during the budget preparation process. The church may receive monies through:

- **Sunday School:** In many Baptist churches, a large part of undesignated income is brought to the church and given through the Sunday School. Offering envelopes should be utilized to allow accurate accounting of an individual’s contribution.
- **Worship Services:** Members and guests also give through worship services. These may be regularly scheduled worship services, revival services or special worship events.
- **Groups:** Various groups within a church may give money for special projects or ministries of the church.
- **In The Mail:** Members who are physically unable to attend services of the church (or who do not attend for other reasons) may mail their contributions to the church. Sometimes non-members who may come to special events or who have a special affection to the church may send their gifts to the church through the mail.
- **Special Gifts:** Gifts from wills, trusts and other sources may enter the church’s financial system. These special gifts may come on a regular basis or on a one-time basis. Their use may or may not be designated by the donor. See the Designated Funds section on page 14 of this manual.
- **In Kind Gifts:** Sometimes people will give the church a gift that is not monetary in nature. These gifts could be land, stocks, bonds, jewelry, automobiles, or a number of other items. For the most part the donor must set the monetary amount of the donation. That amount should be as of the day the church assumes ownership of the gift. For further information please contact the Louisiana Baptist Foundation (318-445-4495).
- **Purchase Income:** People may wish to purchase a Wednesday evening meal or a meal that is held in connection with a special event or pay for a special event or program like a retreat, ski trip or concert. (Note: Any money receipts collected other than regular offerings should be accounted for specifically.)

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The Church Treasurer and Record Keeping

The church treasurer is to be responsible for the keeping of an accurate financial record of all funds identified with the church. This is true even if the church has a financial secretary to do the day-to-day bookkeeping. A financial record system may be selected by the church's finance committee or the church treasurer and submitted to the church for approval. Any subsequent changes may be handled the same way. There are many sources of financial record keeping systems, including LifeWay Christian Bookstores that market computer software for churches and manual financial record keeping systems. The record keeping system that is used should be one that meets all the requirements of the church and one with which the church treasurer is comfortable.

The church treasurer is responsible for recording or overseeing the recording of all receipts. The collection of monies that come in through meetings such as Sunday School, worship services, revival services, etc. should be done by a counting committee. There should be good communication between the counting committee and the church treasurer. It is not recommended that the church treasurer be the person or one of the persons to gather and count the money.

The church treasurer is responsible for recording or overseeing the recording of all expenditures. The expenditures are to be recorded in the record keeping system in the appropriate categories of the established guidelines of the church.

The church treasurer is responsible for recording or overseeing the recording of all members' gifts into personal contribution records. Persons filing an itemized income tax form may not use cancelled checks as verification of donations. The amount of the donation is to come from the statement issued by the church. In order for the money to be counted as a charitable contribution it must be given in lieu of religious services performed by the church and/or its representatives. Contributions made through the church for special events that are church sponsored religious activities are acceptable. Some examples of this type of contribution are the Lottie Moon Christmas Offering, Anne Armstrong Easter Offering, Georgia Barnett State Offering and a local church building fund offering. Individuals may not be given credit for certain items for which they have given money to the church. An example of something that is commonly misused for donations is a church supper or a fund raising dinner. A person may write a check for a church meal but the amount of money that would go to pay for the meal may not count as a charitable contribution to the church. Any amount above the cost of the meal may be considered for a charitable contribution to the church. Other items that will not qualify for donations are registration fees for camps, concerts, etc. See page 25 for Charitable Contribution Substantiation Rules.

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How Often Does the Church Receive the Money?

Gifts to churches may come in daily, weekly, monthly, quarterly, semi-annually, annually or whenever a person or group decides to give.

Where Is It Kept?

On Sundays, after money has been received and counted by the counting committee, all the money should be deposited immediately in the bank night depository and the duplicate deposit slip and counting committee report should be given to the treasurer. There have been many sad tales told about people who carried money home to be deposited later only to have some of it slip out of a bag and become lost. The safest way to maintain an individual's integrity is to immediately deposit the money. If needed, the treasurer can verify the deposit by calling the bank at a specified time.

When the deposited amounts are entered in the books, it is suggested that the treasurer file the bank deposit slips chronologically by the month and date. It is also suggested that the monthly bank statement be filed with the deposit slips.

Gifts received in the church office during the week or special gifts at year-end should be noted as to their source and designation and then deposited. The deposit slip should be given to the treasurer along with information regarding gift designation. All designated gifts, including income received from wills and trusts and interests should be reported to the church members and instructions received as to the disposition of the designated funds. (The stewardship committee may recommend a policy for handling large gifts for church approval.)

Money received may be held in a checking account, savings account or investment accounts until final distribution has been arranged.

It is recommended that someone other than the treasurer count and deposit money received. This will raise the level of accountability and lower the opportunity for funds to be mishandled. Please see the information on page 46 concerning the Counting Committee.

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Where Does Money Go Once We Get It?

General Funds

The church treasurer receives authority for disbursement of church funds from the church when a budget is adopted. The authorized funds should be dispersed promptly when statements/bills are received and due. However, the treasurer may not have the authority to pay non-budgeted items without specific instruction from the church and/or financial committee (Finance Committee, Stewardship Committee or whatever it is called in your church).

In the event that monthly receipts are insufficient to meet budget requirements, an emergency decision for distribution of funds should be made following the wishes of the church. A person or a committee approved by the church and following established priorities, should make a report on the decision to the church. In most cases, this will be the treasurer or committee chairman. Unless the church has given permission to the treasurer or committee to make final decisions, it is the church that would have the final authority for the distribution of funds, not the treasurer or committee.

Cooperative Program & Associational Funds

All monies identified by the church as Cooperative Program and associational funds should be sent promptly to the proper organization. Cooperative Program funds are sent to the state convention; associational funds are sent to the associational office or associational treasurer. Disbursements of these funds should be the first check written from the undesignated receipts received by the church. This would be in keeping with what the church asks the church membership to do – write the tithe check first and then other bills. Ideally the checks should be sent on Monday of each week. If this is not acceptable to the church then the checks should be sent on the last Monday of the month. Special arrangements should be made for checks to be written following the evening service of the last Sunday in December and mailed immediately. This will ensure the contributions for the church will be credited in the current year rather than in the next year.

The treasurer may need to advise the budget preparation committee in the computation of the percentage amount of the budget that will be designated to go through the Cooperative Program or to the association. Many churches often miscalculate this process. Cooperative Program and associational contributions by the church may be computed on percentages of the total amount of budget. The proper formula is to first establish the percentage to be calculated. For illustrative purposes we will use the figure of 10% for Cooperative Program and 3% for the association. The second step is to subtract the percentage from 100%. The third step is to ask, “The amount of the proposed budget is (the percentage subtracted from 100) of what amount?” Using our example, the statement would be “The amount of the proposed budget is 87% of what amount?” The fourth step is to calculate the total amount of the budget. This would be accomplished by taking the proposed amount without CP and association amounts and dividing it by the total percentage of CP and association. In our example the percentage is 13%. If the proposed budget were \$100,000 then the CP and association amount combined would be \$14,494. Add that amount to the proposed budget to obtain a total budget of \$114,942. The fifth step is to calculate the exact CP amount. In our example \$114,942 would be multiplied by 10% giving the CP amount of \$11,494. The sixth step is to calculate the exact association amount. In our example \$114,942 would be multiplied by 3% giving the association amount of \$3,448. To double check the process take the basic budget amount (\$100,000) and add the CP amount

(\$11,494) and the association amount (\$3,448) to make sure you get the total budget of \$114,942. The following chart might be useful.

<h2 style="text-align: center;">How to Figure Cooperative Program & Associational Percentages</h2>		
<p>(Based on a church giving 10% through the Cooperative Program and 3% to the association)</p>		
Step 1	Anticipated cost of all budgeted ministries other than the Cooperative Program and the association.	\$100,00
Step 2	Total percent church has determined to give through the Cooperative Program (10%) + the association (3%)	13%
Step 3	Percent of the total budget for all budgeted ministries excluding Cooperative Program and the association (100%-13%)	87%
Step 4	Total dollar amount of the whole budget including Cooperative Program and association ($\$100,000 / .87$)	\$114,942
Step 5	Dollar amount budgeted for Cooperative Program ($\$114,942 \times .10$)	\$11,494
Step 6	Dollar amount budgeted for association ($\$114,942 \times .03$)	\$3,448
Step 7	Recheck your figures by adding Step 1 + Step 5 + Sep 6 Other budgeted ministries Cooperative Program (10%) Association (3%)	\$100,000 \$11,494 \$3,448
TOTAL BUDGET		\$114,942.00

Used by permission from the Alabama Cooperative Program/Stewardship Development Office.

Designated Funds

Designated funds are monies received by the church that have special attachments to them. It is strongly suggested that all designated gifts should be disbursed for the specific purposes for which they were given. For public relations reasons it is also suggested that if designated funds are to be spent for items other than what they were designated for that the person or persons that gave the money be contacted and given the opportunity to give their permission for the funds to be spent for a different item, or for the persons giving the money to request their money be returned. The donor will need to file an amended tax return if the money is returned and the donors have already claimed a tax deduction on the contribution.

Unique or miscellaneous requirements

Unique or miscellaneous requirements for payment will present themselves from time to time and should be handled in accordance with the appropriate and current written financial policies and guidelines of the church and or by the finance committee.

Notes:

How Is The Money Disbursed?

Cash

Cash disbursements should be the exception and not the rule, but it will happen. All cash disbursements should be made in accordance with current written financial policies and guidelines of the church. No cash disbursements should be made unless a written request has been received for the disbursement. A paper trail is vital to provide for adequate auditing. Accountability is important.

Checks

It is suggested that all disbursements be made by check and require two signatures. It is suggested that one of the signatures may be that of the church treasurer. The co-signer could be the church secretary, the financial secretary or a member of the church financial committee. When the treasurer's signature is the only signature required on checks, a heavy responsibility is placed upon this person. Many churches have a financial secretary who does all record keeping, writing checks, etc. and the treasurer supervises and signs checks as authorization for disbursement of funds.

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How Do I Know That I'm Doing It Right?

Keep Accurate Records

Accurate and detailed records are essential to make sure all policies and procedures are followed. If records are incomplete or missing, questions may arise. It is the responsibility of the treasurer to make sure all records are being completed and filed, even if someone else is doing the bookwork.

Follow Established Church Guidelines

When a person assumes the position of church treasurer one of the first things to be done is to study the financial policies and guidelines of the church. If the policies and guidelines are non-existent or incomplete it is the responsibility of the treasurer to request the church remedy the situation as soon as possible.

Bonding Insurance

On page 31 of this manual the statement is presented that members of the Counting Committee should be bonded. In fact, bonding insurance should also be purchased to cover anyone in the church that handles money.

Accountability Involves Everyone

Basically, in a Baptist church, anyone who chooses to may ask to see or question financial information. There are a few people or organizations that may inquire into the financial procedures of the church. Those inquiring could be the pastor, staff member, financial committee and internal or external auditor or audit committee. It also could be the local, state or federal government. It is suggested that a professional financial person, C. P. A. or lawyer, be consulted before turning over financial information if an individual, organization, group, or government official requests to see financial information that is not publicly available.

The Minister, Church Employees, and Taxes

It is important for the leaders in the church financial structure to know the unique federal tax opportunities that exist for ministers.

First, a minister is doubly taxed. A minister is taxed as an employee for salary purposes and a minister is taxed as a self-employed person for Social Security purposes.

Second, because a minister is taxed as an employee for salary purposes, the minister must receive a W-2 to report the taxable income from the church. This amount is placed in box 1 of the W-2 form. The taxable income for a person claiming ministerial status is the salary amount minus the housing allowance amount. The housing allowance amount should be listed in box 14 of the W-2. Further information on housing allowance and other allowable deductions is found on page 31 of this book.

Third, a church may not arbitrarily payroll deduct money from the paycheck of a person claiming ministerial status for federal taxes, Social Security, or state taxes. If the minister wishes the federal taxes and state taxes to be turned in on behalf of the minister, he/she must submit to the

church a written request with a specific amount stated in the request for a specific year. When the church has received a written request then the identified amount can be payroll deducted and sent in quarterly. The federal taxes will be sent in accompanied by a 941 form.

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Reports, Reports and More Reports

Reporting to the Church

Reporting to the congregation is as important as proper distribution and recording. An informed church is more responsible and active than an uninformed church. Therefore, the reporting should be as informative and open as possible. It should be as simple but as detailed as needed. Some churches will require that every penny brought into the church and sent from the church be presented to the church membership during regular business meetings for discussion. Some churches will request the financial committee maintain a close vigil over the finances and make a general or summary report to the congregation at the regular business meetings. It is the responsibility of the church treasurer to make sure the reports are completed, accurate and presented at the proper time to the proper group. Even churches with a financial secretary should have the treasurer be the final surveyor of the reports before they are given to the proper group.

The financial policies and procedures of the church should outline when the financial reports are to be given. The church treasurer should be aware that the church could call for a report at anytime by following the guidelines and procedures.

Community

During the life of a church the church financial information may become public information. When this need arises it should be granted by agreement by the congregation. Most of the time this type of need will arise when the church is in a position of needing to secure finances from an external source (such as a loan for a building program). Again, it is the responsibility of the church treasurer to make sure the information needed is gathered and presented in a proper fashion. The church treasurer should also review the requested information to make sure no confidential information is disclosed.

Denomination

Because a Southern Baptist church is an autonomous body it is under no obligation to disclose any financial information. The church may voluntarily give financial information to the association, state convention and/or Southern Baptist Convention. An illustration of this voluntary disclosure is the Annual Church Profile that is compiled by the church and sent to the associational office. It is also sent to the state office and the SBC offices. There are several questions on the ACP relating to the finances of the church. Usually the church treasurer is instructed by the church to provide the person completing the ACP that financial information. If the church enters a financial arrangement with a denominational entity or agency it will be required to provide that entity or agency some financial information.

Government

While the financial secretary may compile the information and fill out the governmental regulation forms, the Church Treasurer is responsible for following Internal Revenue Service regulations concerning payroll tax reporting for church staff and employees. These responsibilities are revealed and outlined in IRS Publication 15, Circular E, Employer's Tax

Guide. These guidelines change from year to year in some details, so it will be the responsibility of the church treasurer to make sure all forms and information are filed completely and correctly. There is a “Records Retention Checklist” on page 45 to assist the church treasurer in knowing how long to keep records and what records to keep.

Contribution Reports

As stated on page 11 of this manual, IRS regulations require contribution reports to be prepared and presented to all members and non-members who have contributed to the church’s budget or designated accounts. These reports are to be kept as a record in the financial office. Any gift to the church must have documentation (i.e., cancelled check, recorded offering envelope or letter from the church acknowledging receipt of goods or money). Individual privacy of these gifts and the records is extremely important. Please refer to page 25 for the Charitable Contribution Substantiation Rules.

NOTES:

Federal Reporting Requirements for Southern Baptist Churches

(The following information is a summary of material obtained from the Annuity Board of the Southern Baptist Convention. For a complete copy contact the Stewardship Division of the Louisiana Baptist Convention or visit the Louisiana Baptist Convention web site (www.lbc.org).

The most important federal reporting obligation for most churches is the withholding and reporting of employee income taxes and Social Security taxes. These payroll-reporting requirements apply, in whole or in part, to almost every church. Yet many churches do not comply with them because of unfamiliarity. This can lead to substantial penalties.

Warning: Federal law specifies that any corporate officer, director or employee who is responsible for withholding taxes and paying them to the government may be liable for a penalty in the amount of 100% of such taxes if they are either not withheld or not paid to the government. This penalty is of special relevance to church leaders, given the high rate of noncompliance by churches with the payroll reporting procedures.

Many churches do not fully comply with the IRS rules and regulations. Here are factors that cause many churches not to fully comply:

- Many church treasurers are unpaid volunteers lacking any specialized knowledge of the unique rules that apply to churches.
- Many church treasurers are annually elected and as a result, the turnover rate can be high. This does not permit treasurers to fully understand the application of the payroll tax reporting rules to churches.
- Some church treasurers assume that churches are exempt from any reporting requirements. This is a false assumption. The courts have rejected the argument that the application of the payroll tax reporting rules to churches violates the constitutional guaranty of religious freedom.
- There are a number of unique rules that apply to churches. Churches cannot be treated like a small business in the community. These special rules include the following:

1. **Ministers are always self-employed for Social Security purposes with respect to their church compensation.** This means that they pay the “self-employment tax” (SECA) rather than the employee’s share of Social Security and Medicare taxes (FICA)-even if they report their federal income taxes as a church employee.
2. **A minister’s wages are not exempt from income tax withholding.** Ministers use the estimated tax procedure to pay their federal taxes, unless they have entered into a voluntary withholding agreement with their employing church. Most ministers should report their income as employees. The church is to issue a W2 to the minister.

NOTES:

Maximizing Tax Benefits for Employees

Minister's Housing Allowance

The most important tax benefit available to ministers who own or rent their homes is the minister's housing allowance exclusion. There are specific procedures that must be followed for housing allowance. These procedures are:

1. The minister must request to the church in writing prior to January 1 the amount of the salary that will be identified as housing allowance. The request must contain the year in which this request is to be applied.
2. The church must provide the minister a written response to the request.
3. The minister must establish the amount of salary to be identified as housing allowance. This amount is based on the fair market rental value of the property, maintenance, utilities and furnishings. The church may not establish the housing allowance amount.
4. The minister will not pay federal tax on the housing allowance. The minister must pay SECA on the housing allowance. The church may choose to report the housing allowance amount on the W-2 for the minister as a separate amount in the appropriate box.
5. The minister may only identify money that the minister is paying for housing items.

An introduction to the IRS ruling concerning housing allowance can be found on page 12 of the IRS publication 525 "Taxable and Nontaxable Income".

Direct Payments

An employee may receive benefit from items paid directly to a company or corporation on behalf of an employee. These items may revolve around insurances (life, health, disability) and retirement provided by the employer. When the church pays directly to the insurance company or to the retirement plan, the amounts paid will not be reported as income for the employee.

Accountable Reimbursements

The best way for Southern Baptist churches to handle their ministry-related work expenses is to have the employing church adopt an accountable expense reimbursement process. With this process, **(1)** a church agrees to reimburse ministers (and other church workers, if desired) for those church ministry-related expenses that are properly substantiated as to date, amount, place and business purpose and **(2)** ministers are required to return any excess reimbursements (in excess of substantiated expenses) to the church. Requests to be reimbursed must be submitted within 60 days of the expenditure. Reimbursable expenses can not be funded through a salary reduction process.

In order for a church to establish the accountable expense reimbursement process the church must adopt a procedure for each accountable reimbursable item that is different from other reimbursable items. The procedure should contain four things: 1) name of the accountable reimbursable; 2) identify the persons or positions that can utilize the accountable reimbursable; 3) state what must be turned in to receive the reimbursable; and 4) how the church would pay the reimbursable. The procedure for auto allowance could not be used to cover a cell phone allowance because the request for each item would be different and the method of reimbursement for each would be different. A procedure for meal allowance and book allowance could be the same for both allowances if the request and the payment were the same.

NOTES:

Complying with Federal Payroll Tax Reporting Obligations

Step 1. Obtain an employer identification number (EIN) from the federal government if this has not been done.

Step 2. Determine whether each church worker is an employee or self-employed.

- **Key Point.** Churches must withhold 28 percent of the compensation paid to a self-employed person who fails to provide his or her Social Security number to the church. This is referred to as “backup withholding,” and is designed to promote the reporting of taxable income.

- **Key Point.** Some employee benefits are nontaxable only when received by employees. A common example is employer-paid medical insurance.

- **Key Point.** The Church Annuity Plan offered through the Annuity Board covers only employees from the church (i.e., those workers who receive a Form W-2 from the church). The Annuity Board also offers the Ministers’ Annuity Plan (MAP), a retirement plan for self-employed ministers. Call the toll free number (1-800-262-0511) for more information.

Step 3. Obtain the Social Security number for each worker.

Step 4. Have each employee complete a Form W-4.

Step 5. Compute each employee’s taxable wages.

The amount of taxes that a church should withhold from an employee’s wages depends on the amount of the employee’s wages and the information contained on his or her Form W-4.

A church must determine the wages of each employee that are subject to withholding. Wages subject to federal withholding include pay given to an employee for services performed. The pay may be in cash or in other forms. Compensation that is not given in a monetary form (such as property) should be measured by its fair market value. Wages often include a number of items in addition to salary. Here are some common examples.

- bonuses
- Christmas and special occasion offerings (includes love offerings)
- retirement gifts
- the portion of the employee’s Social Security tax paid by a church
- the personal use of a church-provided car
- purchases of church property for less than fair market value
- ministry-related expense reimbursements not under an accountable expense reimbursement arrangement
- imputed interest on below-market interest church loans
- most reimbursements of a spouse’s travel expenses
- forgiven or cancelled debts

Step 6. Determine the amount of income tax to withhold from each employee’s wages.

Step 7. Withhold Social Security (FICA) taxes from non-minister employees' wages.

Step 8. The church must deposit the taxes it withholds and matching taxes.

Churches accumulate three kinds of federal payroll taxes:

- income taxes withheld from employees' wages
- the employees' share of Social Security and Medicare taxes (withheld from employees' wages)
- the employer's share of Social Security and Medicare taxes

Step 9. All employers subject to income tax withholding, Social Security taxes or both, must file Form 941 quarterly or monthly. If a church is depositing \$2,500 or less the church will file quarterly. If the amount is \$2,500 or more, the church must file monthly or semi-weekly per quarter.

Form 941 reports the number of employees and amount of Social Security and Medicare taxes and withheld income taxes that are payable. **Form 941 is due** on the last day of the month following the end of each calendar quarter:

<u>Quarter</u>	<u>Due date of Quarter Ending</u>	<u>Form 941 Due</u>
1st (January-March)	March 31	April 30
2nd (April-June)	June 30	July 31
3rd (July-September)	September 30	October 31
4th (October-December)	December 31	January 31

Step 10. Prepare a Form W-2 for every employee, including ordained ministers on the church's staff.

Step 11. Prepare a Form W-3 to attach

Step 12. Prepare a Form 1099-MISC for every self-employed person receiving non-employee compensation of \$600 or more.

To illustrate, if an evangelist or guest speaker visited a church in 2000 and received compensation from the church in an amount of \$600 or more (net of any travel expense reimbursement properly accounted for by the recipient) then the church must issue the person a Form 1099-MISC before February 1, 2001.

NOTES:

Reporting Group Term Life Insurance

Include in the income of church employees the imputed cost of group-term life insurance paid for by the church for coverage in excess of \$50,000. Also, if the church provides group term life insurance on the life of a **spouse or dependent** that exceeds \$2,000, you must include the imputed cost of the policy.

Need help completing a W-2, W-3, 1099 or 1096 form?

The IRS operates a centralized call site to answer questions about reporting information on these forms. If you have any questions about completing these forms, call the IRS at **1-304-263-8700**, Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Standard Time.

Other important federal filing requirements for churches

Form I-9

Every employer in the United States is required to confirm the identity of all new employees and verify that they are either American citizens or aliens legally authorized to work in this country.

- Employers should have completed a Form I-9 for all employees hired after November 6, 1986.
- The Form I-9 should be completed when the employee begins work.
- Retain every Form I-9 for at least three years.
- Present a Form I-9 for inspection to an Immigration and Naturalization Service (“INS”) or Department of Labor officer upon request.

Charitable Contribution Substantiation Rules

Substantiation of contributions of \$250 or more: Donors **will not** be allowed a tax deduction for any individual cash (or property) contribution of \$250 or more **unless** they receive a written acknowledgment from the church that satisfies the following requirements:

- The receipt must be in writing.
- The receipt must identify the donor by name (a Social Security number is not required).
- For contributions of property (not including cash) valued by the donor at \$250 or more, the receipt must describe the property. No value should be stated.
- The receipt must state whether or not the church provided any goods or services to the donor in exchange for the contribution and if so, the receipt must include a good faith estimate of the value of those goods or services.
- If the church provides no goods or services to a donor in exchange for a contribution or if the only goods or services the church provides are “intangible religious benefits,” then the receipt must contain a statement to that effect.
- The written acknowledgment must be received by the donor on or before the earlier of the following two dates: the date the donor files the original

return for the year the contribution is made, or the due date, excluding extensions, for filing the return. This information can be found on page 13 of IRS Publication 557.

- More information on Charitable Contributions can be found in the IRS Publication 526 “Charitable Contributions”

LifeWay Christian Resources

127 Ninth Avenue, North

Nashville, TN 37234

1-800-458-2772

customerservice@lifeway.com

The following resources are available in print for further study and reference. These books and pamphlets are available from LifeWay Christian Resources.

Managing Your Church Finances... Made Easy

0-7673-9442-9

ABC's of Church Budgeting and Promotion

0-7673-9108-x

Basic Budgeting for Churches

0-8054-6175-2

Life Way Envelope Service

NOTES:

GUIDESTONE FINANCIAL RESOURCES

of the

The Southern Baptist Convention

(Formerly the ANNUITY BOARD)

2401 Cedar Springs Rd.,
Dallas, TX 75221-2190

Customer Relations Phone: 1-800-262-0511

Website: www.absbc.org

Ministerial Tax Issues

Answers to common questions 3717 7/01 5M Rev. 7/01 2106

Planning Financial Support of ministers and church employees

3261 5/01 20M Rev. 5/01 2156

Federal reporting requirements for Southern Baptist churches: This is found in the Minister's Tax Guide – 2110 as a pullout section. It can also be obtained as a stand-alone piece. This publication is intended to provide a timely, accurate and authoritative discussion of tax return preparation, tax reporting compliance and the impact of recent changes in the tax laws. **It is not intended as a substitute for legal, accounting or other professional advice.** If legal, tax, or other expert assistance is required the services of a competent professional should be sought.

This information may also be obtained by going to www.lbc.org and then the Stewardship page. There will be a link to these resources.

NOTES:

Internal Revenue Service

To request forms: 1-800-TAX-FORM (1-800-829-3676)

IRS Website: www.irs.gov

Social Security Administration

Phone: 1-800-772-1213

Website: www.ssa.gov

NOTES:

Louisiana Baptist Convention

PO Box 311

Alexandria, Louisiana 71309-0311

800-622-6549

318-448-3402

www.lbc.org

The Louisiana Baptist Convention has a printed resource entitled “Keeping Your Church Out of Court.” This resource focuses on issues that are protective for the church and informative on the latest legal matters as well as IRS regulations, liability and insurance matters and other areas of the church’s legal concerns. The following is the outline of the notebook:

Keeping Your Church Out of Court – Louisiana Edition

- I. Church Organization and Operation
- II. Church Liability for Personal Injury and Property Damage Claims
- III. Decision Makers – Liability and Protection
- IV. Employment Law
- V. Taxes and Governmental Compliance
- VI. Appendices
 - Appendix 1 Articles of Incorporation
 - Appendix 2 Bylaws
 - Appendix 3 Constitution
 - Appendix 4 Signature Block for Church Representative
 - Appendix 13 Employee/Independent Contractor Status
 - Appendix 16 Church Records Checklist
 - Appendix 17 Property Acquisition Checklist

Internal Auditing for the Small Church; State Laws; Federal Guidelines; Federal Laws; Miscellaneous

The notebook may be purchased for \$10. Contact the Louisiana Baptist Convention Stewardship Office to obtain a copy. You may call 1-800-622-6549 or go the following web site for more information: www.lbc.org.

The Louisiana Baptist Convention web site will list several items that will be beneficial for the church treasurer to have. These are updated on a regular basis.

NOTES:

NACBA

The National Association of Church Business Administrators is not only an organization for those who administrate the church business and financial matters. The NACBA is open for membership. The NACBA also publishes many articles, bulletins and other pertinent information about church finances and liability issues.

Contact information for NACBA:

Address: 100 North Central Expressway, Richardson, Texas 75080-5326

Phone: 800-898-8085

Website: www.nacba.net

RECORDS RETENTION CHECKLIST

Business records, especially those which are voluminous and bulky, should be disposed of as soon as they outlive their usefulness. In fact, of the staggering volume of paper kept by business firms, it is estimated that the majority be destroyed after just three to four years. By systematically following this check list of many common business documents, you should be able to reduce unnecessary records to a minimum. Developed from the requirements specified in over 900 federal and state regulations, the list summarizes the practices of a large number of companies.

	Years						
	2	3	4	6	8	10	Indefinite
ACCOUNTING							
Bank Statements and deposit slips	■	■					
Payroll (time cards)	■	■					
Dividend checks (cancelled)	■	■					
Expense reports	■	■					
Subsidiary ledgers (include A/P & A/R ledgers)	■	■					
Trial balances (monthly)	■	■					
Contribution Records	■	■					
Checks (payroll & general)	■	■					
Payroll (individual time reports and earning records)	■	■					
Vouchers (for payments to vendors, employees, et. al.)	■	■					
Audit reports	■	■					■
General ledger and journals	■	■					■
COOPERATE RECORDS							
Mortgage, notes, & leases (expired)	■	■					
By-laws, charter & minute books	■	■					■
Cash books	■	■					
Capital stock & bond records (incl. Stock certificates & transfer lists)	■	■					
Checks (taxes, property, fulfillment of important contracts)	■	■					
Contracts and agreements	■	■					
Copyrights and trademark registrations	■	■					
Deeds and easements	■	■					
Labor contracts	■	■					
Patents	■	■					
Proxies	■	■					
Retirement and pension records	■	■					
Tax returns and working papers	■	■					
CORRESPONDENCE							
General ledger and journals	■	■					
License, traffic and purchases	■	■					
Production	■	■					
Legal and tax	■	■					
INSURANCE							
Policies (all types-expired)	■	■					
Accident reports	■	■					
Fire inspection reports	■	■					
Group disability records	■	■					
Safety reports	■	■					
Claims (after settlement)	■	■					
PERSONNEL							
Contracts and agreements	■	■					
Daily time reports	■	■					
Disability and sick benefits records	■	■					
Personnel files (terminated)	■	■					
Withholding tax statement	■	■					
PURCHASING & SALES							
Purchase orders	■	■					
Requisitions	■	■					
Sales contracts	■	■					
Sales invoices	■	■					
TRAFFIC (RECEIVING & SHIPPING)							
Export declarations	■	■					
Freight bills	■	■					
Manifests	■	■					
Shipping and receiving reports	■	■					
Waybills and bills of lading	■	■					

Statue of Limitations: Many business managers feel that they must keep all original records for at least a certain time (six years is the most quoted), after which no action can be brought against them. In fact, there is no single statue of limitations, there are dozens of them, and the time period for each statute varies depending on the particular law and state. Record keeping policies must be guided by the rule of reason and the probability and dollar amount of risk involved, not by statues of limitations alone.

COUNTING COMMITTEE

Upon recommendation of the church nominating committee the church counting committee should be elected annually. The number serving on this committee may vary according to the size of the church membership; however, it should be large enough so that at least three members will always be present to assist in counting the gifts received during the Sunday services. For proper internal control, the financial secretary and the treasurer should not serve on the counting committee.

RESPONSIBILITIES OF THE CHURCH COUNTING COMMITTEE

The church counting committee should be responsible for counting all monies received during all church services. After the count has been made, the committee prepares detailed deposit slips, makes bank deposits, and forwards copies of the deposit slips and the summary of receipts record to the treasurer. The committee also marks and arranges members' offering envelopes in numerical or alphabetical order, as previously decided, for the financial secretary or other person responsible for recording members' gifts.

The Sunday School offering – Members' gifts should be received in envelopes. After recording class/departments information, unopened members' envelopes should be placed in a large envelope, sealed, class/department information recorded on the outside, and delivered to the Sunday School general secretary. After Sunday School records have been completed, the total Sunday School offering should be received by the church counting committee. If it is safe to do so, place the offering in view of the congregation, usually with the offering plates near the pulpit. If this is not practical, or when there is an early worship service prior to Sunday School, the offering should be handled in the safest way possible.

Worship Service offering (morning and evening) – Gifts remain in the offering plates in the sanctuary until the end of the worship service. At least two members of the counting committee, seated near the front of the sanctuary during the worship service, will pick up the offering immediately following the service and take it to the counting committee room. This room should be as secure as possible. All offerings should be counted, including the Sunday School offerings.

Envelope Sorting

1. Separate loose offering from the envelopes.
2. Count the loose offering and record the amount.
3. Separate budget offering envelopes from any special offerings envelopes.
4. Open each envelope, remove the money, and verify the amount enclosed with the amount on the face of the envelope. If there is a discrepancy or if the figures are not legible, record the amount in red on the upper right corner of the envelope.
5. Add the amounts on the budget offering envelopes, using the corrected amount where applicable, and record the total.
6. Add the amounts on the special offering envelopes and record the total.

7. Checks not enclosed in envelopes should have an envelope prepared for the person who signed the check. This will ensure the amount being credited to the individual's record.
8. Separate the cash from the checks and fill out a deposit slip.
(Note: The counting committee should not "cash" checks to accommodate members that are made out to the church. If checks are cashed, they should be made out to "cash." Some people dishonestly use canceled checks made to a church as a receipt for charitable contributions for income tax purposes.)

Envelope Arrangement

1. Arrange offering envelopes in numerical order. This will automatically arrange church families together.
2. If numbered envelope packages are not used, arrange envelopes alphabetically by families.
3. Arrange all special offering envelopes and miscellaneous offering receipts alphabetically.

Depositing

1. After counting the money, make deposit slips in duplicate. This is a safety procedure.
2. The money with the original deposit slip should be taken to the bank and placed in the off-hours depository. At least two members of the counting committee should make the deposit.
3. The duplicate deposit slip should be given to the church treasurer.
4. The same depositing procedure should be followed for the evening service. Never take the receipts home. Never place the receipts in a safe at the church.

Bonding

Every member of the church counting committee should be bonded for their own protection and for the protection of the church. Bonding is a function of insurance obtained by the church from an insurance provider. It should be taken out to cover the people who actually handle the money – cash or checks. This insurance is usually name specific. When a person moves out of the money handling system and a new person move in, the names will need to be changed on the insurance policy.

COUNTING COMMITTEE REPORTING SHEET

_____ Baptist Church

Date: _____ () A.M. () P.M. Deposit Number: _____

LOOSE

ENVELOPES

TOTAL

Coins	No.	Amount	No.	Amount	Total
0.01					
0.05					
0.10					
0.25					
0.50					
1.00					

Currency	No.	Amount	No.	Amount	Total
1.00					
5.00					
10.00					
20.00					
50.00					
100.00					

Subtotal _____
 Checks _____

TOTAL (1) (2)

	Account No.	Debit	Credit
Budget Offering	_____	_____	_____
Literature Reimbursement	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Amount Deposited To Budget Bank Account (Acct. No. 001)		_____(1)	
DESIGNATED FUNDS:			
Building Fund	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Amount Deposited to Designated Bank Account (Acct. No. 002)		_____(2)	
Total Offerings			

- (1) **Envelope Total** must agree with the total to be posted to individual contribution records.
 (2) The total amount deposited in both bank accounts must agree with the total of the TOTAL column.

Counting Committee Signatures

Received by Treasurer: _____ Date: _____