## CONTENTS

Inti	roduction	11
1	Responsibilities of the Church Treasurer Separation of Financial Responsibilities Guidelines for Handling Church Offerings Acknowledging and Reporting Charitable Gifts Quid Pro Quo Disclosure Requirements Suggested Steps in Handling Expenditures Should You Computerize Your Church's Financial Records?	15 16 17 22 32 37 39
2	<ul> <li>Payroll, Employees, and Ministerial Compensation</li> <li>Who Is an Employee, and Who Is a Contractor?</li> <li>Employees</li> <li>Contractors, Employees, and Ministers</li> <li>Employees (Other than Clergy)</li> <li>Clergy</li> <li>What If We Do Not Withhold and Report?</li> <li>What If We Are Not Sure Which Employment Relationship Exists?</li> <li>10 Steps to Preparing for Payroll Tax Obligations</li> <li>Ministerial Compensation</li> <li>IRS Regulations for Business Expense Reimbursements The Cost of a Minister vs. the Cost of a Ministry</li> <li>Parsonage or Housing Allowance?</li> <li>Pro Parsonage and Con Housing Allowance</li> <li>Pro Housing Allowance and Con Parsonage</li> <li>Tax Implications</li> <li>Another Alternative</li> <li>OK. We've Decided on the Housing Allowance</li> <li>Conflict over Compensation Issues</li> </ul>	41 42 51 52 52 54 55 60 62 63 66 67 68 69 70 71 77
3	<b>Taxes</b> Tax and Reporting Procedures for Congregations Classification of Employees How the Courts Have Ruled The Ministerial Employee The Lay Employee The Employer Identification Number	79 80 81 82 83 83

What Is Taxable for Federal Income Tax Purposes?	84
Income Tax Withholding	86
Social Security/Medicare Tax Witholding	86
Form W-4	87
Deposit of Withheld Amounts	88
Form 941	88
Form W-2	90
Form W-3	93
Form W-5	94
Form 1099-MISC	94
Records	94
Short Checklist for Tax Procedures	94
Checklist for Filling Out Box 1 of Form W-2	95
Minimizing Income Taxes for Church Employees	96
Tax-Free Employee Benefits	97
Business Transportation, Travel, and Related Expenses	97
The Accountable Reimbursement Plan	100
What the Church Could Do	101
The Church-Owned Automobile	103 105
Summary	
4 Budgeting, Reporting, and Financial Audits	107
How Do You Determine the Annual Budget?	107
The Chart of Annual Accounts	110
Financial Reports to the Congregation	112
Balance Sheet	113
Statement of Revenue and Expense	113
Statement of Cash Flows	113 113
Other Financial Reports Audits	114
Why Have an Audit?	114
External Audits	115
Internal Audits	115
Audit Procedures	116
Works Cited	123
Appendix 1 Where to Go for More Information	125
Appendix 2 Financial Forms	127
Appendix 2 Financiai Futtis	121