

Local Church Treasurer

I. Treasurer Responsibilities

- 1) Weekly deposits and individual giving
 - i. Keep accurate records of all monies received and disbursed.
 - ii. Prepare and maintain records of individual contributions.
- 2) Weekly check writing and bill paying
 - i. Verify the supporting data/document for each check request.
- 3) Weekly account monitoring – sufficient funds to pay bills
- 4) Weekly/bi-weekly/bi-monthly payroll & withholding
- 5) Monthly payments and transfers (if needed)
 - i. District Apportionments
- 6) Monthly bank reconciliation
 - i. Reconcile monthly bank statements and correct ledgers as needed
- 7) Monthly Treasurers Report
 - i. Make monthly and annual reports to the church board
- 8) Quarterly payroll tax payment
 - i. Federal & State & Local (if required) tax withholdings for clergy.
 - ii. Federal & State & Local (if required) & Social Security & Medicare tax withholding & tax payment from the church for non-clergy employees (withholding & Payments)
- 9) Annual Treasurers Report
- 10) Annual W-2 forms to all employees
- 11) 1099 forms issued to non-employees (if needed)
- 12) Annual contribution statements
 - i. Prepare and distribute contribution statements.
- 13) Annual Budget creation
- 14) Make sure completion of annual audit

Summary

The ministry of the local church treasurer can be daunting at times. The careful responsibility to handling of tithes and offerings, paying bills, preparing financial reports, payroll and filing forms can be easily done with prayer, perseverance and a little organization. Let's come together to discuss these things as we help each other.

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. There are many sources of financial record keeping systems, computer software for churches and manual financial record keeping systems. Nazarene Treasury System (NTS) is designed for Nazarene Churches. It has payments, payroll, contributions, taxes, reports, etc. 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. Online giving is a growing area and needs to be addressed appropriately. Further information is offered subsequently.

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 stated that "No substantial goods or services were provided to you in exchange for your contribution". 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 children's camp, youth camp, Deputation, LINKs, , Faith Promise, Thanksgiving Offering, Easter 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 when something is received by the fund raising such as 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.

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. The safest way to maintain an individual's integrity is to immediately deposit the money or keep it at the church in a safe. 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. Money received may be held in a checking account, savings account or investment accounts. 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.

Online Tithing: Balancing Convenience with Security

Screen vendors and follow anti-fraud measures

As finances move more and more into the digital world, online giving has emerged as a convenient option for accepting donations. Just as ministries protect the tithes they receive in the offering plate on Sunday mornings, they should take care to protect online gifts and donors.

Online giving can be done safely, we just have to be wise in the decisions we make and guard our organizations and our donors appropriately.

The primary issue to consider is the storage of financial information. When a church stores its donors' credit card numbers or bank information, it becomes responsible for guarding that information. If someone steals the information and runs up fraudulent charges, the church could be legally obligated to pay for the damages. The church also may be required to notify donors of the data breach, which takes time and money.

Choose a Reputable Vendor

Churches who pay a third-party vendor to process online donations, helps keep sensitive data off the church's computers. There are plenty of trustworthy options for securing donors' financial data, from church management software programs to web-based services.

When searching for a reputable partner, be sure to look for:

- Data encryption

- Security notifications
- Options for forms of payment
- Donor access to their giving records

As you weigh your options, ask colleagues from other ministries for referrals.

Remember the Basics

- Reconcile donation reports with banking statements.
- Send reports to multiple people.
- Use strong passwords.

Check your insurance coverage.

Review your ministry's insurance policy and ask about cyber liability coverage. This coverage often includes protection against many of the expenses related to data breaches, such as notification expenses, credit monitoring costs, and potential fines. Some coverages even apply to third-party technology vendors who maintain your ministry's website, but coverage generally does not extend to an online giving platform operated by a third party.

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 pastor, staff and/or church board. If monthly receipts are insufficient to meet budget requirements, an emergency decision for distribution of funds should be made by the pastor and/or staff and treasurer.

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.

How Is The Money Disbursed?

Checks

It is suggested that all disbursements be made by check and may 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.

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 nonexistent or incomplete it is the responsibility of the treasurer to request the church remedy the situation as soon as possible.

Bonding Insurance

Members of the Counting Committee and the Treasurer should be bonded. In fact, bonding insurance should also be purchased to cover anyone in the church that handles money. This is not a requirement but a suggestion.

Accountability Involves Everyone

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 below.

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. Payroll taxes are now required to be made online. You will need to obtain the proper identification to create an account and submit online payments. The information required can be obtained from the 941 form.

Reports, Reports and More Reports

Reporting to the Pastor

The pastor is the chairman of the board. As such, financial reporting and accountability should be at the full disclosure of the pastor. The pastor will call for specific reports at his/her discretion. An open communication between treasurer and pastor is critical to church finances, frequent conversations will allow for more effective financial processes and decisions. The annual pastors report, as required by the manual, will need to be completed by the district set deadline. The pastor will provide a templet to be completed. This report is called
Annual Pastor's Report (APR)

Reporting to the Church Board

Reporting to the church board is as important as proper distribution and recording. An informed church board is more responsible and active than an uninformed church board. 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 board. Some churches will request the pastor and/or financial committee maintain a close vigil over the finances and make a general or summary report to the church board at the regular 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 any time by following the guidelines and procedures.

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 16 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" to assist the church treasurer in knowing how long to keep records and what records to keep.

Contribution Reports

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.

Federal Reporting Requirements

The most important federal reporting obligation for most churches is the withholding and reporting of employee income taxes, Social Security and medicare 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 is an option.

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.

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 should 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 (social security/medicare) 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 in 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. Except for Health Insurance. This can be reimbursed to the employee and not be reported as income for the employee, per IRS.

Accountable Reimbursements

The best way for churches to handle their ministry-related work expenses is to have the employing pastor/church board 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 cannot 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 (see IRS regulations); and
- 4) how the church would pay the reimbursable (budget item).

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.

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.

- Self-employed
 - Complete a W-9
- Employee
 - Have each employee complete a Form W-4 and obtain Social Security number
 - I9 with the required documentation is required by law (this must be dated before their employment date)

Step 3. 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 4. Determine the amount of income tax to withhold from each employee's wages.

Step 5. Withhold Social Security and medicare taxes from non-minister employees' wages.

Step 6. 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 7. 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. For monthly filers Form 941 is due on or before the 15th day of the following month. For quarterly filers 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)
4th (October-December)

September 30
December 31

October 31
January 31

Step 8. Prepare a Form W-2 for every employee, including ordained ministers on the church's staff.

Step 9. Prepare a Form W-3 to attach

Step 10. Prepare a Form 1099-MISC for every self-employed person receiving nonemployee compensation of \$600 or more. This includes companies who are not incorporated and all Law firms.

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.

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 the last day of January. 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”