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## **INCOME TAX REPORTING FOR THE PROFESSIONAL CHURCH EMPLOYEE**

### **WHAT TO EXPECT! 2019**

**By: Norm Schmidt, EA & Kathy Rossow, EA**

The materials included in this packet are for informational purposes only and are not to be used to prepare income tax returns. For more information regarding the taxation of ministers see IRS Publication 517 or contact your tax advisor.

# INCOME TAX REPORTING FOR THE PROFESSIONAL CHURCH EMPLOYEE - WHAT TO EXPECT!

## What's the difference?

Employees of churches and the affiliated agencies of churches are divided into two classifications: the dual-status minister/teacher and the lay employee. **Dual-status** means that the minister/teacher is an employee for income reporting, fringe benefits, and expense deducting purposes, and self-employed for social security reporting purposes. A dual status minister is one who has been given the authority by a church or affiliated agency to perform substantially all of the ministerial duties. These duties include preaching, teaching, evangelism, conduct of worship, administration, baptisms, weddings, funerals, and communion. **Commissioned or licensed teachers** of a church or an affiliated agency of a church that provides for ordination of ministers are considered as if they were ordained or "the equivalent thereof" if they are performing ministerial duties. **Employees** of churches and their agencies who do not perform ministerial duties are considered to be **lay** employees. A **Called** teacher in the Lutheran Church Missouri Synod is considered to be a commissioned teacher, or a Minister of Christian Education.

## Where to Report Income

Ministers and commissioned teachers employed by the Lutheran Church and affiliated agencies (Lutheran High Schools and Lutheran Colleges) have a dual-status treatment in the Internal Revenue Code. They are to be treated as employees for income tax reporting, and as self-employed for social security reporting. On the W-2 Form, Box 3, for social security wages and Box 5, for medicare wages should be left blank. Withholding of income tax for ministers and commissioned teachers is not required. The above taxes should be paid in through estimated tax payments. Self-employment tax is reported on Schedule SE.

Ministers are considered employees for income reporting, expense deducting and fringe benefit eligibility (health insurance, pensions, etc.). Prior to 2018, un-reimbursed or reimbursed without "an accountable plan," automobile travel, and professional expenses were allowed as a miscellaneous itemized deductions on Schedule A. They were also subject to limitations: (1) meals & entertainment are reduced by 50%, then combined with other miscellaneous deductions, (2) only the percentage of un-reimbursed expenses spent in earning the taxable salary are allowable (reduced by an allocation based on taxable and non-taxable income), and (3) they are further reduced by 2% of the Adjusted Gross Income. This is still the case for states that did not conform to the tax reform. These expenses are still fully allowable as a deduction when calculating self-employment tax.

## Withholding Taxes

Regular employees report their wages on Form 1040. Federal and state income taxes withheld are reported on Form 1040 and used to offset Federal and state income tax liabilities. Social Security and Medicare taxes withheld by an employer for an employee are reported on the employee's W-2 Form, the amounts forwarded to the Social Security Administration and credited to the taxpayer's account. The employer also pays into the Social Security Administration. For 2019, the employee pays in 7.65% and the employer pays in 7.65% for a total of 15.3%.

## Self-employment Tax

A self-employed taxpayer usually owns a business of some sort. They report their income and expenses on Schedule C of Form 1040. Business income less business expenses equals a net income from self-employment. Since the taxpayer owns their own business, they are the employer and employee. As with the previously mentioned regular employee, this owner must pay into Social Security and Medicare the **employee and employer** portion of tax. The amount is 15.3% of the business income and is called **self employment tax**. The minister or commissioned teacher is definitely considered to be self-employed for social security purposes. However, for income tax reporting, expense deducting and fringe benefit provision purposes (health insurance, pension, etc.) the Internal Revenue Code speaks clearly about their status being that of an employee. Internal Revenue Service publications on the issue have historically presented the dual-status treatment for ministers and commissioned teachers performing services for a church or an affiliated agency of a church. As an employee **you may not** report your income on Schedule C. To ignore the IRS position and report a minister's or commissioned teacher's salary on Schedule C will often cause an audit and an assessment of additional tax liability.

## Social Security Exemption

You may exempt yourself from paying into Social Security by filing Form 4361 "Application for Exemption From Self - Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners." The form includes a statement that, because of your religious principles, you are conscientiously opposed to accepting, for services performed as a member of the clergy (including commissioned teachers), any public insurance. This includes public insurance established by the Social Security Act. Your opposition must be based on institutional principles and discipline of your particular religious denomination **or** it must be based on **your individual** religious considerations. The decision to exempt yourself from Social Security must be for religious and conscientious grounds and not for economic reasons. If a person files Form 4361 to exempt from social security, they most certainly can and should have a private investment plan for retirement needs. You will not receive Social Security Benefits. **Once you make the election to exempt from Social Security, it is irrevocable.** You may not go back into Social Security again.

But, many tax laws have exceptions. If you had previously filed Form 4361 to exempt yourself from Social Security, you were given the option to elect to come back into the system in the year 2000 and 2001. Periodically, Congress will grant this option.

The application for Exemption from Self-Employment Tax, Form 4361, must be filed by the due date (April 15) of your tax return, including extensions, for the **second tax year** in which you had net self-employment earnings of \$400 or more from services as a minister/teacher (which includes housing allowance. A **timely** filed Form 4361 will be approved. Remember, the two years run from the date the minister/teacher is ordained or "first called".

Many tax advisors do not advise their clients to exempt themselves from Social Security, because many persons find it very hard to develop an alternative plan that would take the place of Social Security Benefits.

## **Housing Exclusion**

Understanding "housing allowance" may result in a tremendous income tax savings.

The Internal Revenue Code Section 107 says:

**"in the case of a minister of the Gospel, gross income does not include the.....**

**1.The rental value of a home furnished to him or her as a part of his or her compensation: or,**

**2. The rental allowance paid to the taxpayer as a part of their compensation, to the extent used by the taxpayer to rent or provide a home"**

Are you entitled to Housing Allowance? If you are a commissioned (on the roster) teacher of the Lutheran Church Missouri Synod may be entitled to designate a portion of your salary as housing allowance. If you designate a portion of your salary as housing allowance, you are considered to be a **dual status** employee, and will be subject to self-employment tax. You will not pay federal and state income tax on your actual housing expenses. However, you will pay self-employment tax on this amount.

The Clergy Housing Allowance Clarification Act of 2002 provides the following clarification of housing allowance. The amount you claim on your return tax as housing allowance and not subject to Federal Income Tax is the **lesser** of:

**-What you designate as housing allowance**

**-Your actual expenses for housing**

**-The fair market rental value of your home and furnishings**

## **What does the Housing Allowance Exclusion include?**

It includes anything spent to provide a home for the dual-status minister/teacher and his or her family. Regulations for Section 107 state that the housing allowance does not include food or a maid. Housing allowance is the tax-free treatment of a called church worker's **personal** home expenses on a **cash basis**. Housing allowance expenses include those for the house, its contents, the garage and the yard.

The following list shows typical expenses that are to be considered in computing the amount of housing allowance.

1. Rent or house payments.
2. Real estate taxes and mortgage interest for the home. These expenses are deductible again as itemized deductions. This is a **double deduction**, but allowable by the Internal Revenue Service.
3. Insurance for the house and/or contents. This also includes renters insurance.
4. Improvements, repairs and upkeep of the home and/or contents. Such as a new roof, room additions, garage, patio, fence, pool, appliance repair, etc.
5. Furnishings and appliances: dish washer, vacuum sweeper, TV, DVD player, stereo, piano, sewing machine, computer (personal use), washer, dryer, beds, small kitchen appliances, cookware, dishes, garage door opener, lawnmower, hedge trimmer, etc.
6. Decorator items: drapes, throw rugs, pictures, painting, wallpapering, bedspreads, sheets, blankets, towels, etc.
7. Utilities: heat, electric, non-business telephone, water, cable TV, internet service, sewer charge, garbage and trash collection, newspaper subscription, etc.
8. Miscellaneous - anything that maintains the home and its contents that you have not included in repairs or decorator items: cleaning supplies for the home, brooms, dry cleaning of drapes, light bulbs, shampooing carpet, expense to run lawnmower, tools for landscaping, etc.

The expenses in item no. 8 are often purchased at the grocery or home improvement store. It is a good practice to buy a supply of household cleaning supplies separately and save the receipt. **Remember, you must have receipts to back up your deductions.**

**Do not include the following:** Maid (or hired lawn care), groceries, personal toiletries such as toothpaste, shampoo, laundry and dish soap, paper products; personal clothing, shoes, jewelry; toys, bicycles, hobby items, computer games, personal computer software, DVD/Blu-ray movies, etc. Because a cellular phone is used outside of the home, do not use the personal portion as housing allowance. However, if you only have a cellular phone and no land line telephone, your cellular phone expense may be eligible as housing allowance.

## How much of a teacher's salary can be designated as housing allowance?

Nothing in the Internal Revenue Code or regulations establishes a "flat" dollar limitation or a percentage of income limitation for the housing allowance exclusion. **The amount designated as housing allowance must be a specific dollar amount or a specific % of salary.** The IRS does not put a limit to the amount of salary that can be designated as housing allowance. Most congregations request that their called employees estimate a percentage of their salary that will be **designated** as housing allowance. "Official designation" means that the employer designates, by official action, **in advance**, the amount the dual-status employee expects to spend for all the expenses of his or her home.

The designation can be done by the official board or congregation, or Church Council, and should be recorded in their minutes. Usually you estimate your housing allowance only once a year, and most congregations will not let you make any changes. If you were not aware of how to designate your housing allowance or you have had an inadequate amount designated, there is no way to fix the problem after the fact. The IRS says you may exclude from income the **SMALLER** of your actual housing expenses or the designated housing allowance.

If you underestimate your housing expenses, compared to the actual expenses, you must use the smaller amount and therefore lose the tax advantage. ***You must take some time to make a wise decision as to what your housing allowance should be.***

## How does a person designate the correct amount for housing allowance?

It is advisable that a called church employee take the time to determine the correct amount he or she should designate as housing allowance.

Probably the best way to provide this information for your congregation is to determine your monthly expenses times the number of months you are determined to be a commissioned teacher. Most teachers will figure this computation over a 12 month period. New teachers will have to use the number of months they were called. (See attached housing worksheet)

### \* Tax Planning

Good tax planning for a minister/teacher is to "**over designate**" his or her housing allowance and allow for unexpected expenses, and increases in utility costs to be covered. The unused housing allowance will be added back into your income tax return as taxable miscellaneous income. Please keep in mind that estimated tax payments for the following year should be based on actual expenses. If you "over designate" your housing allowance for a given year and your actual is a lot smaller, you will have Federal and state income tax due on the excess housing. If you haven't planned for this in your estimated tax payments, you will have to come up with the additional tax by April 15, and may owe a penalty for underestimation of estimated taxes.

## **Professional Expenses**

In any profession, the ordinary and necessary expenses incurred in order to be able to earn income are deductible. The IRS provides a very detailed explanation on how to handle non-reimbursed employee business expenses.

Professional expenses for a teacher include items purchased to use in the classroom such as books, newspapers, items purchased at a teachers supply store, software used in the classroom, costs of conferences and seminars, paper, office supplies, equipment, and non-reimbursed mileage. **These are items for which you are not reimbursed.**

Non reimbursed professional expenses are not taxed for self-employment tax purposes. Please remember that you must have receipts to back-up the deductions for professional expenses.

If you want to take a deduction for mileage, you must keep a business mileage log book which includes the date, number of miles, and the purpose of the mileage. **Save your receipts.** You may not estimate these expenses. If you are reimbursed by the PTA or School Auxiliary or by donation of parents, you may not deduct on your tax return. A good suggestion is to have a large envelope in your desk drawer in the classroom and a large envelope at your home. Every time you purchase something for your classroom, toss the receipt into one of the envelopes.

## **Itemized Deductions**

As a taxpayer, you are allowed to deduct from your income the **larger** of the "standard deduction" or "itemized deductions". For 2018 the standard deduction for a single individual is \$12,200, and for married persons filing a joint return is \$24,400. Itemized deductions include: medical expenses in excess of 7.5% of adjusted gross income, state and local income taxes, real estate taxes, (SALT limited to \$10,000), DMV fees, home mortgage interest, and charitable contributions. Usually, people who do not own a home cannot itemize deductions since the largest portion of itemized deductions is mortgage interest and property taxes.

### **\* Tax Planning**

Owning a home can be advantageous for the professional (called) church employee since the mortgage interest and property taxes(full amount paid) on the home are considered to be designated housing allowance and not subject to income tax, and could also be included in itemized deductions. This is really a double deduction and is only available to professional (called) church employees. If both spouses work outside the home, one is a professional church employee and the other isn't, the housing allowance exclusion is available for them to use on their joint return.

## Estimated Tax, Form 1040ES

It is necessary for all taxpayers to "prepay" their income tax and their social security tax. An employee has tax withheld from each paycheck and "prepaid" by the employer each quarter. **Withholding by the employer of a called minister/teacher is optional.** The dual-status employee is generally required to "prepay" tax by making quarterly payments based on an estimate of the amount of tax he or she expects to owe for the year. The current year's estimate is to be calculated at the time you prepare the previous year's tax return. The first installment of 1/4 of the total is due on **April 15<sup>th</sup>**. Other due dates are **June 15<sup>th</sup>**, **September 15<sup>th</sup>** and **January 15<sup>th</sup>**. If you or your spouse are an employee and earn other wages from which tax is withheld, you may be able to arrange to have enough withheld to cover your combined tax liability. To claim less exemptions or allowances at the other job is usually more convenient than to make quarterly payments. It makes no difference how you prepay your tax liability, either estimated payments or adequate withholding will meet the requirements.

You may be charged a penalty for not paying enough estimated tax or for not making the payments on time. If you received a "call" during the year, you will have to estimate your tax for that portion of the year you begin receiving wages and housing from teaching. If your pay for the new school year begins in August, then you will have to make an estimated tax payment September 15<sup>th</sup> and an estimate on January 15<sup>th</sup>. You will have to take into account the income you earned as a regular employee, and if you are married, the income your spouse earned. You will have to estimate how much tax would be due for the current year, and divide that amount by the number of estimated tax payments left.

A withholding agreement can be made between an employer and the professional church employee. It is to be a written agreement. A Form W-4 (see Form W-4 attached) can be prepared with the amount to be withheld each pay period entered on line 6 rather than claiming any allowances on line 5. The employer should withhold enough **income tax** to prepay the minister's total income tax and social security and medicare liability. Form W-2 will show the amount that has been withheld in Box 2.

## Retirement Planning

It's always a wise idea to establish retirement plans to **supplement** social security and pension income during retirement. Dual-status employees of the Lutheran Church are eligible to contribute to **Tax Shelter Annuities**, and various **IRA's** (individual retirement accounts).



Tax Sheltered Annuities are available to public school employees and employees of tax-exempt organizations, such as churches and the affiliated agencies of churches. Employees of the Lutheran Church are eligible to contribute to a **TSA** (Tax Shelter Annuity), often referred to as a **403(b) Plan**. You can establish a TSA account for **voluntary salary reductions**. This means that you can exclude \$19,000(\$25,000 if over age 50) for 2019 from your salary to contribute to a TSA. If you are an ordained/commissioned employee, the contributions are not subject to Federal and State income taxes or social security/medicare taxes. Generally, you may set-up a Tax Sheltered Annuity with companies that are approved. For additional information please contact your congregation representative.

You may contribute to an **Individual Retirement Account (IRA)** if you meet the requirements. You must have had taxable compensation(wages) for the year and have not reached the age of 70 ½ by the end of the year. The maximum deductible contribution is \$6,000(\$7,000 if over age 50), and may be phased out when your income for 2018 exceeds \$64,000(\$103,000 married filing joint).

You may also contribute to a different kind of IRA called a **Roth IRA**. Contributions are non-deductible in the year of contribution. The earnings will accumulate tax free and qualified distributions will be tax free.

Qualified distributions are those made after a 5 year period, and in addition, made after the participant is 59 ½ , made after the death of a beneficiary, after becoming disabled, or distributed to pay for "qualified first time home buyer expenses."

### **What does all of this mean?**

Good question!! All of this means that you will **no longer use a Form 1040EZ or a 1040A** to file your income tax return. You have not only graduated from college with a degree in education, you have entered into the world of complicated tax forms, estimated tax payments, personal record keeping, and budgeting. **Please, take a look at your own financial situation and make sure you're covered. If you don't, you may have a large amount of tax to pay next April 15.**

**Luther Taxpayer  
Income and Deductions**

<b>Salary</b>	<b>\$25,000.00</b>
<b>Housing allowance</b>	<b><u>+30,000.00</u></b>
<b>Total:</b>	<b>\$55,000.00</b>
<b>Un-reimbursed school expenses</b>	<b>\$ 1,664.00</b>

# SCHMIDT & ASSOCIATES

Tax Consultants

17782 E. 17<sup>th</sup> Street, Suite 107  
Tustin, CA 92780  
(714) 573-1720

## Checklist for Professional Church Employees

Taxpayer name Luther Taxpayer

Tax year 2019

### HOUSING ALLOWANCE

**\*PLEASE DO NOT ESTIMATE BUT  
PROVIDE ACTUAL EXPENSES  
PAID IN THE TAX YEAR**

Date home purchased \_\_\_\_\_  
Live in parsonage yes \_\_\_ no X  
Rent housing yes X no \_\_\_  
Housing Allowance \$ 30,000-  
Expenses paid \$ 25,920-  
Excess Housing \$ 4,080-

### Expenses

Rent/mortgage payment	\$ <u>24,000</u>
Property taxes	\$ _____
Insurance	\$ <u>180</u>
Maintenance/Repairs	\$ _____
Decorating	\$ <u>50</u>
Furnishings	\$ <u>211</u>
Gardening	\$ _____
Landscaping	\$ _____
Pool service	\$ _____
Utilities	\$ <u>1,429</u>
Cleaning supplies	\$ <u>50</u>
Association dues	\$ _____
Miscellaneous	\$ _____
Capital improvements	\$ _____
Total:	\$ <u>25,920-</u>

### AUTOMOBILE ALLOWANCE

Automobile allowance \$ \_\_\_\_\_

### PROFESSIONAL/EMPLOYMENT EXPENSES

Gifts associated with your profession	\$ <u>40</u>
Money given to transients, etc.	\$ _____
Books, Periodicals, Newspapers	\$ <u>39</u>
Purchase of professional clothing (distinctive to profession)	\$ _____
Cleaning of professional clothing	\$ _____
Postage & stationary, etc.	\$ <u>45</u>
Office supplies	\$ _____
Office & professional equipment	\$ <u>125</u>
Travel expenses <u>242 miles</u>	\$ <u>140</u>
Professional entertainment	\$ _____
Cost of conferences, seminars, etc.	\$ _____
Non-reimbursed teaching expenses	\$ <u>625</u>
Educational expenses (required or enhances profession)	\$ <u>750</u>
Total	\$ <u>1,664</u>

OMB No. 1545-0008 **Form W-2 Wage and Tax Statement 2019**

a Employee's social security number <b>009-09-0999</b>		1 Wages, tips, other comp. <b>25000.00</b>	2 Federal income tax withheld
b Employer ID number (EIN) <b>00-0000009</b>		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
c Employer's name, address, and ZIP code  <b>Lutheran Church</b> <b>1530 Holy Way</b> <b>Anytown CA 92700</b>			
d Control number			
e Employee's name, address, and ZIP code  <b>Luther E. Taxpayer</b> <b>1234 Asfalt Drive</b> <b>Anytown CA 92700</b>			
7 Social security tips	8 Allocated tips	9	
10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12	
12b	12c	12d	
13 Statutory employee <input type="checkbox"/>	Retirement plan <input checked="" type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	
14 Other <b>Housing Allowan</b> <b>\$30,000.00</b>			
15 State/Employer's state ID number	16 State wages, tips, etc.	17 State income tax	
18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Copy B - To Be Filed With Employee's FEDERAL Tax Return  
This information is being furnished to the Internal Revenue Service.  
DXA Dept. of the Treasury - IRS

This information is being furnished to the IRS. If you are required to file a tax return, a negligence penalty/other sanction may be imposed on you if this income is taxable and you fail to report it.

OMB No. 1545-0008 **Form W-2 Wage and Tax Statement 2019**

a Employee's social security number <b>009-09-0999</b>		1 Wages, tips, other comp. <b>25000.00</b>	2 Federal income tax withheld
b Employer ID number (EIN) <b>00-0000009</b>		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
c Employer's name, address, and ZIP code  <b>Lutheran Church</b> <b>1530 Holy Way</b> <b>Anytown CA 92700</b>			
d Control number			
e Employee's name, address, and ZIP code  <b>Luther E. Taxpayer</b> <b>1234 Asfalt Drive</b> <b>Anytown CA 92700</b>			
7 Social security tips	8 Allocated tips	9	
10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12	
12b	12c	12d	
13 Statutory employee <input type="checkbox"/>	Retirement plan <input checked="" type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	
14 Other <b>Housing Allowan</b> <b>\$30,000.00</b>			
15 State/Employer's state ID number	16 State wages, tips, etc.	17 State income tax	
18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Copy C - For EMPLOYEE'S RECORDS (See Notice on back.)  
DXA Dept. of the Treasury - IRS

OMB No. 1545-0008 **Form W-2 Wage and Tax Statement 2019**

a Employee's social security number <b>009-09-0999</b>		1 Wages, tips, other comp. <b>25000.00</b>	2 Federal income tax withheld
b Employer ID number (EIN) <b>00-0000009</b>		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
c Employer's name, address, and ZIP code  <b>Lutheran Church</b> <b>1530 Holy Way</b> <b>Anytown CA 92700</b>			
d Control number			
e Employee's name, address, and ZIP code  <b>Luther E. Taxpayer</b> <b>1234 Asfalt Drive</b> <b>Anytown CA 92700</b>			
7 Social security tips	8 Allocated tips	9	
10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12	
12b	12c	12d	
13 Statutory employee <input type="checkbox"/>	Retirement plan <input checked="" type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	
14 Other <b>Housing Allowan</b> <b>\$30,000.00</b>			
15 State/Employer's state ID number	16 State wages, tips, etc.	17 State income tax	
18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Copy 2 - To be Filed With Employee's State, City,  
or Local Income Tax Return  
DXA Dept. of the Treasury - IRS

OMB No. 1545-0008 **Form W-2 Wage and Tax Statement 2019**

a Employee's social security number <b>009-09-0999</b>		1 Wages, tips, other comp. <b>25000.00</b>	2 Federal income tax withheld
b Employer ID number (EIN) <b>00-0000009</b>		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
c Employer's name, address, and ZIP code  <b>Lutheran Church</b> <b>1530 Holy Way</b> <b>Anytown CA 92700</b>			
d Control number			
e Employee's name, address, and ZIP code  <b>Luther E. Taxpayer</b> <b>1234 Asfalt Drive</b> <b>Anytown CA 92700</b>			
7 Social security tips	8 Allocated tips	9	
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12b	12c	12d	
13 Statutory employee <input type="checkbox"/>	Retirement plan <input checked="" type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	
14 Other <b>Housing Allowan</b> <b>\$30,000.00</b>			
15 State/Employer's state ID number	16 State wages, tips, etc.	17 State income tax	
18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Copy 2 - To be Filed With Employee's State, City,  
or Local Income Tax Return  
DXA Dept. of the Treasury - IRS

**Filing Status** ☒ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)  
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial <b>LUTHER TAXPAYER</b>		Last name	Your social security number <b>009-09-0999</b>
If joint return, spouse's first name and middle initial		Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. <b>1234 ASFAULT DR.</b>			<b>Presidential Election Campaign</b> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). <b>ANYTOWN, CA 92700</b>			
Foreign country name	Foreign province/state/county	Foreign postal code	If more than four dependents, see instructions and ✓ here <input type="checkbox"/>

**Standard Deduction** Someone can claim: ☒ You as a dependent ☐ Your spouse as a dependent  
☐ Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** You: ☐ Were born before January 2, 1955 ☐ Are blind Spouse: ☐ Was born before January 2, 1955 ☐ Is blind

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents

1 Wages, salaries, tips, etc. Attach Form(s) W-2.....	1	29,080.
2a Tax-exempt interest.....	2a	
3a Qualified dividends.....	3a	200.
4a IRA distributions.....	4a	
c Pensions and annuities.....	4c	
5a Social security benefits.....	5a	
6 Capital gain or (loss). Attach Schedule D if required. If not required, check here.....	6	
7a Other income from Schedule 1, line 9.....	7a	
b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your <b>total income</b> .....	7b	29,457.
8a Adjustments to income from Schedule 1, line 22.....	8a	5,768.
b Subtract line 8a from line 7b. This is your <b>adjusted gross income</b> .....	8b	23,689.
9 Standard deduction or itemized deductions (from Schedule A).....	9	12,200.
10 Qualified business income deduction. Attach Form 8995 or Form 8995-A.....	10	
11a Add lines 9 and 10.....	11a	12,200.
b Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-.....	11b	11,489.

**Standard Deduction for —**  
 • Single or Married filing separately, \$12,200  
 • Married filing jointly or Qualifying widow(er), \$24,400  
 • Head of household, \$18,350  
 • If you checked any box under **Standard Deduction**, see instructions.

**BAA For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.**

Form **1040** (2019)

**12a** Tax (see inst.) Check if any from Form(s): 1 ☐ 88142 ☐ 49723 ☐**12a** 1,159.**b** Add Schedule 2, line 3, and line 12a and enter the total **12b** 1,159.**13a** Child tax credit or credit for other dependents **13a****b** Add Schedule 3, line 7, and line 13a and enter the total **13b****14** Subtract line 13b from line 12b. If zero or less, enter -0- **14** 1,159.**15** Other taxes, including self-employment tax, from Schedule 2, line 10 **15** 7,536.**16** Add lines 14 and 15. This is your **total tax**. **16** 8,695.**17** Federal income tax withheld from Forms W-2 and 1099 **17****18** Other payments and refundable credits:**a** Earned income credit (EIC) **18a****b** Additional child tax credit. Attach Schedule 8812 **18b****c** American opportunity credit from Form 8863, line 8 **18c****d** Schedule 3, line 14 **18d** 8,800.**e** Add lines 18a through 18d. These are your **total other payments and refundable credits** **18e** 8,800.**19** Add lines 17 and 18e. These are your **total payments**. **19** 8,800.**Refund** **20** If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you **overpaid** **20** 105.Direct deposit?  
See instructions.**21a** Amount of line 20 you want **refunded to you**. If Form 8888 is attached, check here... ☐ **21a** 105.**b** Routing number **XXXXXXXXXX** **c** Type: ☐ Checking ☐ Savings**d** Account number **XXXXXXXXXXXXXXXXXXXXXXXXXXXX****22** Amount of line 20 you want **applied to your 2020 estimated tax** **22****Amount You Owe** **23** **Amount you owe.** Subtract line 19 from line 16. For details on how to pay, see instructions. **23****24** Estimated tax penalty (see instructions) **24****Third Party Designee**

(Other than paid preparer)

Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. ☐ Yes. Complete below.☒ No

Designee's name

Phone no.

Personal identification number (PIN)

**Sign Here**Joint return?  
See instructions.  
Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature

Date

Your occupation

MINISTER/TEACHER

If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Spouse's signature. If a joint return, **both** must sign.

Date

Spouse's occupation

If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)

Phone no.

Email address

**Paid Preparer Use Only**

Preparer's name

Kathleen Rossow, EA

Preparer's signature

Kathleen Rossow, EA

Date

PTIN

P00049847

Check if:

☒ 3rd Party Designee

Firm's name ▶ Schmidt &amp; Associates

Phone no. (714) 573-1720

☐ Self-employedFirm's address ▶ 17782 E. 17th Street, Ste. 107  
Tustin, CA 92780

Firm's EIN ▶ 74-3204796

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

Form 1040 (2019)

**SCHEDULE 1**  
**(Form 1040 or 1040-SR)**

Department of the Treasury  
Internal Revenue Service

**Additional Income and Adjustments to Income**

▶ Attach to Form 1040 or 1040-SR.  
▶ Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2019**

Attachment  
Sequence No. 01

Name(s) shown on Form 1040 or 1040-SR

**LUTHER TAXPAYER**

Your social security number

**009-09-0999**

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? .....

☐ Yes ☒ No

**Part I Additional Income**

<b>1</b>	Taxable refunds, credits, or offsets of state and local income taxes .....	<b>1</b>	
<b>2a</b>	Alimony received .....	<b>2a</b>	
<b>b</b>	Date of original divorce or separation agreement (see instructions) ▶ .....		
<b>3</b>	Business income or (loss). Attach Schedule C .....	<b>3</b>	
<b>4</b>	Other gains or (losses). Attach Form 4797 .....	<b>4</b>	
<b>5</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .....	<b>5</b>	
<b>6</b>	Farm income or (loss). Attach Schedule F .....	<b>6</b>	
<b>7</b>	Unemployment compensation .....	<b>7</b>	
<b>8</b>	Other income. List type and amount ▶ .....	<b>8</b>	
<b>9</b>	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a .....	<b>9</b>	<b>0.</b>

**Part II Adjustments to Income**

<b>10</b>	Educator expenses .....	<b>10</b>	
<b>11</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 .....	<b>11</b>	
<b>12</b>	Health savings account deduction. Attach Form 8889 .....	<b>12</b>	
<b>13</b>	Moving expenses for members of the Armed Forces. Attach Form 3903 .....	<b>13</b>	
<b>14</b>	Deductible part of self-employment tax. Attach Schedule SE .....	<b>14</b>	<b>3,768.</b>
<b>15</b>	Self-employed SEP, SIMPLE, and qualified plans .....	<b>15</b>	
<b>16</b>	Self-employed health insurance deduction .....	<b>16</b>	
<b>17</b>	Penalty on early withdrawal of savings .....	<b>17</b>	
<b>18a</b>	Alimony paid .....	<b>18a</b>	
<b>b</b>	Recipient's SSN .....		
<b>c</b>	Date of original divorce or separation agreement (see instructions) ▶ .....		
<b>19</b>	IRA deduction .....	<b>19</b>	<b>2,000.</b>
<b>20</b>	Student loan interest deduction .....	<b>20</b>	
<b>21</b>	Tuition and fees. Attach Form 8917 .....	<b>21</b>	
<b>22</b>	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040 or 1040-SR, line 8a .....	<b>22</b>	<b>5,768.</b>

**BAA For Paperwork Reduction Act Notice, see your tax return instructions.**

**Schedule 1 (Form 1040 or 1040-SR) 2019**

**SCHEDULE 2**  
**(Form 1040 or 1040-SR)**

Department of the Treasury  
Internal Revenue Service

**Additional Taxes**

▶ Attach to Form 1040 or 1040-SR.  
▶ Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2019**

Attachment  
Sequence No. 02

Name(s) shown on Form 1040 or 1040-SR

**LUTHER TAXPAYER**

Your social security number

**009-09-0999**

**Part I Tax**

1	Alternative minimum tax. Attach Form 6251.	1	0.
2	Excess advance premium tax credit repayment. Attach Form 8962.	2	
3	Add lines 1 and 2. Enter here and include on Form 1040 or 1040-SR, line 12b.	3	0.

**Part II Other Taxes**

4	Self-employment tax. Attach Schedule SE.	4	7,536.
5	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	5	
6	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required.	6	
7a	Household employment taxes. Attach Schedule H.	7a	
b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required.	7b	
8	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	8	
9	Section 965 net tax liability installment from Form 965-A	9	
10	Add lines 4 through 8. These are your <b>total other taxes</b> . Enter here and on Form 1040 or 1040-SR, line 15.	10	7,536.

**BAA For Paperwork Reduction Act Notice, see your tax return instructions.**

**Schedule 2 (Form 1040 or 1040-SR) 2019**



**SCHEDULE 3**  
**(Form 1040 or 1040-SR)**

Department of the Treasury  
Internal Revenue Service

**Additional Credits and Payments**

▶ Attach to Form 1040 or 1040-SR.  
▶ Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2019**

Attachment  
Sequence No. 03

Name(s) shown on Form 1040 or 1040-SR

**LUTHER TAXPAYER**

Your social security number

**009-09-0999**

**Part I Nonrefundable Credits**

1	Foreign tax credit. Attach Form 1116 if required.	1	
2	Credit for child and dependent care expenses. Attach Form 2441.	2	
3	Education credits from Form 8863, line 19.	3	
4	Retirement savings contributions credit. Attach Form 8880.	4	
5	Residential energy credits. Attach Form 5695.	5	
6	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	6	
7	Add lines 1 through 6. Enter here and include on Form 1040 or 1040-SR, line 13b.	7	

**Part II Other Payments and Refundable Credits**

8	2019 estimated tax payments and amount applied from 2018 return.	8	8,800.
9	Net premium tax credit. Attach Form 8962.	9	
10	Amount paid with request for extension to file (see instructions).	10	
11	Excess social security and tier 1 RRTA tax withheld.	11	
12	Credit for federal tax on fuels. Attach Form 4136.	12	
13	Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	13	
14	Add lines 8 through 13. Enter here and on Form 1040 or 1040-SR, line 18d.	14	8,800.

**BAA For Paperwork Reduction Act Notice, see your tax return instructions.**

**Schedule 3 (Form 1040 or 1040-SR) 2019**

**SCHEDULE B**  
**(Form 1040 or 1040-SR)**

Department of the Treasury  
Internal Revenue Service (99)

**Interest and Ordinary Dividends**

► Go to [www.irs.gov/ScheduleB](http://www.irs.gov/ScheduleB) for instructions and the latest information.  
► Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074

**2019**

Attachment  
Sequence No. **08**

Name(s) shown on return

**LUTHER TAXPAYER**

Your social security number

**009-09-0999**

**Part I**

**Interest**

(See instructions and the instructions for Forms 1040 and 1040-SR, line 2b.)

**Note:** If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ►

BANK

**Amount**

**27.**

**1**

- 2 Add the amounts on line 1
- 3 Excludable interest on series EE and U.S. savings bonds issued after 1989. Attach Form 8815.

**2**

**27.**

**3**

- 4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b. ►

**4**

**27.**

**Note:** If line 4 is over \$1,500, you must complete Part III.

**Amount**

**Part II**

**Ordinary Dividends**

(See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)

**Note:** If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

- 5 List name of payer ►

SMITH BARMY

**350.**

**5**

- 6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b. ►

**6**

**350.**

**Note:** If line 6 is over \$1,500, you must complete Part III.

**Part III**

**Foreign Accounts and Trusts**

**Caution:** If required, failure to file FinCEN Form 114 may result in substantial penalties. See instructions.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

**Yes No**

- 7a At any time during 2019, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions. If 'Yes,' are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements.
- b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ►
- 8 During 2019, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If 'Yes,' you may have to file Form 3520. See instructions.

**X**

**X**

**SCHEDULE SE**  
**(Form 1040 or 1040-SR)**

Department of the Treasury  
Internal Revenue Service (99)

**Self-Employment Tax**

► Go to [www.irs.gov/ScheduleSE](http://www.irs.gov/ScheduleSE) for instructions and the latest information.  
► Attach to Form 1040, 1040-SR, or 1040-NR.

OMB No. 1545-0074

**2019**

Attachment  
Sequence No. **17**

Name of person with self-employment income (as shown on Form 1040, 1040-SR, or 1040-NR)

**LUTHER TAXPAYER**

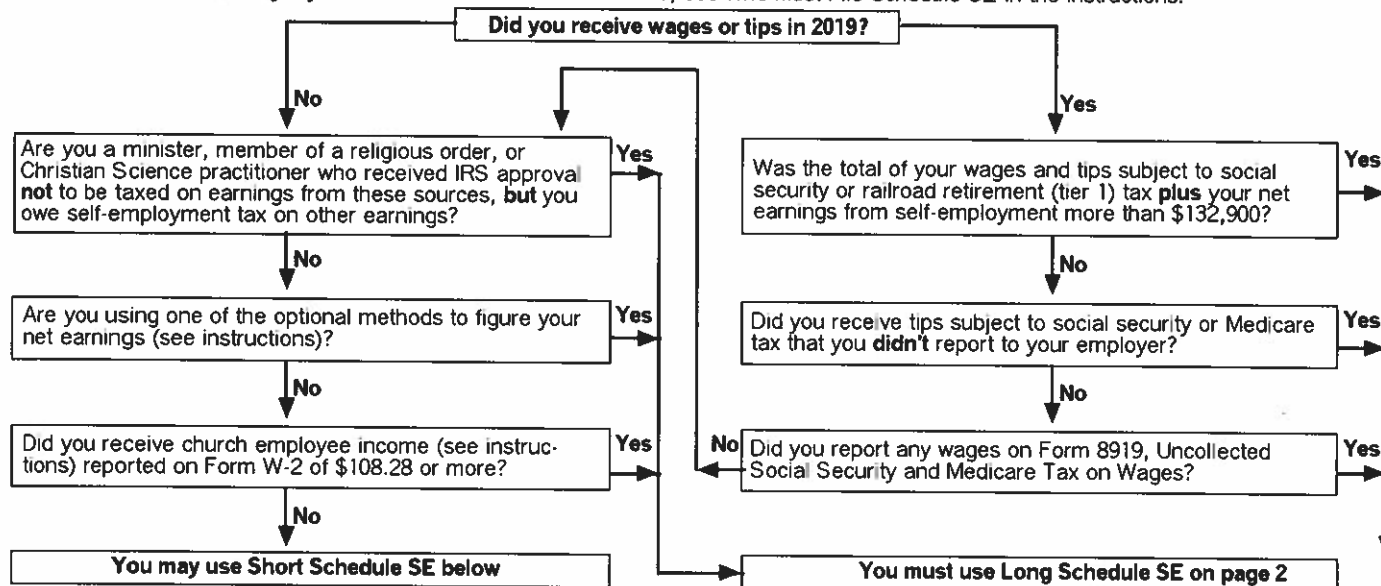
Social security number of person  
with self-employment income ►

**009-09-0999**

**Before you begin:** To determine if you must file Schedule SE, see the instructions.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**

**Note:** Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



**Section A – Short Schedule SE.** Caution: Read above to see if you can use Short Schedule SE.

<b>1 a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. ....	<b>1 a</b>	
<b>See Statement 2</b>		
<b>b</b> If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code AH. ....	<b>1 b</b>	
<b>2</b> Net profit or (loss) from Schedule C, line 31; and Schedule K-1 (Form 1065), box 14, code A (other than farming). Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report. ....	<b>2</b>	53,336.
<b>3</b> Combine lines 1a, 1b, and 2. ....	<b>3</b>	53,336.
<b>4</b> Multiply line 3 by 92.35% (0.9235). If less than \$400, you don't owe self-employment tax; don't file this schedule unless you have an amount on line 1b. ....	<b>4</b>	49,256.
<b>Note:</b> If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.		
<b>5 Self-employment tax.</b> If the amount on line 4 is: • \$132,900 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on <b>Schedule 2 (Form 1040 or 1040-SR), line 4, or Form 1040-NR, line 55.</b> • More than \$132,900, multiply line 4 by 2.9% (0.029). Then, add \$16,479.60 to the result. Enter the total here and on <b>Schedule 2 (Form 1040 or 1040-SR), line 4, or Form 1040-NR, line 55.</b> ....	<b>5</b>	7,536.
<b>6 Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (0.50). Enter the result here and on <b>Schedule 1 (Form 1040 or 1040-SR), line 14, or Form 1040-NR, line 27</b> ....	<b>6</b>	3,768.

BAA For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule SE (Form 1040 or 1040-SR) 2019

FDIA1101L 10/14/19

Client 9000

LUTHER TAXPAYER

009-09-0999

1/21/20

02:32PM

**Statement 1**  
**Form 1040**  
**Wage Schedule**

<u>Taxpayer - Employer</u>	<u>Wages</u>	<u>Federal W/H</u>	<u>FICA</u>	<u>Medi-care</u>	<u>State W/H</u>	<u>SDI</u>
LUTHERAN CHURCH	25,000.					
Excess Minister's Allowance	4,080.					
Grand Total	29,080.	0.	0.	0.	0.	0.

**Statement 2**  
**Minister's Parsonage Allowance**  
**Adapted from IRS Publication 517**

Percentage of Tax-Free Income

1. Wages	\$ 25,000.
2. Schedule C Gross Income	
3. Fair Rental Value of Parsonage Provided by Church	
4a. Parsonage Allowance	30,000.
4b. Utility Allowance	
4c. Total Allowance	30,000.
4d. Actual Parsonage Expense	30,000.
4e. Actual Utility Expense	
4f. Total Actual Expenses	30,000.
4g. Fair Rental Value of Parsonage, Plus the Cost of Utilities	30,000.
4h. Smaller of 4c, 4f, or 4g	30,000.
4i. Excess Allowance (line 4c - line 4h)	
5a. Taxable Ministerial Income (lines 1 + 2 + 4i)	25,000.
5b. Nontaxable Ministerial Income (line 3 + line 4h)	30,000.
5c. Total Ministerial Income (lines 1 + 2 + 3 + 4h + 4i)	55,000.
6. Ratio of Tax-free to Total Income (line 5b / line 5c)	54.55%

Allowable Schedule C Expenses

1. Total Schedule C Expenses	
2. Nondeductible Expenses (line 1 * ratio)	
3. Allowable Schedule C Expenses	

Allowable Employee Business Expenses

1. Total Unreimbursed Employee Business Expenses	\$ 1,664.
2. Nondeductible Expenses (line 1 * ratio)	-908.
3. Allowable Employee Business Expenses	756.

Client 9000

LUTHER TAXPAYER

009-09-0999

1/21/20

02:32PM

**Statement 2 (continued)**  
**Minister's Parsonage Allowance**  
**Adapted from IRS Publication 517**

Net Self-Employment Income

1. Wages	\$	25,000.
2. Schedule C Net Income		
3a. Parsonage Allowance (or FRV of parsonage if church provided)		30,000.
3b. Utility Allowance		
3c. Total Allowance (line 3a + line 3b)		30,000.
4. Income (lines 1 + 2 + 3c)		55,000.
5. Disallowed Schedule C Expenses		
6. Unreimbursed Employee Business Expenses		1,664.
7. Total Expenses not Deducted (line 5 + line 6)		1,664.
8. Net Self-Employment Income (line 4 - line 7)		53,336.

Form for  
2020 not yet  
available.

Mail to:

Internal Revenue Service  
P.O. Box 510000  
San Francisco, CA 94151-5100

▼ Detach Here and Mail With Your Payment ▼

Department of the Treasury  
Internal Revenue Service

Calendar Year —  
Due 4/15/2019

## 2019 Form 1040-ES Payment Voucher 1

File only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to the **United States Treasury**. Write your social security number and "2019 Form 1040-ES" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.

Amount of estimated tax  
you are paying by check  
or money order

2,180.

FDIA1901L 02/11/19

1030



009-09-0999  
LUTHER TAXPAYER

1234 ASFAULT DR.  
ANYTOWN, CA 92700

INTERNAL REVENUE SERVICE  
PO BOX 510000  
SAN FRANCISCO CA 94151-5100

009090999 FR TAXP 30 0 201912 430

**Employee's Withholding Certificate**

OMB No. 1545-0074

▶ **Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.**▶ **Give Form W-4 to your employer.**▶ **Your withholding is subject to review by the IRS.****2020****Step 1:  
Enter  
Personal  
Information**

(a) First name and middle initial <b>LUTHER</b>	Last name <b>TAXPAYER</b>	(b) Social security number <b>009-09-0999</b>
Address <b>1234 ASFAULT DR</b>		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to <a href="http://www.ssa.gov">www.ssa.gov</a> .
City or town, state, and ZIP code <b>ANYTOWN CA 92700</b>		
(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		

**Exempt**

**Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5.** See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.

**Step 2:  
Multiple Jobs  
or Spouse  
Works**

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do only one of the following.

- (a) Use the estimator at [www.irs.gov/W4App](http://www.irs.gov/W4App) for most accurate withholding for this step (and Steps 3-4); or  
 (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or  
 (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld . . . . . ☐

**TIP:** To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.

**Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs.** Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)

**Step 3:  
Claim  
Dependents**

If your income will be \$200,000 or less (\$400,000 or less if married filing jointly):

Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$

Multiply the number of other dependents by \$500 . . . . . ▶ \$

Add the amounts above and enter the total here . . . . . **3** \$ **0**

**Step 4  
(optional):  
Other  
Adjustments**

(a) **Other income (not from jobs).** If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income

**4(a)** \$

(b) **Deductions.** If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here . . . . .

**4(b)** \$

(c) **Extra withholding.** Enter any additional tax you want withheld each pay period . . . . . **4(c)** \$ **364**

**Step 5:  
Sign  
Here**

Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.

▶ **Employee's signature** (This form is not valid unless you sign it.)

▶ **Date**

**Employers  
Only**

Employer's name and address

First date of  
employment

Employer identification  
number (EIN)

## Comparison of Called and Contract Church Worker

### Facts:

Luther Taxpayer

Age: 40

Unmarried, no children

Salary \$25,000

Housing \$30,000

Un-reimbursed Employee expenses \$1,664

As a called minister Luther would pay:

Federal Tax	\$ 1,159
Self employment	<u>7,536</u>
Total	\$ 8,695

As a regular employee

Federal Tax	\$4,791
Social Security(withheld)	3,410
Medicare(withheld)	<u>798</u>
Total	\$8,999

There can be a situation when two called married workers may pay more out of pocket than if one was called and one was not. **Although, a call is divine and not for tax planning.**