

February 19, 2013

Dear Friends in Ministry,

In 2010 and 2011 many Western PA Conference churches collected money from the IRS after making claims through the Health Care Reform Law's "Credit For Small Employer Health Insurance Premiums." The credit is available again this year and it is strongly suggested that churches take a few minutes to go through the process to see if they qualify for a credit and can secure unexpected resources for their local congregation.

A credit of 25 percent of premium paid in 2012, capped by the amount of payroll taxes withheld or paid, is available to local churches if claimed by the **deadline of May 15, 2013** is available. Churches with ten or fewer full-time equivalent (FTE) employees can claim the full credit; those between 11-25 FTE employees can claim a reduced amount of credit. Churches with an average wage of \$25,000 per FTE can claim the full credit; there is a partial credit for salaries of up to \$50,000 per FTE. (For reference purposes, one FTE = 2,080 hours/year.)

You are required to file two forms, a FORM 8941 "Credit for small employer health insurance premiums" and a FORM 990-T "Exempt Organization Business Income tax Return." You do not need to complete a FORM 990, a tax report required of all non-profits that are not churches. You can access those forms via the IRS website. (www.irs.gov)

The credit is taken against Medicare taxes paid by the local church and Medicare taxes and Federal Income taxes withheld from paychecks for any local church employee, regardless of that employee's enrollment in the health insurance program. For accuracy purposes, please review and refer to the directions for the form provided by the IRS when you file. Churches with complex relationships with other organizations should not use these directions and should turn to the resources available through the IRS. As with all IRS filings, be sure to retain copies for your records in the event questions arise later.

For local churches sharing a pastoral appointment and sharing in the costs of health insurance for that pastor, you may each file for the tax credit, or one church can file and share the refund with the other church. Likely, you will find that each church filing on their own will generate the larger refund – if both churches withhold income taxes on another employee. This will need to be another negotiated responsibility for you and your partners.

Please note the following as you assess whether your church qualifies for a health care tax credit and for future planning:

- For tax year 2011 and following, churches must pay a uniform percentage of health insurance costs for all covered employees, and employer payments must cover 50% or more of single coverage rates
- When preparing your church's filing, seek the advice and assistance a certified tax advisor or accountant. The information contained here should not be considered tax or legal advice.

Helpful information found on the IRS website includes:

- Form 8941 – including a PDF where you can type in the information for printing and mailing.
- Directions for Form 8941
- Notice 2010-82 Clarifies how some rules apply to local churches in regards to the credit
- Form 990-T – including a PDF where you can type in the information for printing and mailing.
- Directions for Form 990-T

Blessings,

Patricia A Morris
Conference Treasurer
WPAUMC