

Directions for the typical Western Pennsylvania Church

What follows are simplified directions for the typical Western Pennsylvania Church to complete the Form 8941 and Form 990-T and claim a reimbursement from the federal government for payment of health insurance for your pastor and/or lay people. Churches of complexity or churches with financial links to related non-profits may wish to consult with the directions published by the IRS. "Identifying Number" is your EIN.

The due date for 2012 Forms 8941 and 990-T is May 15, 2013.

DIRECTIONS FOR FORM 8941

Line 1. Report here all employees of the church, whether part-time or full-time and whether offered health insurance or not. Include clergy in the count of employees. For this line, even a part-time person is counted as a whole number. Do not include contracted employees (like a janitor working for a service), nor persons working fewer than 120 days. Leave 1.B) blank, unless you use an EIN different than the one you entered above in "Identifying Number"

Line 2. Report the number of Full Time Equivalent (FTEs) employed by the church, both those with health insurance and those without.

- ✓ **DO include clergy members in this count.**
- ✓ A person working 20 hours per week is ½ an FTE.
- ✓ A person working half the year is ½ an FTE
- ✓ Do not include contracted self-employed (those who receive a 1099 and not a W2)
- ✓ Do not include leased employees (i.e. janitor working for another company)
- ✓ Do not include seasonal workers of fewer than 120 days.
- ✓ No employee, regardless of the amount of overtime, can be counted for more than 1.

Line 3. First, add together the amount of salary paid in 2012.

- ✓ **DO NOT include clergy salary, housing, or allowances.**
- ✓ Do NOT include seasonal employees working less than 120 days.
- ✓ Do NOT include contracted, leased, or self-employed persons (receiving 1099)
- ✓ Most probably the total amount will equal the amount reported on Line 5c of Form 941 Taxable Medicare Wages for the year.

Second, divide the total salaries paid by the number of FTEs you wrote on Line 2. You must use the FTE number as the denominator. It seems odd, but it is correct to include clergy FTEs, but not clergy salaries.

Line 4. The amount actually paid by the church for health insurance premiums starting 1/1/2012.

Line 5. For most churches with only one clergy member in the plan, write \$13,357. For churches with multiple persons on a health plan write the amount the church would have paid if coverage cost \$5,400 for a single person and times \$13,357 for a couple or family.

Line 6. Enter the smaller number between Line 4 and Line 5.

Line 7. Use 25% and multiply by Line 6.

Line 8. If Line 2 is 10 or less write the same number as Line 7. Go to Line 9.

If the number of FTEs is above 10, use the following formula:

- a. FTEs written on Line 2 _____
- b. Subtract 10 from Line A _____
- c. Divide Line B by 15 _____
- d. Multiply Line C by Line 7 _____
- e. Subtract Line D from Line 7 _____ write this amount on Line 8

Line 9. If Line 3 is below \$25,000, write the same number as Line 8 and go to Line 10.

If Line 3 is above \$25,000 use the following formula:

- a. Average Salary on Line 3 _____
- b. Subtract 25,000 from Line A _____
- c. Divide Line B by 25,000 _____ round to at least 3 decimal places
- d. Multiply Line C by Line 7 _____
- e. Subtract Line D from Line 8 _____ write this amount in Line 9

Line 10. For the typical church this is 0.

Line 11. Write the same number as written on Line 4.

Line 12. Write the smaller of Lines 9 or Line 11.

Line 13 is the number of persons enrolled in the health plan. Write 1 if it is only the pastor in the health plan.

Line 14 is the number of FTEs on the health plan. Write 1 if it is only a full-time pastor in the health plan.

Line 15. For the typical local church this answer is \$0.

Line 16. Probably the same answer of Line 12.

Line 17 and Line 18. Skip these lines.

Line 19. Not all payroll taxes should be reported here. Not all payroll taxes qualify for the credit. Only three types of payroll taxes qualify:

1. Medicare tax (not social security taxes) withheld from paychecks for ALL employees, whether that particular employee has health insurance or not.
2. Medicare tax (not Social Security taxes) paid by the local church as the employer share for ALL employees, whether enrolled in the health plan or not.
3. Federal Income tax withheld from paychecks from ALL employees.

Report what was paid and withheld by the local church for everyone, not just those who have health insurance. It may help to consult the Form 941s you've completed during 2012: Income tax withheld is on Line 3, Medicare taxes, you can use Line 5c (column 2) for the year (this is the October 2010 Form 941).

Line 20. Write the smaller of Lines 16 and line 19. This is the amount to write on Form 990-T Line 44f.

Please note: When preparing your church's filing, see the advice and assistance of a certified tax advisor or accountant. The information contained here should not be considered tax or legal advice.

DIRECTIONS FOR FORM 990-T

For a typical Western Pennsylvania local church

Non-profits are required to annually file Form 990 with the IRS. Churches are exempt from this requirement. Form 990-T is an amendment to Form 990 and rarely used. The only reason to use the form is to claim the rebate of health insurance premium payments made available through the new health care reform law. It's a complicated form, but is very simple for our use.

At the very top of the form write **"Request for 45R Credit Only"**

Directly under the form heading you will need to declare the tax year January 1, 2012 ending December 31, 2012. Then write the address of the church.

- A. Skip this
- B. Check the box next to "501". In the spaces next to that, write (C) and (3).
- C. I wouldn't sweat this one too much. Write the value of your church owned real estate plus the value of any financial accounts. It has no bearing on anything, but sometimes a blank draws the IRS's attention.
- D. Use the local church EIN, "employer identification number". It's the same number you use to file payroll taxes.
- E. Skip this.
- F. The group ruling number for the entire United Methodist denomination is #2573. This is the only time you will ever use this number; even in the future. Typically, when asked for your tax exempt number you should use your EIN (above).
- G. Check the box for a 501(c) 3 corporation
- H. leave it blank
- I. leave it blank
- J. Give the name and phone number of the person completing the form.

Part 1 Skip this entire part. If the church had "rental income" from another non-profit program using the building, do NOT report that on Line 6. Churches are not obligated to report. But DO write \$0 on Line 13 Net.

Part 2 Skip this entire part.

Part 3 Skip this entire part.

Part 4 Skip lines 40, 41, 42, and 43

For Line 44 go to line f. Write the amount from Form 8941 Line 20.

Write this same number, the total for Line 44f on Lines:

Line 45

Line 48

Line 49. Be sure to check the "refunded" box

Part 5 Check "No" for questions 1 and 2. Skip Line 3.

Sign it. Save a copy. Add the Form 8941 you completed and mail the form to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027