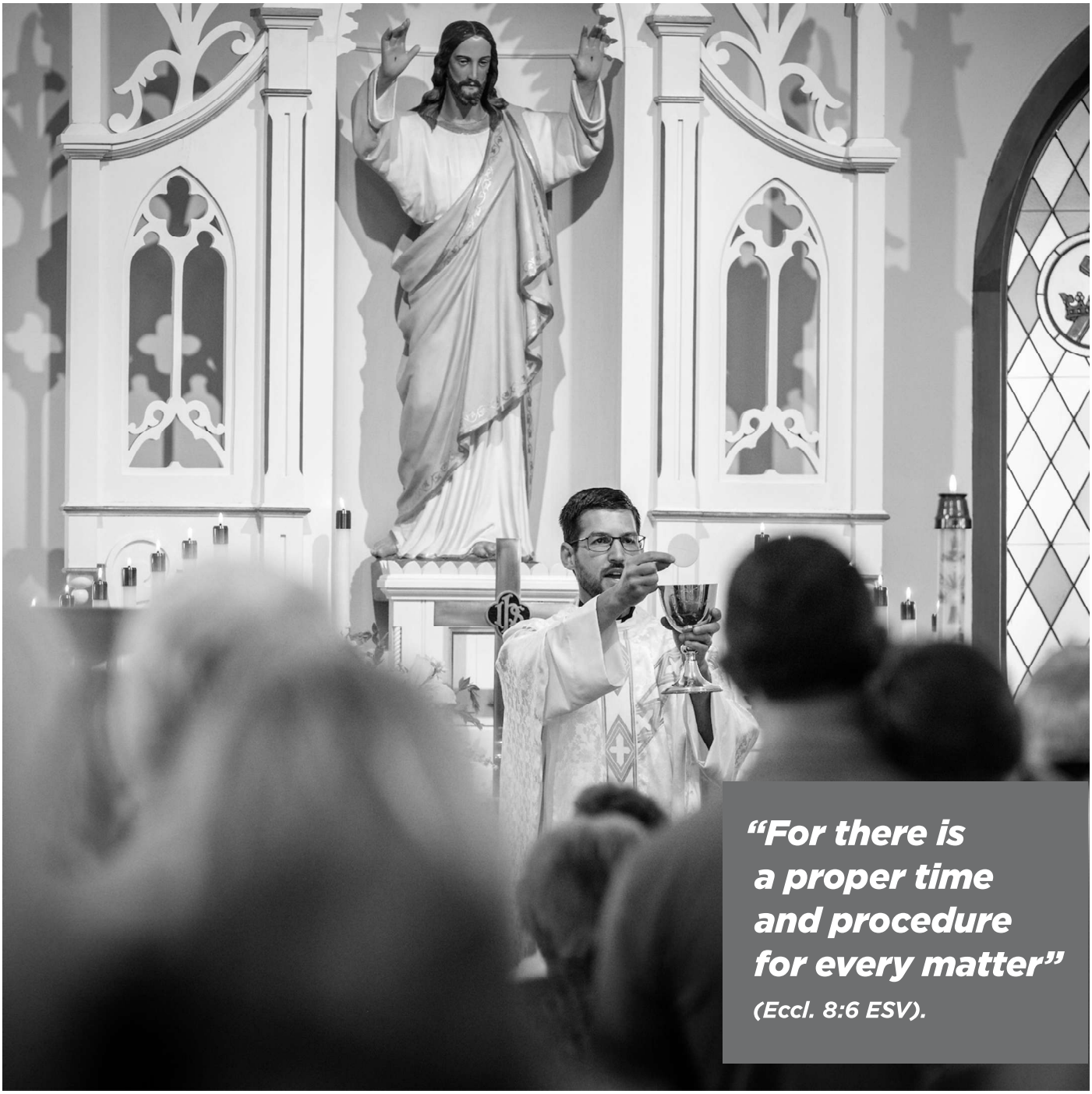

Congregational Treasurer's Manual

THE
LUTHERAN CHURCH
MISSOURI SYNOD

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The Lutheran Church—Missouri Synod
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Foreword

"Each one should use whatever gift he has received to serve others, faithfully administering God's grace in its various forms."

This quote from 1 Peter 4:10 is especially applicable to the gift of administration for the church treasurer. This manual is dedicated for your use with your gift of administration to the glory of God.

Regardless of its organizational size, the treasurer's position for a church or school is one of the most time-consuming and responsible jobs. The treasurer is expected to provide timely and reliable information to councils, boards and voters' assemblies; pay the bills on time; make certain adequate cash is available; to comply with complex and demanding payroll and tax requirements; handle administrative matters, and help the organization make responsible financial decisions for the benefit of its ministry. The treasurer truly must be the wise steward.

This congregational manual is written for every treasurer, no matter what the level of expertise, and is organized into two volumes, containing six major sections: "Employment Issues"; "Federal and State Tax Matters"; "Establishing and Administering the Organization"; "Supporting Organizations"; "Accounting and Finance"; and "Insurance."

Highlights include:

- Payroll and bookkeeping chapters that address tax, accounting and finance issues for the organization and its employees.
- Examples and filled-in forms of a sample congregation's bookkeeping system, including payroll forms and related federal tax reports.
- Recommended practices by the tax and legal counsel of the Synod for all LCMS congregations and schools. (Please note: These may not be the only methods of reporting taxes and payroll.)

Inquiries regarding this manual can be addressed to the Accounting Department, The Lutheran Church— Missouri Synod, 1333 S. Kirkwood Road, St. Louis, MO 63122-7295, or by calling 800-248-1930. You may also contact your district office, which is noted in Chapter 17.

The Synod is unable to provide legal or tax counseling services so please consult with competent professionals in your area if a situation arises.

This resource was produced by the District Business Administrator's Association, the Office of the Treasurer and the Department of Accounting of The Lutheran Church—Missouri Synod. Editing of this edition of the manual was done by Pam Palmer, Director of Tax & Compliance in the Synod's accounting department, with assistance from Marilyn Allen, business manager of the LCMS Northwest District; Cathy Korp, controller of the LCMS Pacific Southwest District; Denise Lo, business administrator of the LCMS California Nevada Hawaii District; Sally Naglich, business manager of the LCMS English District; Leslie Sramek, business manager of the Southern Illinois District; Chad Zinnel, business manager of LCMS South Dakota District; and Angela Fowler, business manager of the Mid-South District.

Thank you also is given to other department heads of The Lutheran Church—Missouri Synod who provided information; congregational treasurers throughout the church who provided review comments; and the many others who encouraged the development of this manual.

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1.100: Status

1.105: Pastors

Ordained pastors (including ordained specific ministry pastors) in the exercise of the ministry in The Lutheran Church—Missouri Synod (LCMS) are considered "ministers of the Gospel" by the Internal Revenue Service (IRS) and are subject to special tax rules and privileges.

1.110: Certified Teachers/DCEs/DCOs/ Deaconesses/Parish Assistants/ Certified Lay Ministers/Directors of Parish Music/and Directors of Family Life Ministry

All certified teachers, directors of Christian education, directors of Christian outreach, deaconesses, parish assistants, certified lay ministers, directors of parish music and directors of family life ministry who are listed on Synod's roster ("Lutheran Annual," under Minister of Religion — Commissioned) as graduates from one of Synod's educational institutions or who are qualified workers that have completed an approved colloquy or distance learning program and are in the exercise of the ministry are "ministers of the Gospel" because of specific rulings issued by the IRS. (See 1.905, 1.910 and 1.920. Ref. PLR 92-21025.) The IRS application to the professional church worker is often misunderstood by some IRS employees and tax preparers.

1.115: Ministers of Religion— Ordained or Commissioned

The Lutheran Church—Missouri Synod, in its 1983 convention, both reaffirmed the importance and classified the status of its ministers of religion. In its 1986 convention, it extended what was begun in 1983 — to consistently refer to its ministers as either ordained ministers or commissioned ministers.

Resolution 5-09A from the 1983 convention reaffirms the LCMS position that many different functions belong to the office of the public ministry. These functions may be performed, to varying degrees, by persons holding various positions and titles. In order to clarify these positions and titles, the Synod has established two classifications: "minister of religion, ordained;" and "minister of religion, commissioned." The functions performed by persons classified as "ministers of religion" contribute vitally to the discharge of the office of the public ministry. This is evidenced by the fact that such ministers are voluntarily eligible to hold membership in The Lutheran Church—Missouri Synod, a status not granted to any other individuals.

1.120: Call, Appointment and Contract

Although a call is in nature also a contract, synodical usage has differentiated between call and contract. Divine calls may be extended only to those persons who are on or who are eligible for inclusion on the synodical membership roster.

A call may be for a limited period of time (non-tenured) or permanent (tenured).

A contract is an agreement between an appointing body and an individual. Such an arrangement applies when the individual is not eligible for a call, and may apply in situations in which either party does not choose to use a call arrangement. A non-synodically trained person **cannot be called**, only **contracted**. Also, in some instances, synodically trained persons called to a congregation exercise contracts instead of call documents.

However, it should be clear in the following sections that those persons in ministry on Synod's roster are to be treated as ministers of the Gospel for payroll tax purposes, regardless of whether they execute a contract or a call document for full-time or part-time status.

1.140: The Importance of Being "in Ministry"

In addition to being an ordained or commissioned minister within The Lutheran Church—Missouri Synod, an individual must earn his/her compensation "in the exercise of the ministry" in order to be entitled to the treatment afforded to a "minister of the Gospel" under tax law.

"In the exercise of the ministry" is explained in this condensed version of an article by Synod's legal counsel.

> The Internal Revenue Code allows a "minister of the Gospel," under certain circumstances, to exclude from taxable income the value of a parsonage or a housing allowance. To qualify for the exclusion, the home or housing allowance must be provided to a minister and must be part of compensation paid for services as a minister of the Gospel. Being ordained or commissioned or being on a roster is not enough.
>
> If a minister is not conducting activities in the "exercise of his/her ministry," he/she cannot take advantage of the parsonage or housing allowance exclusion. Both the minister and the employer may be penalized if this requirement is ignored.
>
> The exercise of the ministry includes teaching or holding administrative positions in churches, parochial schools, colleges or universities and other religious organizations under the authority of a church. Ministers, congregations and other organizations served by them should consider this:
>
> If a particular position could be performed by someone other than a minister, but the minister's education and experience contribute significantly to the performance, this should be clearly stated in a

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written job description or employment agreement. Then the minister can be treated as "in ministry." If a minister does not regularly and significantly engage in sacerdotal functions or conduct worship or teach or hold administrative positions in the religious organization, the minister's employer should not declare a housing allowance for the minister. If it does, it may incur tax penalties or other liabilities.

1.200: Employee or Self-Employed

1.205: Introduction

The Internal Revenue Code is clear that regardless of whether a minister is an employee or an independent contractor, a minister is treated as self-employed for income tax withholding, social security and Medicare tax. The Internal Revenue Code does not state the employment status of ministers but contemplates that ministers may fall into either category for income tax purposes. The IRS bases the determination of whether an individual is an employee or self-employed (independent contractor) on common-law rules. IRS Publication 517, "Social security and Other Information for Members of the Clergy and Religious Workers," discusses the distinction between an employed and a self-employed minister and provides an example of how an employed minister should report his/ her earnings and deductions on Form 1040. IRS Publication 517 mentions a Form W-2, "Wage and Tax Statement," as the method for reporting compensation by the organization to a minister who is an employee.

1.210: The Common-Law Rule

The common-law rule defining a person's employment status can be stated as follows:

> The relationship of an employer and employee exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work but also as to the details and means by which that result is accomplished. That is, an employee is subject to the will and control of the employer not only as to what shall be done but how it shall be done. In this connection, it is not necessary that the employer actually direct or control the manner in which the services are performed, it is sufficient that he/she has the right to do so.

1.215: Ministers as Employees

The ministers of The Lutheran Church—Missouri Synod should be regarded as employees for tax purposes and be given Form W-2 based on their working relationship with their churches or other employers and their use of tax-sheltered annuities and cafeteria plans.

In Revenue Ruling 87-41, the IRS has issued guidelines to determine whether a worker is an employee or self-employed. Based on those guidelines, synodical parish pastors and all administrative and teaching personnel within the Synod and its colleges, seminaries, congregations and schools are regarded as common-law employees of their payers of salaries, not as engaged in an independent trade or business (see 7.105).

1.300: Income, Social Security and Medicare Taxes

1.305: Reporting Wages

The minister's salary must be reported on Form W-2, "Wage and Tax Statement," in Box 1 titled, "Wages, tips, other compensation." Form W-2 should be provided to the minister no later than January 31 following the calendar year in which the compensation was paid. Housing allowance should not be reported as wages here. The housing allowance and/ or fair rental value of a parsonage and church-paid utilities should be reported on Form W-2 in Box 14 or on a separate statement. (For greater detail, see 2.800.) All other allowances — auto or social security — paid to the minister may be reportable as compensation in Box 1 on Form W-2.

Taxable cost of group term life insurance coverage in excess of $50,000 must also be included on Form W-2 in Box 1 and reported in Box 12, coded C. (For greater detail, see 4.515.)

The employer's payments to a 403(b) tax-sheltered annuity (TSA) are not to be included in the box for wages, tips and other compensation. "Employer's payments" include amounts represented by salary reduction (Rev. Ruling 68-395). For clarification, the employer should provide the minister with a detail of the items reported on Form W-2.

See Chapter 5 for more information, in general, related to TSAs, and Chapter 4 for details related to the Concordia Retirement Savings Plan (CRSP), a specific 403(b) plan available to employees of participating employers.

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Items to Include/Exclude on Form W-2 in the Box "Wages, tips, other compensation." See Exhibit 7–K(2)

Include	Exclude
• Salary • Auto allowance (no accounting) • Social security allowance • Other cash expense allowance (nonaccountable) • Taxable cost of group term life insurance coverage in excess of $50,000 • Moving expense payments • Tangible and intangible gifts	• Housing allowance • Tax-sheltered annuity payments • Accountable expense reimbursements • Cafeteria Plan deductions

1.310: Forgiveness of Debt

Sometimes a congregation, as part of a minister's compensation package, provides him/her a loan (typically for a down payment on a home) and forgives a portion of the loan annually. The portion forgiven should be treated as compensation and reported on his/her Form W-2. If this "income" is used to provide housing debt retirement, the minister may include it as expenses to provide a home when determining how much of his/ her housing allowance was used.

If the evidence to secure repayment of such a loan is not made with meticulous care, the IRS could claim that it was not a loan at all, but compensation, and tax the entire amount in the year the money was "loaned." Compensating loans may also trigger the complicated rules that apply to nonqualified deferred compensation under section 409A of the tax code. Competent advice should be sought in connection with making loans that are planned to be forgiven later.

An arrangement by which no interest is charged or the rate is below market can result in taxable income on the difference between the applicable market rate and the rate actually charged except when special conditions are met regarding employee relocation loans. Competent advice should be obtained in connection with any loan for no interest or for low interest.

1.315: Gift Versus Compensation

At Christmas, retirement and anniversary of ordination, congregations often give their ministers gifts of money, trips (such as to the Holy Land) or other tangible gifts. All tangible and intangible gifts to an employee, including the minister, which have been either purchased or paid directly from the congregational treasury or solicited from individual members in an organized manner (e.g., door collection), is taxable compensation and should be included on Form W-2 unless given for length-of-service (described below). Intangible gifts include cash, gift cards, gift coupons, gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items selected or pre-approved by the employer), vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, and other similar items.

Tangible gifts given to employees **for length-of-service** (including retirement) are nontaxable only if the following conditions are met: the award is presented ceremoniously; the employee has completed at least five years of service and was awarded no more frequently than once every five years; and the gift's fair market value (as opposed to the employer's actual cost) falls within certain IRS-prescribed limits. The dollar limitations vary depending on whether or not a qualified awards plan has been adopted by the congregation. To be "qualified," it must be an established written plan that does not disproportionately favor highly compensated employees.

A qualified plan award is tax-free up to $1,600 per person providing the average cost of all noncash awards given to all employees does not exceed $400 per employee. **Example:** Hope Lutheran Church provided three length-of-service/retirement awards for the year.

Pastor Shepherd received a retirement watch worth $900, Secretary Ms. Smiley received a crystal vase worth $150, and teacher Mr. Brainerd received a clock worth $150. The total awards for the year totaled $1,200. $1,200 ÷ 3 *(employees)* = $400 average per employee. Since the average value of these awards did not exceed the $400 average limitation, none of them are reported as taxable compensation on IRS Forms W-2 (IRC Sect. 274 [j]).

All nonqualified plan awards may be tax-free up to $400 per employee per year. If Pastor Shepherd's watch was worth $1,500 in the above example, the limitation of "$400 average per employee" would have been exceeded, thereby making all the awards nonqualified. Accordingly, Hope Lutheran Church had to report $1,100 of Pastor Shepherd's gift as taxable compensation on his IRS Form W-2.

Some congregations "gift" their **volunteers** with cash or gift cards. If an aggregate amount of $600 or more is gifted to a volunteer in a single year, this amount must be reported as taxable nonemployee compensation to IRS on Form 1099-MISC (Follow the same process described at 7.465).

Gifts made privately to any church employee from individual congregation members are not deductible as charitable contributions; neither are they taxable income to the employee.

1.320: Reporting Other Compensation

How a minister reports other income on his/her tax return depends on the nature of the income. Salary received in

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service as a minister and reported to him/her on Form W-2 should be reported on Form 1040. "US Individual Income Tax Return"; as "Wages, salaries, tips, etc." Any housing allowance received in excess of the minister's actual excludible amount should be included with wages reported on Schedule 1, "Additional Income and Adjustments to Income," line 8z and listed as "Excess Allowance." (See IRS Publication 517 for an example of how this should appear.) Honoraria received as income for officiating at services, fees for weddings, providing music, writing articles, giving lectures/speeches or for radio or television appearances are taxable income and should be reported on Schedule C, "Profit or Loss from Business."

1.325: Social Security and Medicare Taxes

The minister of the Gospel is subject to self-employment tax (SECA), and the minister is responsible for these taxes. (See 1.340.)

Items the Minister Should Consider in Determining His/Her Self-Employment Income for Schedule SE (Rev Rul 80-110)

Included in Income	Deductions from Income
• Gross salary • Housing allowance or fair rental value of parsonage • Taxable cost of group term life insurance premium for coverage in excess of $50,000 • Schedule C income (e.g. honoraria for weddings, etc.) • Auto & expense allowances (if no accounting is made to the employer) • Social security allowance	• TSA payments • Schedule C expenses • Cafeteria Plan deductions • Professional expenses

IRS Revenue Ruling 80-110 clarifies there is no requirement in the tax code that stipulates only expenses qualifying for an income tax deduction reduce self-employment earnings.

1.330: Self-Employment Tax

Self-employment tax is paid quarterly (April 15–June 15–Sept. 15–Jan. 15) by the minister as an estimated tax deposit or through a voluntary withholding arrangement. It is generally included and paid along with the minister's estimated income tax (see 1.340). The final reporting of the self-employment tax is made on Schedule SE, "Self- Employment Tax," filed with the taxpayer's income tax return. Schedule SE does not compute the income and deductions to arrive at the net earnings subject to the tax, so that computation must be prepared separately by the minister and attached to Schedule SE.

The fair rental value of living quarters provided to a minister as a parsonage or teacherage, or the cash rental or housing allowance paid to the minister, **must be included in figuring net earnings for purposes of paying self-employment tax,** even though they are exempt from income tax. **Amounts paid into tax- sheltered annuities are not included for purposes of self-employment tax. Allowable business expenses (for an explanation refer to Chapter 6), whether or not deducted for federal income tax purposes, are subtracted for self-employment tax. This would include unreimbursed qualified moving expenses.** All honoraria for performing weddings, guest preaching or officiating at funerals or other services, less expenses, also are included in calculating the self-employment tax.

Voluntary payroll withholding arrangements should include the liability for self-employment tax. (See 1.915 4[a].)

1.335: Self-Employment Tax Rate

In determining self-employment tax liability, earnings from self-employment include those items identified in section 1.325. Self-employment earnings are reduced by 7.65 percent (or in other words, 92.35 percent of total self-employment earnings) before calculating the 15.3 percent tax liability.

In addition, a portion (approximately one-half) of the self-employment tax liability is deducted as an adjustment to gross income on the individual's tax Form 1040. Further information is in **IRS Publication 505, "Tax Withholding and Estimated Tax."**

Taxable Self-Employed

Year	Rate	Wage Base
2025	12.4%	wages up to $176,100
2025 (Medicare)	2.9%	wages up to $200,000 for single filers and $250,000 for joint filers
	3.8%	wages above $200,000 for singles filers and $250,000 for joint filers

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1.345:
Estimated Taxes Worksheet

Estimated Taxes
Worksheet 20__

Note: This worksheet is designed merely to estimate your tax liability for withholding purposes, not to calculate your actual tax.

Self-employment tax computation:

Salary (Including Housing Allowance, excluding TSA contributions)		$_____ (1)
Other earned net income (guest preaching, etc.)		$_____ (2)
Total Income		$_____ (3)
Multiplier		x 0.9235
Net self-employment income		$_____ (4)
Self-employment tax rate		x 0.153
Self-employment tax		$_____ (5)

Federal income tax computation:

Income		
Salary (exclude Housing Allowance and TSA contributions)	$_____ (6)	
Other earned net income	$_____ (7)	
Taxable interest, dividends and capital gains	$_____ (8)	
Other taxable income	$_____ (9)	
Total income (add lines 8 thru 11)		$_____ (10)
Subtract:		
1/2 Self-employment tax (line 7)	$_____ (11)	
Deductible IRA contributions	$_____ (12)	
Other adjustments (e.g., teacher's classroom expenses, student loan interest)	$_____ (13)	
Total subtractions (add lines 11 thru 13)		$_____ (14)
Adjusted gross income (line 10 minus line 14)		$_____ (15)
CHOOSE ONE { Standard deduction (use applicable table)	$_____ (16)	
-or-		
Estimated Schedule A deductions	$_____ (17)	
(enter the greater of lines 16 and 17 on line 18)		$_____ (18)
Taxable income (line 15 minus line 18)		$_____ (19)
Tax before nonrefundable credits (calculate using applicable table)		$_____ (20)
Nonrefundable credits (child tax credit, credits for child care, education and low-income taxpayers' TSA and IRA contributions)		$_____ (21)
Tax after nonrefundable credits (line 20 minus line 21; if result is negative, enter "-0-")		$_____ (22)
Refundable credits (earned income credit, additional child tax credit)		$_____ (23)
Federal Income Tax (line 22 minus line 23)		$_____ (24)
Combined estimated tax liability (line 5 plus line 24)		$_____ (25)

You can estimate your tax using 2024 IRS tax tables.

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Tables for Estimated Taxes Worksheet

2025 Standard Deduction (line 18)

Filing Status:	Amount:
Single or married filing separately	$15,750
Married filing jointly or qualifying widow or widower	$31,500
Head of Household	$23,625

2025 Personal Exemption (suspended until 2026)

Per Person	$Null

2025 Federal Tax Table

If 2025 taxable income (line 21) is:	The tax is:
Single Individuals:	
Not over $11,925	10% of taxable income
Over $11,925 but not over $48,475	$1,192.50 plus 12% of the excess over $11,925
Over $48,475 but not over $103,350	$5,578.50 plus 22% of the excess over $48,475
Married filing joint returns:	
Not over $23,850	10% of taxable income
Over $23,850 but not over $96,950	$2,385 plus 12% of the excess over $23,850
Over $96,950 but not over $206,700	$11,157 plus 22% of the excess over $96,950
Married filing separate returns:	
Not over $11,925	10% of taxable income
Over $11,926 but not over $48,475	$1,192.50 plus 12% of the excess over $11,925
Over $48,476 but not over $103,350	$5,578.50 plus 22% of the excess over $48,475
Head of Household:	
Not over $17,000	10% of taxable income
Over $17,000 but not over $64,850	$1,700 plus 12% of the excess over $17,000
Over $64,850 but not over $103,350	$7,442 plus 22% of the excess over $64,850

2025 Quarterly Payment

(line 27 divided by remaining quarters)

Period	Due	Amount (fill-in)
Jan. 1 – March 31	4/15/2025	_____
April 1 – May 31	6/16/2025	_____
June 1 – Aug 31	9/15/2025	_____
Sept. 1 – Dec. 31	1/15/2026	_____

The information contained in these tables changes annually and is published in IRS Form 1040-ES (www.irs.gov).

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1.340:
Declaration of Estimated Taxes

Since the compensation of a minister earned in the exercise of the ministry is specifically excluded in the Internal Revenue Code from mandatory federal income tax withholding, ministers should either pay quarterly installments of estimated tax or mutually agree on voluntary withholding with the employer.

The minister must determine whether he or she has an obligation to pay quarterly installments. To help them estimate these payments, offer them a copy of the Estimated Taxes Worksheet (see 1.345). The minister should obtain from the IRS a current Form 1040-ES, "Estimated Tax for Individuals," (containing payment vouchers) to remit the payments. Alternatively, the minister can pay his or her taxes online at *eftps.gov*, "Electronic Federal Tax Payment System." The IRS does not send out notices of taxes due.

Quarterly payments are due as follows:

For the period	Due date*
Jan. 1–March 31	April 15
April 1–June 30	June 15
July 1–Sept. 30	Sept. 15
Oct. 1–Dec. 31	Jan. 15

*(*Due dates falling on a Saturday, Sunday or legal holiday may be extended to the next business day.)*

If changes in income or deductions revise the original estimate, the estimate may be adjusted on the next installment of estimated tax or may be paid more immediately with an extra installment between quarters.

A "substantial" understatement of estimated tax could result in a penalty for underpayment.

1.350:
Voluntary Withholding for Ministers

If both the congregation and the minister agree, the congregation may withhold and remit taxes on behalf of the minister. A copy of a letter from the IRS dealing with the procedure to be followed to effect "voluntary withholding" is found in 1.915. An example of voluntary withholding and reporting on Form W-2 is found in Exhibit 7-K(3).

1.360:
Exemption from Self-Employment Tax

The Lutheran Church—Missouri Synod does not oppose participation by its ministers in social security on the basis of religious principles. Conventions of the Synod have enacted resolutions encouraging participation in social security, implying that, as a church body that ordains and commissions ministers, it does not recognize a theological basis for opposing participation in social security. For more information, see Treas. Reg. 1.1402(e)-2A.

The minister's filing of an exemption from the social security tax (IRS FORM 4361) does not affect the congregation's requirement to participate in social security for its lay employees.

Please note that if you opt out, it is irrevocable. Once out, the minister cannot revoke the election.

1.370:
Taxes and Ministers/2025 Edition

A brochure designed for ordained or commissioned ministers of The Lutheran Church—Missouri Synod can be obtained from your district office. It can also be viewed or downloaded from *lcms.org/resources/church-and-school-administration*.

1.400: Employment of Retired Ministers of the Gospel

1.405:
Introduction

From time to time, congregations have the opportunity to employ retired ordained or commissioned ministers. Wage and tax matters relating to such workers are dependent on a number of factors including age and social security status.

1.410:
Allowable Earnings Under Social Security

Retired workers under full retirement age who are receiving social security may earn up to $23,400 (in 2025) without realizing any reduction in their social security benefits. A $1 reduction is made for every $2 of income in excess of this limit. In the year a retiree reaches full retirement age, a $62,160/yr limit (in 2025) applies, however, only to the income earned in the months prior to the individual's birth month. One dollar in benefits will be withheld for every $3 in earnings above this limit. Starting with the month that a working retiree reaches full retirement age, he or she can receive full benefits with no limit on earnings.

For more information about how earnings in retirement may affect social security benefits, call 800-772-1213 and order SSN Publication No. 05-10069 "How Work Affects Your Benefits" or visit *ssa.gov/pubs/*.

1.415:
Other Income

Funds received by the worker such as honoraria are accounted for by the worker in his or her income tax filing.

1.420:
Taxes

Earnings by retired ministers, including those receiving social security benefits, are subject to income and self-employment tax. Treasurers are required to provide a Form W-2 to these workers and report these payments on Form 941, "Employer's Quarterly Federal Tax Return".

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1.425:
Housing Allowance

Retired ordained or commissioned ministers who were eligible for housing allowance before retirement continue to be eligible to designate a portion of their salary as housing allowance if working in the exercise of ministry. Since these retired workers noted above generally have 100 percent of their retirement benefits under Concordia Retirement Plan designated as housing allowance, confer with the worker regarding any additional housing allowance needed (see 4.545 for details). Housing allowance designations must meet the criteria explained in Chapter 2 of this manual.

The portion of a retiree's earnings received for conducting activities in the exercise of his or her ministry (for example, part-time ministry) that is designated as housing allowance is subject to self-employment tax. It must also be counted in terms of allowable earnings under social security. (See 1.410.) However, self-employment tax does not apply to the rental value of any parsonage or pension payments designated as housing allowance received by the minister from a church plan (Concordia Retirement Plan and Concordia Retirement Savings Plan) after the minister retires.

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1.900:
IRS Rulings

Provided for your reference and use when necessary are copies of three very important IRS rulings (Sec. 1.905, 1.910, 1.920), each of which in common have determined that LCMS commissioned ministers who teach in an LCMS school are eligible for the housing allowance exclusion under IRC Sec. 107 because they are authorized to perform substantially all ministerial duties within the scope of the tenets and practices of the LCMS.

In Sec. 1.915, the IRS provides guidelines concerning how to report a minister's wages when a voluntary tax withholding agreement is entered between the minister and his or her employer.

1.905:
Male Teachers Entitled to Tax-Free Housing
RULING OF THE COMMISSIONER OF INTERNAL REVENUE IN THE ELDOR N. EGGEN CASE

Office of COMMISSIONER OF INTERNAL REVENUE
Refer to: IT:P:TR:SAH-l

(Stamped Date)
Sept. 26, 1950

Mr. Fred L. Kuhlmann
c/o Lowenhaupt, Waite, Chasnoff and Stolar
408 Olive Street
St. Louis 2, Missouri

Dear Mr. Kuhlmann:

Reference is made to your letter and brief of May 15, 1950, submitted on behalf of Mr. Eldor N. Eggen and The Lutheran Church—Missouri Synod. The question under consideration relates to the taxability, for federal income tax purposes, of the value of living quarters furnished to Mr. Eggen, a teacher in a parochial school of The Lutheran Church—Missouri Synod. Since the question has as its basis the status of Mr. Eggen with respect to whether he is to be considered as a "minister of the Gospel" for federal income tax purposes, and since the question affects other persons occupying similar positions, The Lutheran Church—Missouri Synod, hereinafter referred to as the Lutheran Church, intervened in the case.

It is the position of Mr. Eggen and representatives of the Lutheran Church that the value of living quarters furnished to teachers of the parochial schools of the Lutheran Church does not constitute taxable income to the teachers because of the provisions of Section 22(b)(6) of the Internal Revenue Code which provides that the rental value of a dwelling house and appurtenances thereof furnished to a minister of the Gospel as a part of his compensation shall not be included in gross income and shall be exempt from taxation.

The Lutheran Church consists of local Lutheran congregations which are sovereign, self-governing bodies.

The Lutheran pastor and the Lutheran teacher only are charged with the public ministry within a particular congregation. Such congregations have united themselves in a voluntary Synodical organization. No layman as such may hold membership in the Synod. Membership in the Synod is held by congregations, pastors, and teachers. Therefore, by official regulation of the Church the teacher is classified with the pastor in the matter of membership in the Synod.

It is stated that the term "teacher" arises from the fact that these men are employed to teach in the elementary, secondary, and higher schools established, maintained, and conducted by the Lutheran Church, and that the term "teacher" is in a sense a misnomer as it implies that these men are in the same category as teachers of public or private schools. It is pointed out that according to the doctrine of the Lutheran Church, only those who have been specially "called" by the congregation may publicly exercise the rights of preaching, teaching, and performing other functions of the public ministry. Elders, deacons, Sunday school teachers, and others participate in church work, but the special "call" into the public ministry of the Lutheran Church is reserved for only two classes of men, the pastors and teachers.

The Lutheran Church maintains a system of ten preparatory schools, two seminaries for the training of its pastors and two teachers' colleges for the training of its teachers. The students who attend the preparatory schools may enter either the seminaries and become Lutheran pastors or the teachers' colleges and become Lutheran teachers. The curriculum of the teachers' colleges centers around courses in religion which is at the core of and permeates the entire course of study. There are thirteen courses on religious subjects, eight of which are required and five of which are elective. It is contended that the Lutheran teacher's training is such that it qualifies him as a minister of the Gospel. The Lutheran parish schools integrate religious education with the entire school life, curricular and extra-curricular, and the work of

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the teacher is regarded as part of the ministry of the church. Financial assistance is offered to students in the teachers' colleges.

At the time a young man is trying to determine whether or not to become a Lutheran teacher emphasis is placed on the service he is to render to God in the profession, and it is made clear that his chief compensation will not be the financial remuneration but the satisfaction of serving the Lord. It is pointed out to him that as a Lutheran teacher he has a heavy responsibility as a servant of the Church. The office of the Lutheran teacher is said to be a lifework and the average term of office about thirty-five years.

A "call" is issued by a particular congregation or other authorized body requiring the services of a pastor or teacher. The "call" is not merely an appointment to a secular position; it involves an election by the congregation.

A "call" is never issued to laymen or to women, and may be issued only to such servants of the church as have been specially trained and officially approved by the Synod as pastors or teachers. If the Lutheran teacher accepts the "call" he is then installed by the congregation which issued it. Both teachers and pastors are installed, the only difference being that the initial installation of a pastor is called an ordination. The teacher's first installation is essentially the equivalent of an ordination in that it is a formal, solemn confirmation of the teacher's "call" as a lifelong servant of the Church—a consecration or setting aside of such person for lifelong service. By reason of his "call" the teacher shares with the pastor the performance of the public ministry in the Lutheran Church. In the exercise of the functions of the public ministry, the Lutheran pastor and teacher are on an equality as ministers of the Gospel.

A very important and significant factor is that a Lutheran teacher may be authorized by the congregation to perform and often does perform any or all of the following ministerial duties: confirmation instruction, preaching and conducting church services, baptizing infants or adults, administration of Holy Communion, visiting the sick, spiritual guidance of Church organizations, spiritual counsel, mission work, funeral services, and Church discipline. It is a matter of custom and not of doctrinal prohibition that Lutheran teachers do not conduct marriage ceremonies.

Like that of a pastor, the "call" of the teacher is for life. If a teacher or a pastor deserts his vocation for invalid reasons or disqualifies himself in any manner, he is declared "ineligible for another call" and officially removed from the Synodical roster of ministers of the Church by the Synod.

Lutheran teachers along with the pastors participate in the pension plan operated by the Church.

As is pointed out in the brief filed by the taxpayer, neither Section 22(b)(6) of the Internal Revenue Code nor the regulations prescribed pursuant thereto provide a definition of the term "minister of the Gospel" or furnish any standards to be used in determining who is to be classified as a "minister of the Gospel." Section 22(b)(6) of the Internal Revenue Code was first enacted into law by the Revenue Act of 1921. Nothing appears in the House or Senate Committee reports of that time to set forth more particularly who or what class of persons are to be included within the term "minister of the Gospel."

In view of the foregoing, it appears that teaching in a Lutheran parochial school is a function of the public ministry in the Lutheran Church and that a Lutheran teacher has the status of a minister of the Gospel within the Lutheran Church. It further appears that a Lutheran teacher is subject to the same rules and regulations as a pastor with respect to call, installation, discipline, and retirement and performs the same functions as a pastor insofar as the congregation which he serves sees fit to authorize him, and enjoys, as does the pastor, membership in the Synod. It is held, therefore, that Mr. Eggen is a minister of the Gospel within the purview of Section 22(b)(6) of the Internal Revenue Code. Accordingly, the rental value of living quarters furnished Mr. Eggen is not includible in the gross income of Mr. Eggen for federal income tax purposes.

The conclusions reached herein are applicable only to the teachers of The Lutheran Church—Missouri Synod, the conclusions being based on the particular facts presented with respect to teachers of the organization.

Very truly yours,
(Signed)
C. W. Stowe
Acting Deputy Commissioner

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1.910:
Male Teachers as "Ministers of the Gospel"

May 1, 1964

District Director
Indianapolis, Indiana
National Office—Internal Revenue Service

A. R. Manske
Fort Wayne, Indiana

This is in reply to your request for technical advice with respect to the exclusion of a rental allowance, by the subject taxpayer, under Section 107 of the Internal Revenue Code of 1954.

Mr. Fred L. Kuhlmann, the taxpayer's representative, was granted a hearing in the National Office on March 4, 1964. Revenue Agent R. A. Englebright of your office was also present at the hearing.

The facts are understood to be as follows:

Mr. Manske is a principal at Bethlehem Lutheran School in Fort Wayne, Indiana.

He was educated at Concordia Teachers College at River Forest, where he received his B. S. degree in 1948.Upon his graduation, he was assigned by Synod's Board of Assignment to Bethlehem Lutheran Church which had issued a formal call to the board for a teacher. He has remained at Bethlehem Lutheran Church throughout his career as a teaching minister.

It is stated in the memorandum of law submitted by Mr. Kuhlmann that as a teacher of the congregation Mr. Manske is subject to the same requirements and provisions as is the pastor. Every male teacher who is trained in the Lutheran School System to be a parochial school teacher is solemnly installed by the congregation where he is first assigned to teach. Teaching in the Lutheran Church is considered a sacerdotal function and the male teachers are recognized by the Lutheran Church as ministers of the gospel. This recognition has evolved from an earlier practice where the teaching was performed by the pastor. Within the Lutheran Church, the male teacher and the pastor are given special recognition. No other members of the church occupy equal status with these two individuals.

Section 107 of the 1954 Internal Revenue Code provides for an exclusion of a rental allowance by a minister of the gospel to the extent used by him to rent or provide a home.

Section 1.107-1 of the regulations provides that the rental allowance must be paid as compensation for services which are ordinarily the duties of a minister of the gospel. In general, the rules of Section 1.1402(c)- 1(e) are applicable to such determination.

Rev. Rule. 57-107, C.B. 1957-1, 277, holds that male teachers in parochial schools inducted into the teaching ministry as ministers are "duly ordained, commissioned or licensed ministers of a church" within the contemplation of section 1402(c)(4) of the Self-Employment Contribution Act of 1954, and that they are performing services in the exercise of their ministry. Rev. Rule. 62-171, C.B. 1962-2, 39, concludes that this holding is also applicable under Section 107 of the Internal Revenue Code.

Accordingly, based on the foregoing, it is our conclusion that the taxpayer in the instant case qualifies as a minister of the gospel for purposes of Section 107 and his services as a principal in the Lutheran parochial school are services within the exercise of his ministry.

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1.915:
Voluntary Withholding

District Director
St. Louis, Mo.
Internal Revenue Service

Date: Feb. 9, 1973

In reply refer to: AU:F:3:31:WW

Mr. Philip E. Draheim
515 Olive St.
Suite 1700
St. Louis, MO 63101

Dear Sir:

This is in reply to your request for a determination as to the proper method to be employed to effect income tax withholding at source on wages paid to ministers and clergymen.

According to applicable law and regulations currently in effect, the following procedures are necessary to properly implement voluntary withholding of income tax which may be of an amount sufficient to satisfy the expected liability for self-employment taxes or other amounts:

1) An employer and an employee may enter into an agreement to provide for the withholding of income tax with respect to amounts which are includible in the gross income of the employee under Section 61 of the Internal Revenue Code and must be applicable to all such amounts paid by the employer to the employee.

2) The minister must furnish his employer with a properly executed Form W-4. The furnishing of the Form W-4 shall constitute a request for withholding. The acceptance of Form W-4, the beginning of withholding, and the signing of the Form W-4 by the employer shall constitute agreement on the part of the employer. Note: Form W-4 must be signed by both the employer and the employee.

3) Amounts to be withheld shall be based upon information on Form W-4 and determined under rules contained in Section 3402 and applicable regulations.

4) This agreement may be effective only for the withholding of income tax.
   a) Additional withholding may be requested for amounts over and above the regular withholding rates. This additional amount will be set forth in item 8, Form W-4 (Rev. Dec. 1971)[1], and, in the event of a clergyman, may be of an amount sufficient to cover the anticipated liability for self-employment tax.

5) The employer must report the above-noted withheld tax on Form 941 (quarterly) in accordance with applicable provisions of law and regulations. Currently, Form 941 (Rev. July, 1972)[2] provides that this withheld tax be reported on lines 10 through 13.

In reply to your other questions, we submit the following:

1) A minister or clergyman is required to file Schedule SE (Form 1040) with his annual federal income tax return if he has elected coverage by filing Form 2031 (Waiver Certificate to Elect Social Security Coverage for Use by Ministers, Certain Members of Religious Orders, and Christian Science Practitioners) with the I.R.S. within prescribed time limits. Also, automatic coverage was extended to all ministerial services for all taxable years after 1967 unless a clergyman had been granted an exemption from such coverage.

2) Amounts listed in item 10[3] of Form 941 shall not include that part of a clergymen's compensation designated as a "parsonage allowance" which is not includible in his gross income by reason of application of law and regulations under Section 107 of the Internal Revenue Code.

This is a determination letter as defined in Revenue Procedure 72-3, Internal Revenue Bulletin 1072-1.

Very truly yours,
A. W. McCanless
District Director

[1] Rev. Jan. 2020 - Line 4(c)
[2] Rev. April 2020 - Line 3
[3] Rev. April 2020 - Line 2

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1.920:
Female Teachers

The following is the IRS private letter ruling #PLR 92-21025 concerning Female Commissioned Ministers.

Internal Revenue Service

Department of the Treasury

P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Person to Contact:
Marie Cashman

Telephone Number:
(202) 566-4747

Refer Reply to:
CC:EE:2 - 31-2152-91

Date: FEB 20 1992

Index No.: 0107.00-00

The Lutheran Church-Missouri Synod
1333 S. Kirkwood Road
St. Louis, MO 63122

Key: Commissioned Minister = Female Commissioned Minister(s)
X = The Lutheran Church-Missouri Synod

Dear Sir or Madam:

This is in response to a request for a ruling submitted by your authorized representative that X's Commissioned Ministers are entitled to the exclusion from gross income provided by section 107 of the Internal Revenue Code (Code). Rulings are also requested that the services Commissioned Ministers perform are in the exercise of their ministry for purposes of section 1402, 3121, 3309 and 3401.

X is a well established religion of more than 5900 congregations located throughout the United States. Approximately 17,000 ministers perform services for X including the Commissioned Ministers, whom X regards as essential to its religious mission under its beliefs, traditions, and practices.

Generally, a candidate to be a Commissioned Minister completes four years of study at a college operated by X where the curriculum centers around courses in religion. Upon completion of the required education, the college faculty, on behalf of X, certifies that the candidate is fit for the position of Commissioned Minister. The certificate of fitness assures that the candidates are academically, theologically and morally fit to have the status and authority of Commissioned Minister. The certified candidate is then "called" by a congregation, and after accepting the call, the candidate is installed as a Commissioned Minister in a formal ceremony. Occasionally an individual may become a Commissioned Minister through a "colloquy", which requires the candidate to have achieved equivalent academic, religious, educational, and personal life qualifications. In addition, a colloquy candidate must pass oral and written examinations.

Commissioned Ministers serve God and X by performing full-time public ministry functions including: classroom teaching; evangelizing; counseling individuals; leading Bible study groups, devotions, worship services for youth and a congregations's music

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ministry; giving the children's sermon at the regular Sunday worship service; addressing the congregation in a worship service on a subject in which the Commissioned Minister has expertise; coordinating lay church workers; administering or guiding a congregations's youth ministry; coordinating family ministry events; participating in ministries to those with special needs; and caring spiritually for the sick and imprisoned and their families. X regards teaching of the faith to the children and youth of the flock as a major duty of the pastoral office. Upon acceptance of a call and installation into a ministry position, a Commissioned Minister becomes a "member" of X.

You have represented that the majority of Commissioned Ministers are called directly by an individual church to serve in the church's parochial school. The schools, for the most part are not separate organizations from the churches. However, some of the schools are incorporated separately from a member congregation, and you have represented that each such school is an integral agency of a member congregation. A Commissioned Minister also may be called by a congregation to be a deaconess or Director of Christian Education.

Generally, an ordained minister of X officiates in the public administration of the sacraments and leads the public worship. In certain situations, a Commissioned Minister may lead the liturgy in prayer, read the Scriptures in a church service or perform a baptism. Under the doctrine of X, baptism is a sacrament.

Section 107 of the Code provides that in the case of a minister of the gospel, gross income does not include the rental value of a home furnished to the minister as a part of the minister's compensation or the rental allowance paid to the minister as part of the minister's compensation, to the extent used by the minister to rent or provide a home.

Sections 1402, 3121, and 3401 of the Code, which provide definitions for purposes of the Self-Employment Contributions Act, Federal Insurance Contributions Act and income tax withholding respectively, refer to services performed by a "duly ordained, commissioned, or licensed minister" of a church in the exercise of his ministry. Section 3309, relating to the Federal Unemployment Tax Act, contains similar language.

Section 1.107-1(a) of the Income Tax Regulations provides that in order to qualify for the exclusion provided by section 107, the home or rental allowance must be provided as remuneration for services which are ordinarily the duties of a minister of the gospel. In general, the rules provided in regulation section 1.1402(c)-5 apply to such determination.

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The Lutheran Church-Missouri Synod

Section 1.107-1(a) also provides that examples of specific services which will be considered duties of a minister for purposes of section 107 include the performance of sacerdotal functions, the conduct of religious worship, the administration and maintenance of religious organizations and their integral agencies, and the performance of teaching and administrative functions at theological seminaries.

Section 1.1402(c)-5(a)(2) of the regulations provides that a "duly ordained, commissioned, or licensed minister" of a church is engaged in carrying on a trade or business with respect to service performed by him in the exercise of his ministry or in the exercise of duties required by a religious order unless an exemption under section 1402(e) is effective.

Section 1.1402(c)-5(b)(2) of the regulations provides that service performed by a minister in the exercise of his ministry includes the ministration of sacerdotal functions; the conduct of religious worship; and the control, conduct and maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations) under the authority of a religious body constituting a church or church denomination. Section 1.1402(c)-5(b)(2)(i) provides that whether service performed by a minister constitutes the conduct of religious worship or the ministration of sacerdotal functions depends on the tenets and practices of the particular religious body constituting the minster's church or church denomination. Sections 31.3121(b)(8)-1 and 31.3401(a)(9)-1 of the Employment Tax Regulations contain similar provisions.

If a church or church denomination ordains some ministers of the gospel and licenses or commissions other ministers, the licensed or commissioned minister must perform substantially all the religious functions within the scope of the tenets and practices of his religious denomination to be treated as a "minister of the gospel" under section 107 of the Code. Rev.Rul. 78-301, 1978-2 C.B. 103.

In Wingo v. Commissioner, 89 TC 922 (1989), the issue was whether the taxpayer was performing services as a "duly ordained, commissioned or licensed minister" for purposes of the self-employment tax exemption under sections 1402(c) and 1402(e) of the Code. In 1980, the taxpayer became a probationary member of the North Arkansas Annual Conference of the United Methodist Church (the Conference), an ordained deacon of that denomination and a licensed local pastor of a church of that denomination. As such, he administered the Sacraments of Baptism and the Lord's Supper to members of his congregation, conducted worship and other religious services for his local church, and performed services in the control, conduct and maintenance of his local

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church and the Conference. The court held that the taxpayer was a "duly ordained, commissioned, or licensed minister" within the meaning of section 1402 when he assumed the duties and functions a minister in 1980.

In determining whether the taxpayer was a "duly ordained, commissioned, or licensed minister" the court examined whether taxpayer performed the duties and functions of a minister within the three types of ministerial services under section 1.1402(c)-5(b)(2) of the regulations and also considered whether the taxpayer actually was ordained, commissioned, or licensed, and whether his church considered him to be a religious leader.

The court held that the taxpayer was a minister for purposes of section 1402(c) of the Code because he satisfied all the elements of section 1.1402(c)-5(b)(2) of the regulations. First, as a local pastor and an ordained deacon he administered the sacraments. He satisfied the second prong, conducting religious worship, when he served as the local pastor of church. The court also held that he satisfied the third prong (control, conduct, and maintenance of the church or religious organizations within the church) because he was in charge of all the organizational concerns of his own congregation, including administering the provisions of the church discipline, supervising the working program of the local church, maintaining church records and meeting local financial obligations. The court noted that a church's designation of a person as a minister standing alone, is insufficient to determine whether he is a minister for self-employment tax purposes; however, it is an additional factor to consider. The court concluded that when a person performs all the three types of services set forth in the regulations and is recognized as a minister or religious leader by his denomination, as here, that person is a minister for purposes of section 1402(c). Thus, taxpayer's status as a probationary member of the Conference did not prevent him from being a minister for purposes of section 1402(c).

Under the test applied in Wingo and the test set forth in Rev. Rul. 78-301, we conclude in the present case that the services Commissioned Ministers perform are in the exercise of their ministries within the meaning of section 1.1402(c)-5(b)(2) of the regulations. Accordingly, the Commissioned Ministers are performing services as "ministers of the gospel" within the meaning of section 107 of the Code and are eligible to exclude any amounts designated as a housing allowance from their gross income under section 107.

We further conclude that the services Commissioned Ministers perform are in the exercise of their ministry within the meaning of sections 3121, 3401, and 3309 of the Code.

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The Lutheran Church-Missouri Synod

No opinion is expressed as to the federal tax consequences of the transaction described above under any other provision of the Code.

This ruling is directed only to the taxpayer who requested it. Section 6110(j)(3) of the Cod provides that it may not be used or cited as precedent.

Sincerely,

Jerry E. Holmes

JERRY E. HOLMES
Chief, Branch 2
Office of the Associate
Chief Counsel
(Employee Benefits and
Exempt Organizations)

Enclosure:

Copy for 6110 purposes.

cc: F. Vilbig

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Chapter 2: Housing Allowance and Parsonage

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2.100: Introduction

The compensation package of an LCMS minister of religion — ordained or commissioned may include a parsonage (that is, the use of church-owned housing), or a housing allowance, or both.

Concerning their treatment for federal income tax purposes, the Internal Revenue Code Section 107 states the following:

In the case of a minister of the Gospel, gross income does not include:

1. The rental value of a home furnished to him/her as part of his/her compensation; or
2. The rental allowance paid to him/her to rent or provide a home (within certain limits).

Granted only to ministers (i.e., licensed, ordained or commissioned in the exercise of their ministry), this favorable income tax relief dates back to the earliest days of the United States and was a consideration given by Congress in exchange for the expectation that the clergy would provide sanctuary for the "deserving poor" — widows and orphans.

For this publication, references to "housing allowance" will include all allowances paid to a worker for providing a home. This includes housing allowance, utilities allowance and furnishings allowance. The two terms, "housing allowance" and "parsonage," are different and distinctive. They may be provided separately or in combination. Although neither is subject to income tax, they are both subject to self-employment tax.

2.200: Eligibility

Pastors, certified teachers, DCEs, DCOs, deaconesses, parish assistants, directors of church ministires, directors of parish music and directors of family life ministry who are listed on the Synod's roster and are in ministry as described in paragraph 1.140 are eligible to be compensated with a housing allowance. Some or all of the housing allowance may be income tax free. These same workers are also eligible to be compensated with a parsonage and utilities paid for by the congregation. The fair rental value of the parsonage and paid-for utilities are entirely income tax-free as provided under Internal Revenue Code Sec. 107. A minister's widowed spouse is not eligible for this tax-free benefit. For retired ministers, see 1.425. As stated previously, either form of housing provided by the congregation is subject to self-employment tax.

2.300: Housing Allowance

A housing allowance neither increases nor decreases the cost of the worker to the congregation. It is a part of the worker's compensation that has been designated as housing allowance.

A housing allowance may be designated whether the minister lives in a home owned by the congregation, a rental dwelling or owns his own home. The amount of allowance may vary with these circumstances.

If the furnished dwelling is owned by the congregation, but the minister pays the cost of the utilities or other expenses connected with the home, the employer may designate part of the minister's compensation as "parsonage allowance" to cover the cost of the utilities and other dwelling expenses.

Where an employer does not furnish a parsonage and the minister rents or provides his or her own home, the employer may designate an even greater part of his or her compensation as "housing allowance" which will be used for expenses related to home ownership (See 2.322 for includible expense).

2.310: Housing Allowance Income Tax Aspects

To the extent that a designated housing allowance is used to rent or provide a home and does not exceed the furnished home's fair rental value plus utilities, it is not subject to federal income tax. Read 2.320 for a clearer understanding of this statement.

2.320: Tax-free Limits

The housing allowance income tax exclusion is limited to the **least of** the three following amounts:

1. **Amount of the minister's compensation designated as housing allowance,** approved by official action taken in advance of payment by the governing body of the employer, and evidenced in the official minutes of the governing body.
2. **Amount expended or used** by the minister to provide a home during the year and properly substantiated.
3. **The fair rental value of the home (including garage, etc.), furnished, plus utilities.**

A minister cannot exclude from taxable income any amount of the designated allowance that exceeds the conditions in those "least of" rules outlined here. The excess taxable housing allowance must be reported by the minister on his or her IRS Schedule 1 Line 8z.

The sections that follow provide further details concerning how each of these conditions may be separately calculated.

2.321: The Designated Amount

IRS assigns the minister's employer with the task of designating how much of his or her salary is believed will be used in providing a home. It must be "reasonable" in amount. In other words, the amount cannot be more than reasonable pay for a minister's services. Nor can any portion of the minister's salary being contributed to a

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403(b) TSA also (concurrently) be designated as housing allowance.

The designation of the housing allowance must be pursuant to official action taken in advance of payment of the allowance. The designation should be in writing to avoid any confusion about its proof, preferably evidenced in the minutes of the appropriate governing body of the employer (e.g., board of directors, church council, voters' assembly, etc.). If not done by adoption of a formal resolution, designating the amount as a budget line item may be sufficiently "official."

The designation cannot be made retroactively. This is extremely important, as ministers have been required to pay taxes and penalties on housing allowances if they could not show proper pre-authorization.

The designation may take the form of a specific dollar amount (generally based upon the minister's estimate of the amount he or she believes will reasonably be excludible) or a percent of total compensation. There is no suggested percentage by the Synod or a limitation based on a percentage of compensation by the IRS.

It may be amended from time to time as necessary, but each amendment must be formally adopted by the employer and can only be effective for payments made after adoption by the appropriate body or voters' assembly.

2.322: Use of Housing Allowance

To the extent that the designated housing allowance amount is used to rent or provide a home and *does not exceed the furnished home's fair rental value plus utilities,* it may be excluded by the minister of religion — ordained or commissioned from income tax. In determining the amount used to rent or provide a home, a minister may take into account all of his or her payments for repairs, real estate taxes, mortgage payments (both principal and interest), insurance, lawn care, utilities, furniture, remodeling and other home improvements.

The following worksheet has been designed to assist a minister in estimating his or her total amount of housing expenses. Its inclusion in this publication does not imply that the minister must disclose details of this kind to the governing board that makes the housing allowance designation. The amount a minister of religion requests of his or her congregation to pre-designate as housing allowance should consider all the housing allowance limitations (see 2.320).

MINISTER'S ESTIMATE OF EXPENSE

ITEM		AMOUNT
1.	Rent on home	$_____
2.	Garage rental	_____
3.	Down payment; legal, loan and title fees; and real estate commission on purchase of home	_____
4.	Mortgage payments (principal and interest)	_____
5.	Real estate taxes and assessments on home	_____
6.	Property insurance (homeowner's or renter's)	_____
7.	Utilities:	
	Gas	_____
	Electricity	_____
	Water and sewer	_____
	Heat	_____
	Telephone (basic service)	_____
	Trash pick-up, environmental fees	_____
	Storm drainage	_____
	Cable/satellite TV, internet	_____
8.	Furnishing and appliances (purchase and repair)	_____
9.	Structural repairs and remodeling	_____
10.	Lawn care and landscaping	
11.	Maintenance items (household cleansers, light bulbs, pest control)	_____
12.	Other allowable expenses (specify)	_____
13.	Homeowners' Association dues	_____
	TOTAL	$_____

2.323: Fair Rental Value

Currently, IRS has no written procedures concerning the method or frequency for determining this value. In its *Audit Technique Guide for Ministers*, the IRS tells its agents that determining the fair rental value of a parsonage "is a question of all facts and circumstances based on the local market …" It also suggests the importance of "documentary evidence."

Some appraisal experts suggest approximating the annual rental value of a home by taking 1 percent of the home's fair market value and multiplying the product by 12. But this calculation doesn't always yield accurate results — and it doesn't consider the rental value of a *furnished* home.

The fair rental value of a home is generally the amount that houses of comparable size and quality in the same vicinity would rent for in an arm's-length transaction. It's

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probably a good idea to contact a local real-estate agent for help. Real estate agents often manage rental properties and know their local markets. As an alternative, look for relevant classified ads in the newspaper.

And, don't forget the home's furnishings. IRS hasn't provided guidance for determining these rental values, either. However, it may be reasonable to contact furniture rental agencies for them. Such companies can usually quote rates by-the-room.

Finally, document how, when and with whose help you arrived at a fair rental value-and keep that information for future reference. This amount should be reviewed regularly and reasonably adjusted for changes. In complicated situations, seek the advice of a qualified tax professional.

2.330:
One Home

There is another long-standing restriction IRS has imposed on the excludible portion of a minister's compensation received for housing, confirmed by the court. A minister of religion — ordained or commissioned can only exclude from gross income his or her housing allowance used in providing only "one" home. Generally, that home was the primary residence.

2.340:
Debt-Free Home

As a matter of interest to ministers of religion — ordained or commissioned who own their home debt-free, they are usually not able to exclude as much of a housing allowance as those who own their homes subject to a debt. The reason, of course, is that they are not making principal and interest mortgage payments. Even though the fair rental value of the home may have appreciated, the "least of" rule limiting the tax-free portion of housing allowance (see 2.320) still applies. So when expenses on a debt-free home drop below the amount designated for housing allowance and the home's fair rental value, then the exclusion is strictly limited to the homeowner's fewer expenses.

2.350:
Home Equity or Second Mortgage Loans

As a homeowner, a minister of religion — ordained or commissioned may at some time take a second mortgage or home equity loan on his or her property. The purpose and use of this borrowed money will determine whether or not the payments can be considered "uses" of his or her housing allowance. If the borrowed funds were used to pay for home repairs, maintenance or furnishings, payments (including principal and interest) will be considered a use of housing allowance. If they were partially used for another purpose (i.e., credit card debt, personal loans, education, etc.) you must prorate payments between housing and personal expenses.

2.360:
Home Loan Between Church and Minister

Congregations may elect to assist a minister with the purchase of a home by means of a direct loan. Forgiveness of debt or interest free loans could result in additional income for the worker (see 1.310).

The congregation is required to report the interest payments made by the minister on Form 1098, "Mortgage Interest Statement" (Exhibit 2). The Form 1098 must also be submitted to the IRS with a Form 1096, "Annual Summary and Transmittal of U.S. Information Returns," (see Exhibit 7-R). The box for Form 1098 must be checked on the Form 1096.

Principal and interest payments made by the minister may be a qualified use of housing allowance as provided in this chapter.

A home or former parsonage being purchased by a minister is usually not exempt from property tax. Check the applicable laws in your state.

2.370:
Itemized Deductions

Although mortgage interest and real estate taxes are generally a housing allowance use that is excluded from the minister's gross income for income tax purposes, he or she may also claim deductions for the same if itemizing them on his or her tax return. This example of "double dipping" is a matter of law and another special tax benefit to ministers of religion — ordained or commissioned.

2.500:
Parsonage

Where an employer furnishes a minister of religion — ordained or commissioned with a dwelling, a parsonage, the fair rental value of the housing, including any employer-paid utilities, is not part of the taxable compensation for income tax purposes. The same applies to the furniture, garage, repairs and maintenance, if furnished by the employer. *(Note: The home's fair rental value and utility expenses paid for by the employer are included in income for self-employment tax computation.)*

2.510:
Parsonage Income Tax Aspects

Unlike with housing allowance, there are no limitations with respect to the employer-provided housing that is excludible from the minister's gross income for income tax purposes. Plainly speaking, 100 percent of a parsonage's value is income tax-free but taxable for self-employment. However, IRS could assess the congregation's officers and the minister both with severe monetary penalties (intermediate sanctions) if the value of the housing in combination with his or her salary is highly unreasonable compensation for his or her services.

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2.600: Substantiation and Disclosure

Whether a minister of religion — ordained or commissioned is provided with a parsonage or receives a housing allowance as part of his or her earnings, he or she must understand there are certain substantiation and disclosure requirements that must be followed to ensure their income tax benefit.

In order to exclude any amount of the housing allowance, proof of housing-related expenditures in the form of receipts or cancelled checks should be retained by the minister. IRS does not require this information to be shared with the employer.

In addition to substantiating how the housing allowance was used, it is also recommended that the minister document when and how he/she determined his or her home's annual fair rental value, furnished. If the congregation owns the dwelling, the employer and minister should openly discuss and agree on determining that amount. See how the amount might be determined in 2.323.

The minister should also ask for and keep a copy of his or her housing allowance designation. The designation may appear in the minister's call documents, employment contract, the church minutes, the church budget, or any other document indicating official action. Having a copy in-hand helps to reassure the minister that this action was actually taken by his or her employer.

If the IRS suspects that a taxpayer has omitted a substantial (25 percent or more) amount of income on his or her tax return, the Service has up to six years to audit and assess an additional tax. However, an item is not considered omitted if its existence has been disclosed in the return, or in a statement attached to the return, in a manner that apprises the IRS of the nature and amount of the item. Since a minister's housing allowance (or annual fair rental value of a parsonage) is likely to be a substantial portion of a minister's income, it is recommended that he or she disclose having received the earnings and explain its excludible nature. A Form W-2 showing the nature of the income and excludible amount in Box 14 will probably be sufficient in meeting this disclosure requirement and thus avoid the six-year statute of limitations. However, some employers may not show that information in this manner. In that case, the minister should consider preparing a statement with this information himself and attach it to the return. Otherwise, he or she should keep all housing allowance and/or parsonage information related to a tax return for six years after the return's due date.

2.700: Self-Employment Tax

Although neither the minister's excludible housing allowance nor employer-provided housing is subject to income tax, they are subject to self-employment tax. For this reason, it's important to communicate these amounts to the minister. The section that follows describes how this information should be reported. The reported value has no relationship to the 25 percent allocation for a person living in church-supplied housing used by Concordia Plan Services for benefit computation. In order to report an accurate amount of employer-furnished housing, it is important to have the home's fair rental value determined (see 2.323). Also, keep a record of any utility payments made with respect to the property. IRS expects that the amount reported is a figure "agreed on" by the church and minister and that documentary evidence in this regard exists.

8181 ☐ VOID ☐ CORRECTED

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	OMB No. 1545-1380 Form 1098 (Rev. April 2025) For calendar year	Mortgage Interest Statement
	1 Mortgage interest received from payor(s)/borrower(s) $	Copy A For Internal Revenue Service Center
RECIPIENT'S/LENDER'S TIN / PAYER'S/BORROWER'S TIN	2 Outstanding mortgage principal $ / 3 Mortgage origination date	For filing information, Privacy Act, and Paperwork Reduction Act Notice, see the General Instructions for Certain Information Returns.
	4 Refund of overpaid interest $ / 5 Mortgage insurance premiums $	www.irs.gov/Form1099
PAYER'S/BORROWER'S name	6 Points paid on purchase of principal residence $	
Street address (including apt. no.)	7 ☐ If address of property securing mortgage is the same as PAYER'S/BORROWER'S address, check the box, or enter the address or description in box 8.	
City or town, state or province, country, and ZIP or foreign postal code	8 Address or description of property securing mortgage (see instructions)	
9 Number of properties securing the mortgage / 10 Other		11 Mortgage acquisition date
Account number (see instructions)		

Form 1098 (Rev. 4-2025) Cat. No. 14402K www.irs.gov/Form1098 Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Exhibit 2

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2.800: Reporting Requirements

There are various ways the housing allowance of the minister of religion — ordained or commissioned may be reported for tax purposes. Two common ways are listed as follows:

1. **Estimated Exclusion Method**
   Generally the most commonly used method by congregations of The Lutheran Church—Missouri Synod, it requires the least amount of congregational involvement in determining what portion of the minister's designated housing allowance is actually excludible from federal income tax. Before the beginning of the year, the minister presents the governing body with an estimated amount of his or her housing allowance needs (refer to 2.322 for an understanding of how a minister might estimate this amount).

   The church board adopts a resolution designating the housing allowance for the following calendar year based on that estimate. At the following calendar year-end, the treasurer prepares the W-2 by reporting the net salary (gross salary less housing allowance) in Box 1 and the housing allowance in Box 14 or on a separate statement. The minister then considers the "least of" rule shown in 2.320 and reports any unused housing allowance on his or her Form 1040, line 1.

2. **Actual Exclusion Method**
   Before the beginning of the year, the governing body may designate the housing allowance as a reasonable stated percentage of compensation in lieu of the minister's estimation. At the following calendar year-end, the treasurer tests to ensure the amount of gross salary being excluded as housing allowance on the minister's wage statement is consistent with the congregation's designation (gross salary multiplied by the stated percent). The treasurer and minister then follow the same IRS-reporting procedures as described under method 1.

According to IRS Publication 15-A, the rental value of housing provided to a minister may be reported to him or her on a separate statement or in Box 14 on Form W-2. In this regard, do not mistakenly label this amount as a "housing allowance" as that may cause the minister to improperly calculate his or her income tax liability. Report only the amount agreed upon between you and the minister. See 2.323 for guidance concerning how that amount might be determined. The reported value has no relationship to the 25 percent allocation for a person living in church-supplied housing used by Concordia Plan Services for benefit computation.

2.900: Sample Housing Allowance Resolutions

This section contains sample resolutions that may be used by a congregation in setting the housing allowance for minister employees. However, make sure the congregation thoroughly understands the rules applicable to designating one before its adoption (refer to 2.321, The Designated Amount). Samples 2, 3 and 4 are written in "standing" form; however, the congregation could adopt one annually to reflect revised requests for housing allowance amounts by the minister as shown in sample 1. Congregations should recognize the needed amounts for housing allowance will vary greatly among their eligible workers. Therefore, sample resolutions 1, 3 and 4 will assure the most favorable tax treatment for their workers.

SAMPLE 1
All Employed Ministers—Stated Dollar Amount
RESOLUTION

RESOLVED, that ***(name of congregation)***, authorizes and establishes the following individual(s) housing allowance for the year 20xx:
Name_____ Amount_____
Name_____ Amount_____
The housing allowance will be paid from _____, 20xx, to December 31, 20xx.

SAMPLE 2
All Employed Ministers—Stated Percentage
RESOLUTION

RESOLVED, that ***(name of congregation)***, as a standing resolution to remain in force and effect until such time as amended or revoked, hereby authorizes and establishes a housing allowance for each ordained or commissioned minister of religion at any time serving it in an amount each year equal to _____ percent of that person's gross annual compensation. Annual gross compensation comprised of ***(Congregation should designate what is included in gross annual compensation.)***

SAMPLE 3
Individual Minister—Stated Dollar Amount
RESOLUTION

RESOLVED, that ***(name of congregation)***, as a standing resolution to remain in force and effect until such time as amended or revoked, hereby authorizes and establishes a housing allowance for ***(individual's name)*** at any time serving it in the amount of $_____ per year.

SAMPLE 4
Individual Minister—Stated Percentage
RESOLUTION

RESOLVED, that ***(name of congregation)***, as a standing resolution to remain in force and effect until such time as amended or revoked, hereby authorizes and establishes a housing allowance for ***(individual's name)*** for the duration of service in an amount each year equal to _____ percent of that person's annual compensation. Annual gross compensation comprised of ***(Congregation should designate what is included in gross annual compensation.)***

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Chapter 3: Lay Employees

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3.100: Classification

There are three classes of workers in the LCMS system: 1) Ministers of Religion– Ordained, 2) Ministers of Religion – Commissioned, 3) Lay Employees. For the details of Class 1 and 2, please see chapter 1. Any employees who belong to class 1 or 2, but without a divine call, or do not belong to class 1 or 2, are classified as lay employees. This classification is very essential in terms of tax withholding purposes. Below are categories commonly classified as lay employee's positions:

3.105: Organists, Choir Directors, Nurses, Secretaries, Administrative Professionals and Custodians

Organists, choir directors, nurses, office support persons and custodians, whether full-time or part-time, are classified as lay employees for tax purposes.

3.110: Teachers, Parish Workers and Assistants

Teachers, parish workers and assistants not identified on Synod's roster as "commissioned ministers" are to be treated as lay employees for tax purposes.

3.115: Vicars, Interns and Other Students

Teaching interns, DCE interns, deaconess interns and vicars (including delayed vicars and students in the Specific Ministry Pastor program assigned as vicars) are to be classified as lay employees.

Exception: Commissioned ministers (teachers, DCEs, DCOs, etc.) who are serving as vicars in anticipation of ordination retain their status as ministers of the Gospel for tax purposes.

3.200: Employee or Self-Employed

The individuals referenced in 3.105 – 3.115 are treated as employees rather than self-employed. They are subject to income, social security and Medicare tax withholding. (For limited exceptions, contact your tax advisor.) Generally, when the means and methods by which one does one's work are determined by the employer, the recipient of the pay is an employee (see paragraphs 7.105, 7.110).

3.300: Income, Social Security and Medicare Taxes

3.305: Withholding Taxes

Compensation paid to lay employees is subject to income, social security and Medicare tax withholding. The amount of wages subject to taxes may change annually. The employer can determine how much to withhold from the lay employee's compensation from the Form W-4 "Employee's Withholding Allowance Certificate" completed by the employee. The amount to be withheld is determined from the tax rate and tables included in IRS Publication 15-T, "Federal Income Tax Withholding Methods."

Church organizations are required to withhold the employee's portion of social security and Medicare tax from their compensation and pay a matching amount, which is the employer's share for all lay employees. If an employee is paid less than $150 during a calendar year, their wages are not subject to social security and Medicare taxes. (For rates, see 7.343)

3.310: Reporting Wages

The individual's wages should be reported on Form W-2 "Wage and Tax Statement" and provided to the employee no later than January 31, following the calendar year in which the compensation was paid. Salary should be included in Box 1 titled "Wages, tips, and other compensation" and in Box 3 and 5 for social security wages and Medicare wages.

Taxable cost of group term life insurance coverage in excess of $50,000 must also be included in Box 1, and in the boxes for social security wages and Medicare wages. The amount and Code C should be included in Box 12.

Moving expenses should be reported and treated as salary. This applies whether the payment for the moving expenses is made to the employee or directly to the moving company.

The payroll deduction for 403(b) contributions from the employee's wages should not be included in the box for wages, tips and other compensation. However, they should be included in the boxes for social security and Medicare wages and in Box 12 with the appropriate code letter. The employer's matching and non-elective contributions to a TSA are reported nowhere on Form W-2.

Items to include/exclude on Form W-2 in the box, "Wages, tips, other compensation"

INCLUDE

- Salary
- Any allowance (non accountable plan)
- Taxable cost group term life insurance premium for coverage in excess of $50,000
- Moving expense payments (regardless of who paid to)

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- Fair market value of housing provided (see 3.405)
- Designated Roth contributions made under a 403(b) salary reduction plan.
- Employee contributions to an HSA (unless made through a cafeteria plan)
- Tangible and intangible gifts (see 1.315)
- Personal use of employer provided auto (see 7.600)

EXCLUDE

- 403(b) tax-sheltered annuity payments (other than Roth)
- Accountable expense reimbursements
- Cafeteria plan deductions

3.320:
Reporting Compensation

Lay Employees should use the Form W-2 "Wage and Tax Statement" to report their compensation on Form 1040 "US Individual Tax Return." If the lay employee receives honoraria, it should be reported as income on Schedule C or Schedule C-EZ "Profit or Loss from Business," along with any related expenses.

3.400: Allowances and Other Compensation

Congregations sometimes provide lay employees with allowances, like an auto allowance, or provide other forms of "compensation," such as interest-free loans, debt forgiveness or rent-free housing. For the lay employee, these forms of compensation are taxable income.

Another option for the congregation is to have an Accountable Plan Reimbursement Policy which is described in Section 6.110.

3.405:
Housing and Housing Allowances

The lay worker enjoys no special income tax treatment or special status regarding housing or a housing allowance furnished as an employee of a church. A house or apartment provided to a lay worker is a taxable fringe benefit. Its fair market value constitutes wages; likewise, any utility payments made by the congregation directly to the utility company. These are treated as paid on any basis the congregation chooses but at least as often as once a year. The only circumstances under which the employer-provided housing may be excluded from taxable wage income is if the home is on church premises and it is provided solely for the convenience of the congregation and occupancy of such housing is a condition of the employee's service to the congregation.

3.410:
Educational Assistance Program

If a congregation desires to pay for its employees' educational expenses, it should consider adopting an educational assistance program. This program is a separate written plan that provides educational assistance only to employees under rules set up by the employer that do not favor highly compensated employees. Up to $5,250 of educational assistance paid to an employee under an educational assistance program may be excluded from the employees' taxable wages each year. A reasonable notification of the availability and terms of the program must be provided to all eligible employees.

Qualified educational expenses under an educational assistance program include cost of books, equipment, fees, supplies and post-secondary tuition, including graduate-level courses (masters and doctorate degrees). The program must not allow employees a choice to receive cash instead of educational benefits. Educational reimbursements that exceed the $5,250 limit or otherwise do not qualify for income exclusion must be added to the employee's wages and are subject to income, social security and Medicare tax withholding. IRS has indefinitely suspended the requirement to file Schedule F (Form 5500) previously imposed on employers maintaining an educational assistance program.

If the congregation doesn't adopt an educational assistance program, reimbursement of educational expenses that directly relate to the job in which the employee was hired to do may also be excluded from the worker's taxable wages. However, such reimbursements are restricted to those more "plain vanilla" types of educational courses and training that either maintain or improve the skills of an employee in his or her employment or are required by his or her employer.

3.415:
Gifts

All tangible and intangible gifts to employees, including lay employee and minister, which have been either purchased or paid directly from the congregational treasury or solicited from individual members in an organized manner (e.g. door collection), are taxable compensation and should be included on Form W-2. (See 1.315)

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4.100: Introduction to Benefit Programs Administered by Concordia Plan Services

All over the world, workers of The Lutheran Church—Missouri Synod share the gospel. For nearly 60 years, Concordia Plans has offered plans to protect those workers by providing them and their families with excellent comprehensive benefits including health, retirement, disability and survivor, all aligned with our shared Christian faith. We stand as an ally for LCMS organizations and church workers — we listen to your needs, and we strive to care for the total wellness of your ministry so that you can focus on your mission. As your LCMS workforce solutions partner, we take our responsibility to serve you to heart — with heart.

Through the collective power of thousands of ministries coming together, we're all providing workers access to resources typically only available to the largest companies. Our strength in numbers provides our workers access to the highest-quality resources available and supports them throughout their ministry and into retirement.

Our partnership helps workers be well to serve well, creating positive outcomes that ultimately enhance their ability to serve in ministry and care for their families. We are proud to support those who are helping more people know the eternal promise of our Savior.

We don't exist to generate profits, and we're committed to being good stewards of the funds entrusted to us by your ministry and others. We know these dollars come directly from congregation members, school parents and others who care for your ministry. Honoring their commitment to keep your ministry strong and support your workers is important to us to act in your best interests.

Ministries like yours rely on and trust Concordia Plans to provide physical, emotional and financial wellness solutions for your workers — as well as business solutions for your ministry, including HR services and payroll. Aligned in faith and passion to serve, we're here to support you.

4.200: Benefit Plans

- **CONCORDIA RETIREMENT PLAN PENSION (CRP)**
  - Retirement Income
    - Traditional Option
    - Account Option
- **CONCORDIA RETIREMENT SAVINGS PLAN (CRSP)**
  - 403(b) Tax-Advantaged savings plan
  - Pre-tax contributions
  - After-tax Roth contributions
- **CONCORDIA DISABILITY AND SURVIVOR PLAN (CDSP)**
  - Income replacement
  - Pre-retirement lump-sum death benefits (worker and dependents)
- **CONCORDIA HEALTH PLAN (CHP)**
  - Health and wellness programs
  - Dental
  - Medical/Mental Health and Substance Abuse Benefits
  - Prescription Drug Benefits
  - Employee Assistance Program
  - Vision Care Benefits
  - Hearing Care Discount Program
  - Personal Spending Accounts (PSAs)
- **OPTIONAL VOLUNTARY INSURANCE PROTECTION**
  - Supplemental Life Insurance
  - Accidental Death and Dismemberment (AD&D)
  - Accidental Injury Insurance
  - Critical Illness Insurance

4.205: Employee Assistance Program (EAP)

Concordia Plans provides LCMS workers access to a nationwide employee assistance program through Cigna that provides a broad range of confidential resources to help workers and their families. Confidential support is available for work/life issues such as marital and family relationship difficulties, parenting challenges, alcohol and substance abuse, stress, anxiety, child and eldercare issues, identity theft, legal and financial issues, as well as referrals to professional resources. Legal and financial services are provided through attorneys or financial planners. All services are confidential. Estate planning and legal document templates are also available. The EAP also includes the Pastoral Support Network, which is a program specifically designed for pastors and those who live in a pastor's home.

4:300: Administration

4.305: Employer Eligibility

The Concordia Plans (CRP, CRSP, CDSP and CHP) are employer-sponsored benefit programs established by the Synod and administered by Concordia Plan Services (CPS). Participation is available to the Synod, each of its controlled organizations, member congregations and affiliated agencies.

CPS also offers Accident Death and Dismemberment (AD&D) Insurance and other optional programs an employer may make available through payroll deduction.

Before offering any of the Concordia Plans, contact Concordia Plan Services to learn more about the plan adoption process.

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4.306:
Health Plan Options

Each year employers are provided the opportunity to choose a plan design that best meets the needs of its eligible employees from a variety of health plan options. The options have varying deductibles, copays, coinsurance amounts and contribution rates. The option selected will apply to that employer's enrolled workers for the coming year. The following year, employers may continue with that option or change to another option. Qualifying employers can select up to two CHP options to offer workers for the coming year. Each worker will then be able to elect the option that he/she prefers. For details, visit *concordiaplans.org*.

4.310:
Worker Eligibility

An eligible worker cannot be denied enrollment because of age, occupation, gender or religion. This includes eligible workers in day care centers, pre-schools and lunch programs that are under the control of a participating LCMS organization.

If an employer has a probationary period policy on file with CPS for newly hired employees, enrollment of such employees in the Concordia Plans can be delayed until the completion of the probationary period. (Note: Probationary periods cannot exceed 60 days and may not apply to ordained or commissioned ministers of the Synod. A copy of the Probationary Period Certification can be found at *concordiaplans.org*.)

- **Concordia Retirement Plan (CRP)**
  If an employer is participating in the CRP, all full-time* workers age 21 and older must be enrolled effective the first day of the month coinciding with or next following such employment. Enrollment of full-time workers age 21 and older is mandatory; the worker cannot opt out. Beginning July 1, 2022, any worker under age 21 will not be enrolled in the CRP until he or she turns 21.
  * A "full-time worker" is any worker whose customary employment is more than 20 hours per week and more than five consecutive months."
- **Concordia Disability and Survivor Plan (CDSP)**
  If an employer is participating in the CDSP, all full-time* workers must be enrolled effective the first day of the month coinciding with or next following such employment. Enrollment of full-time workers is mandatory; the worker cannot opt out.
  * A "full-time worker" is any worker whose customary employment is more than 20 hours per week and more than five consecutive months."
- **Concordia Retirement Savings Plan (CRSP)**
  If an employer is participating in the CRSP, all full-time workers eligible for the CRP are eligible to participate in CRSP. An employer may also elect to allow part-time workers to participate in the CRSP. The worker, if eligible, then decides whether to make CRSP contributions.
- **Concordia Health Plan (CHP)**
  If an employer is participating in the CHP, all full-time workers must be given the opportunity to enroll effective the first day of the month coinciding with or next following employment. Enrollment is optional; the worker makes the decision whether or not to join. A "full-time worker" is any worker hired to work on average
  • more than 20 hours per week,
  • more than 25 hours per week,
  • more than 30 hours per week, or
  • 30 or more hours per week
  and more than five consecutive months. The employer designates which of the four minimum hours options listed above will be applicable to its workers, and can change this designation annually, if desired. Please note that Applicable Large Employers (as defined in the Affordable Care Act) are also subject to the employer mandates of the Act.

4.311:
Hiring of Retired LCMS Workers

Effective January 1, 2019, if retiree over age 62 who is receiving early retirement benefit payments from the Concordia Retirement Plan is rehired on a part-time (20 hours or less per week) or on a temporary basis (expected to work for five months or less) by an LCMS organization participating in the CRP, he or she may continue to receive retirement benefit payments. If employment exceeds these limits, the ongoing payment of such retiree's primary retirement benefit annuity, if any, will cease and the retiree is considered an "active" worker and eligible to participate in the Plans as any other active worker does (i.e., the employer pays the contributions for that worker's partici-pation). However, the ongoing payment of any supplemen-tal retirement account, retiree medical supplement, retire-ment cash account or CRSP rollover annuities will continue during the time of such retiree's full-time work. The rehired retiree is eligible for CRSP participation in accordance with the eligibility rules applicable to that employer, which may allow participation while employed part-time.

Retirees age 65 or older rehired on a full-time basis may elect to receive an in-service benefit annuity from the Concordia Retirement Plan. This is available to members who had a least five years of service as of June 30, 2014. The rehired retiree will again be considered an "active" worker, and the employer must pay contributions to the Plans on their behalf. The in-service benefit is ineligible for housing allowance exclusion referred to in 4.545.

Employers may also pay the cost of a Retired Member's, Terminated Worker's or Medicare Member's individual extension of applicable Concordia Health Plan coverage by requesting that the CHP billing for that individual appear on their monthly invoice. Employer-paid medical insur-ance is not taxable income for a retiree, whether actively employed or not. However, if this otherwise tax-free ben-efit is found to be provided in lieu of paying a reasonable

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compensation for the worker's services, it could become taxable. For example, if you would typically pay another similarly qualified worker the reasonable compensation of $15,000, you could not negotiate with and pay another one $10,000 plus his/her cost of health care coverage without the reduction amount being considered taxable income. Outside of a cafeteria plan, an employee's right to receive cash instead of a qualified non-taxable fringe benefit causes the value of the fringe benefit to be taxable.

Employers should keep in mind the social security earnings limit for retirees under normal retirement age who are drawing social security benefits.

4.315: Cost

The employer is responsible for the full cost of the Concordia Retirement Plan and Concordia Disability and Survivor Plan. The employer is also required to pay at least fifty percent (50%) of the cost for worker-only coverage in the Concordia Health Plan. The employer may pay for more than fifty percent (50%) of the cost of the worker- only coverage or pay for all or a portion of the cost for dependent coverage, but the employer must make such payments on a uniform and nondiscriminatory basis for all eligible workers.

4.320: Contributions/Billing

Contributions are billed monthly and are due at the end of the month. Prompt payment is required to confirm coverage to healthcare providers and pay benefits for enrolled workers. Unpaid billing invoices more than 30 days late are assessed a 1% finance charge, compounded monthly.

Monthly invoices may be paid online through the new personalized CPS employer portal, accessible through *concordiaplans.org.* You must be registered as a portal administrator to access the portal.

■ **Concordia Retirement Plan (CRP)**

The contribution rate for the CRP is a percentage of the worker's total annual compensation, as currently reported by the employer. The current rates are:

Traditional Option: 8.7% for the Regular Basis; 11.7% for the Full Basis.

Account Option: 0% during the Eligibility Waiting Period; 3% for workers with less than 5 years of credited service; 6% for workers with 5 or more years of credited service.

■ **Concordia Retirement Savings Plan (CRSP)**

The CRSP employer contribution is voluntary. CRSP contributions are remitted by employers to Fidelity, the CRSP recordkeeper.

■ **Concordia Disability and Survivor Plan (CDSP)**

The contribution rate for the CDSP is a percentage of the worker's total annual compensation, as in effect January 1 of that year. The current rates are:

Worker without dependents: 1.20% of compensation
Worker with dependents: 2.25% of compensation

Total annual compensation includes:

- Basic annual cash salary
- Cash housing and/or utility allowance paid to the worker
- If a primary residence is provided, 25% of the basic cash salary

Basic annual cash salary includes any amount the worker designates withheld for a tax-deferred savings plan as well as amounts withheld under a cafeteria plan (or Section 125 plan). Car allowances or bonuses are not considered part of total annual compensation. The maximum compensation for the CRP and CRSP is $330,000 for 2023, and this figure is adjusted annually.

Salary information is collected each year from employers through the completion of an Annual Compensation of Participating Workers Report (ACR). The report requests salary information to be effective January 1 of the coming year. Employers who do not adopt their annual budgets until late December or January can report the new salary information any time during the calendar year, and any necessary billing adjustments will be made retroactively. Late reporting may result in your organization being charged Lost Income Adjustment Fees.

■ **Concordia Health Plan (CHP)**

The required minimum contribution by an employee for active workers enrolled in the CHP are flat dollar amounts that vary based on the plan option selected.Employers can choose to cover a higher percentage of the self-only rate and the costs of other enrollment categories (e.g. self and spouse or family.)

To learn about the different CHP options or to request your applicable rate, please contact your account manager or call CPS at 888-927-7526.

4.325: Enrolling Workers

To enroll in any of the Concordia Plans, enrollment must be initiated by an official representative of the employer. Employers can enroll workers by contacting CPS, submitting a completed Enrollment Form or entering them in the Employer Portal.

If the employer has elected to participate in the CHP, the documents listed below must be distributed to the worker, along with enrollment materials. These documents are accessible through *concordiaplans.org/plans.*

■ Children's Health Insurance Program (CHIP) Model Notice: This notice should be printed and provided to all current workers and new workers when they begin employment, regardless of their CHP eligibility.

■ Other required notices: The remaining documents listed below should be printed and provided to all workers who are eligible for the CHP prior to their enrollment.

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This includes current workers, new workers when they begin employment and workers who increase their hours and become eligible for coverage under the CHP.

- Summary(ies) of Benefits and Coverage (SBC) for the health plan option(s) offered.
- Dental/Vision At-a-Glance document(s) for the dental and vision plan(s) offered.
- Legal Notices Summary.
- Women's Health and Cancer Rights Act Notice.
- HIPAA Notice of Privacy Practices.

If the employer participates in the CDSP or if the worker elects enrollment in AD&D (see 4.415) or other optional programs, a beneficiary designation must be completed by the worker.

Enrollment should be completed within 60 days of the date the worker is eligible to be enrolled. New workers are normally eligible the first day of the month coinciding with or next following full-time employment, but there are exceptions for workers transferring to another LCMS employer or workers who have been assigned to an employer by the LCMS Board of Assignments and Placements.

If enrollment is completed **more than 60 days** after the worker's date of initial eligibility, enrollment must be completed using the Enrollment form and the worker will be eligible to enroll in the:

- **Concordia Health Plan**, only during annual open enrollment effective the following January 1 unless the reason for the late application falls under special enrollment rules as defined by the Health Insurance Portability and Accountability Act (HIPAA).
- **Concordia Disability and Survivor Plan**, effective the first day of the month coinciding with or next following of enrollment.

4.326: Participation in Concordia Retirement Savings Plan (CRSP)

Eligibility in the CRSP typically starts on the first day of the calendar month coinciding with or next following (as determined by the employer) the date of employment. To begin contributing, a worker can either complete the easy online deferral process at *concordiaplans.org/save* or complete the Salary Deferral Agreement which can be found at *concordiaplans.org* in the Resources section of the Members Tab. Employers can obtain more information by contacting Concordia Plan Services about how to remit CRSP contributions.

4.330: Reporting Terminations, Retirements, Transfers and Changes

Prompt reporting of employment changes is important to facilitate the timely handling of billing adjustments for the employer and communications to the worker as to the status of his/her coverage.

Terminations: In general, employer-paid contributions for all Concordia Plans stop at the end of the month in which employment with a participating LCMS employer terminates. Contributions are due from the employer through the date coverage terminates.

Retirements: When a worker is planning to retire, the worker or employer should contact Retirement Services at 888-927-7526 at least three months prior to retirement. Contributions for all the Plans are due from the employer through the date coverage terminates.

Transfers: When a worker transfers to another participating LCMS employer, the employer that worker has left is responsible for paying contributions through the end of the month in which employment ended.

The new employer begins paying contributions the first month coinciding with or next following the worker's employment date. If there is a gap period, the worker will be responsible for paying the contributions for the CHP in order to maintain continuous health coverage; however, either employer can pay the contribution for the gap period, if desired. Coverage under the CRP and CDSP for any period between payment of contributions by the employers is provided at no cost as long as the gap period is less than three calendar months.

Status Changes: Changes in a worker's status can be reported by contacting CPS, submitting a Request for Membership Change form or entering them in the Employer Portal. Such changes include marriage, divorce, new baby, dependent ceasing to be a student, etc. It is important that changes to coverage be reported timely so that the necessary adjustments in coverage and contribution rates can be made.

Late Reporting: If notice of a termination, loss of eligibility or retirement is not reported timely, the employer will be required to pay CHP contributions through the end of the month in which notification is received by CPS. In the case of a transfer, late reporting will result in the employer being billed for CHP contributions for any interim period *(the employment gap between employers)* of three months or less. If the interim transfer period is more than three months, the employer will be billed through the end of the month in which the transfer was reported, or until the new participating LCMS employer is responsible for payment of CHP contributions.

In most cases, if notice of a new dependent is not received by CPS within 60 days of the event (i.e., birth, adoption, marriage, etc.), enrollment of that dependent will be subject to late enrollment restrictions, which may include having to wait for an open enrollment period or satisfying special enrollment requirements.

4.331: Employer Support in Crisis

Death or disability of a worker or dependent is a traumatic event for the family and impacts the employer as well. Often workers are separated from family by distance and do not have that source of comfort and support available.

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While reporting such events is a worker obligation, employers should plan to provide crisis support for the family.

Employer representatives are encouraged to provide support to the worker or family by assisting in filing disability or death claims or at least to assist in making telephone contacts. To initiate the claim the employer's representative may call Concordia Plan Services at 888-927-7526. It is suggested that in preparing for the call the representative have the following information available: name of worker, name of dependent (if applicable) and the social security number of the worker. As many other facts as possible pertaining to the death or disability should also be available.

4.335: Filing for Benefits

Claims for healthcare benefits must be made within one year after the date the charge was incurred. Disabilities must be reported within 90 days from the date the disability commenced. Claim forms and detailed information on how to file a claim can be found at ***concordiaplans.org,*** or you can contact CPS at 888-927-7526.

4.336: Appeals Process

If a member or employer disagrees with a decision received regarding the administration of the Plans' benefits, and the member or employer has exhausted all other levels of appeal with the appropriate benefit administrator or Concordia Plan Services staff, the member or employer can submit an appeal to the Concordia Plan Services Appeals Review Committee for further consideration (except for matters outlined below).

This appeal should include all information necessary to allow for a thorough review, including the reason for the dispute and any supporting documentation or relevant comments.

Appeals should be sent to:
Appeals Review Committee
Concordia Plan Services
P.O. Box 229007
St. Louis, MO 63122-9007

A dispute resolution procedure (i.e., JAMS or U.S. Arbitration and Mediation) beyond the Appeals Review Committee is offered to plan members and employers under the CDSP, CRP and CRSP for disputes falling outside of the Synodical Dispute Resolution section of the Handbook of the Synod.

For the CHP Grandfathered Plan Coverage Options, the determination by the Appeals Review Committee shall be final and conclusive subject to the Synodical Dispute Resolution section of the Handbook of the Synod.

For the CHP Non-Grandfathered Plan Coverage Options, if a member is dissatisfied with a determination of the appropriate benefits administrator, has exhausted the benefit administrator's internal appeals process, and the determination involves medical judgment or a rescission of coverage, the member may request an external independent review process. For reviews related to medical judgment or a rescission of coverage, the Appeals Review Committee is not available for CHP Non- Grandfathered Plan Coverage Options.

4.337: HIPAA Compliance

Concordia Plan Services is required to comply with a federal law known as the Health Insurance Portability and Accountability Act or HIPAA. HIPAA requires Concordia Plan Services to maintain the privacy and security of information we receive from your workers who are enrolled in the Concordia Health Plan. To be HIPAA compliant, specific health information or medical claim details cannot be released to employers unless authorized by the individual. Generally, authorization is not necessary to discuss enrollment information, changes in enrollment, or contribution/billing issues.

A HIPAA authorization form is available at *concordiaplans.org*.

If you have any questions regarding HIPAA, please contact Privacy Officer Sandy Greenfield at 888-927-7526, Ext. 6739.

4.340: Materials Available

Benefit plan documents, reference materials and publications are available through ***concordiaplans.org***.
Examples of such available materials are:

- Plan booklets
- Enrollment materials
- Beneficiary designation information
- Benefit claim forms
- Administrative guides
- Summaries of Benefits and Coverage
- Legal notices
- Qualified Domestic Relations Order sample, forms, and instructions

4.345: Benefit Meetings

Representatives within the Ministry Engagement Team are available to conduct meetings in order to help members and employer representatives gain a better understanding of their benefits. To have someone speak at your meeting, please contact your account manager or call CPS at 888-927-7526.

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4.400: Other Programs

4.415: Accidental Death and Dismemberment Insurance

In the event of death, dismemberment, or paralysis as a result of an accident, this program provides a lump- sum benefit based on the member's selected insurance amount. This program is a voluntary program for employees and is available to members of the Concordia Plans.

The cost of the program is the worker's responsibility unless the employer decides to pay for it. Since the premiums will be included in the invoice to the employer, the worker's share should be collected by the employer through payroll deduction.

Accidental Injury and Critical Illness Insurance

In the event of a critical illness or an injury resulting from an accident this insurance provides a benefit based upon the member's selected insurance amount. This insurance is a voluntary benefit for members, if you as the employer offer it, and the cost of the benefit is the worker's responsibility. Because the premiums will be included in the invoice to the employer, the member's share should be collected by the employer through payroll deduction.

4.420: Travel Accident Insurance Program

This program provides a lump-sum benefit in the event of death or dismemberment as a result of an accident while traveling. TAIP is an optional employer-paid coverage available to designated members of boards, commissions, committees and controlled organizations of the Synod; designated staff personnel; and missionaries. The premiums are paid by the appropriate employer, board, commission, or organization.

4.435: Supplemental Life Insurance

Workers enrolled in the Concordia Plans have the opportunity to purchase voluntary groupterm life insurance for themselves and their dependents through Minnesota Life, a Securian company. Varying levels of term insurance are available. Premiums for voluntary life insurance coverage will be paid through payroll deduction by the worker's employer.

4.440: Health and Wellness Programs

Workers and their dependents enrolled in the Concordia Health Plan have access to health and wellness resources offered to help workers Be Well so they can continue to Serve Well on God's mission. Some of the resources include:

- **Quantum Health** — Quantum Health offers one-stop healthcare navigation for members and dependents enrolled in the Blue Cross Blue Shield, Cigna (Healthy Me members) and UMR plan options. Quantum Health provides a team of Care Coordinators consisting of nurses, benefit experts and claims specialists to support healthcare needs.

  Care Coordinators will:
  - provide access to ID cards and explanation of benefits as well as verify health coverage;
  - assist with claims questions, prior authorization and prescription drug inquiries;
  - help identify quality network providers at a fair price; and
  - guide members and dependents to different point solutions that encourage wellness, including assistance with diabetes, weight management and telehealth services.

  Clinical staff will assist members experiencing a healthcare journey by providing health education resources, contacting providers to discuss treatment, advocating for care and creating health improvement plans.

  There is one phone number for all of these services with one stop support. Go to ConcordiaPlans.org to learn more.
- **Vitality** — Vitality inspires people to do better every day by making the healthy choice the easy choice. A wellness program brought to you through the Concordia Health Plan, Vitality helps elevate your wellness journey so you can be well to serve well. Vitality includes:
  - Health risk assessment
  - Earn points for healthy activities like exercise, education and prevention care
  - Points turn into Vitality Bucks that can be used to purchase rewards
  - Other perks include a fitness device subsidy, gym membership rebate and the Apple Watch program
- **Quality Care Finder** — Healthcare Bluebook provides access to high-quality care at a fair price. Their red, yellow, and green color-coded digital solution makes it easy to identify quality (green) providers for medical procedures and services.

  If after searching for a reward-eligible procedure you seek services from a green provider within 12 months, you will be rewarded with a debit card. Amounts vary based on procedure.
- **Diabetes Prevention and Management**
  - Wondr Health - a common-sense, skill-building approach to lasting weight loss/ weight management.
  - Omada - a diabetes and heart disease prevention program aimed to reduce risk for developing those conditions.
  - Teladoc Health Diabetes Management Plus (formerly known as Livongo) - goes beyond traditional diabetes management approaches by providing comprehensive services that not only make living with diabetes easier, but also offer enhanced support to address

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the commonly related conditions of hypertension and obesity — enabling workers to cultivate healthier lifestyle habits. Free digitally-connected devices and testing supplies.
  - Virta - a medically-supervised treatment to reverse type 2 diabetes; reduce blood sugar and HgH1c without surgery, while potentially removing diabetes medications.
- **Sword Virtual Physical Therapy** — Help for back, joint and muscle pain, for recovering after surgery and in preventing injury.
- **Mental Health**
  - Employee Assistance Program (EAP) - available through Cigna to all Concordia Health Plan Members. 24/7 counselor support via phone; six in person (or virtual) sessions with an EAP provider per issue, per calendar year
  - Pastoral Support Network - support for pastors and their family members available through CIGNA
  - LCMS Resources - Lean on your benefits and the church for mental health resources and *concordiaplans.org/mentalhealth*
- **Maternity Wellness** — Assistance for high-risk maternity care is available through Quantum Health for members enrolled in Blue Cross Blue Shield, UMR and Cigna (Healthy Me members) plan options. Kaiser members can participate in the Maternity Wellness program through Kaiser. Cigna HMO members can participate in the Healthy Pregnancy, Healthy Baby program through Cigna.
- **Telehealth** — For Blue Cross Blue Shield, UMR and Cigna Healthy Me members, Teladoc Health offers convenient access to licensed, high quality, low-cost care. Teladoc Health is available 24/7, when and where members most need it and in all 50 states. Teladoc Health provides a broad array of healthcare services including general medical, dermatology, mental health and nutrition by web, phone, and app eliminating long wait times and delayed care. May be subject to copays or deductible.

  Kaiser and Cigna HMO members will have telehealth services directly through Kaiser and Cigna respectively.

All programs are available at no cost to members unless otherwise noted. For more details on any program, visit *concordiaplans.org/members/my-wellnessbenefits*.

4.500: Tax Aspects

4.505: Exemption

All Concordia Plans must be administered in accordance with IRS regulations in order to maintain their tax-exempt status.

4.510: Contributions to Plans

Contributions made by an employer to any of the Concordia Plans for the benefit of its employees are not considered taxable income to the employee at the time the contributions are made, except as noted in 4.515. Also, such contributions are not considered "wages" for purposes of social security.

If a worker shares in the cost of the Concordia Health Plan by paying all or part of the cost for CHP coverage, a "cafeteria plan" can be established to allow the worker to reduce his/her salary for tax purposes and have that reduction used for his/her share of the Concordia Health Plan cost. The result is that the worker pays less taxes. For further details, contact Concordia Plan Services.

Any employer that maintains a benefit plan other than one administered by Concordia Plan Services should consult its own advisors regarding the need to file an annual report (Form 5500) with the Internal Revenue Service with respect to such other plan.

4.515: Group Term Life Insurance Reports

The Concordia Disability and Survivor Plan (CDSP) pays cash benefits upon the death of an enrolled worker or enrolled dependent. Cash death benefits *potentially payable* have been ruled by the Internal Revenue Service (IRS) to be equivalent to group-term life insurance. As a result, under IRS Code Section 72(m) and Section 79, the COST ("Imputed Income") of these potential benefits, as outlined below, must be included by the employer as part of the gross income of the worker for the current taxable year. The cost is also subject to social security tax (FICA or SECA).

The COST or Imputed Income of the potential death benefits is calculated as follows:

- **Worker death benefit**

  Any amount of the worker death benefit that exceeds $50,000 is multiplied by the IRS Table I Rate applicable for that worker's age. *For example,* a worker is age 57 and his/her death benefit is $150,000. The amount over $50,000 (which in this example is $100,000) is multiplied by $0.43 per $1,000 of benefit. The resulting $43.00 is the monthly taxable income amount reportable for that worker.
- **Dependent death benefit(s)**

  The total amount of the potential dependent death benefit(s), if any, is multiplied by the IRS Table I rate applicable for the worker's age. *For example,* a worker age 57 has a spouse and two children enrolled as dependents. The total potential dependent death benefits are $30,000 ($10,000 for each dependent), and this amount is multiplied by $0.43 per $1,000 of benefit. The resulting $12.90 is the monthly taxable income amount reportable for that worker.

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The taxable income amount applicable for the worker death benefit and the dependent death benefit(s), if any, are added together to come up with the amount reported on the Group-Term Life Report prepared for each employer. This amount must be added to the employer's Form 941 and worker's Form W-2. Also, the report describes the additional FICA or SECA taxes to be paid.

Detailed instructions are included with the report. It is very important that the employer keep this report on file until it is time to fill out Form W-2s for that taxable year. As indicated in the instructions, the treasurer should notify the affected workers of the payroll implications of the report.

Although all enrolled workers are included on the reports, *not all workers will have an amount to be reported* — in those cases, there will be zeroes in the appropriate columns.

If you have questions about the Group Term Life Report, contact Concordia Plan Services toll-free at 1-888-927-7526.

4.520: Health Claim Benefits

Benefits received from the Concordia Health Plan for medical or dental expenses are not reportable for federal income tax purposes or considered "wages" for social security purposes. However, if two group health plans (the Concordia Health Plan and another group plan) were to reimburse more than the actual amount of the medical or dental expense, the excess would be reportable as income by the employee and is taxable.

4.525: Disability Benefits

Federal tax laws pertaining to disability payments *(or "sick pay")* are complicated and quite different from those applicable to regular wage payments. Therefore, it's important that the employer spends extra time becoming familiar with these rules if it has an employee out on disability.

Sick pay is subject to federal income tax. However, Concordia Plan Services, as a third-party payer of such benefits, is neither required to nor does it withhold federal income tax from the worker's disability payments unless the worker has provided a Form W-4S, Request for Federal Income Tax Withholding from Sick Pay. IRS provides completion instructions with the form.

Sick pay is only subject to social security and Medicare taxes during the first six months following the last month in which the employee worked. Any sickness or disability payment to the employee beyond the expiration of this period is exempt from social security and Medicare taxes. Example: A worker who becomes disabled in November is liable for social security and Medicare taxes on any disability benefit paid through May 30.

With respect to workers whose wages are subject to FICA withholding, the **Plans must withhold the employee's share of social security and Medicare taxes (FICA)** from each disability payment made during the six-month period described above. The Plans then deposit this tax with the IRS, sending what's left to the employee. This mandatory withholding rule imposed on the payer of these benefits prevents the Plans from accommodating any employer's request to handle the taxes themselves.

The disability benefit administrator appointed by Concordia Plan Services, Lincoln Financial, issues the benefit checks and handles the tax withholding/reporting for most disabled workers. On behalf of the Concordia Disability and Survivor Plan, Lincoln Financial pays the employer portion of social security and Medicare taxes for those workers not considered self-employed and who are receiving benefits from the Plan. Lincoln Financial also reports disability benefits to the IRS on its own Form 941 and applicable year-end Form W-2 with respect to all disabled workers. Disabled ministers of religion will receive a separate statement reporting the amount of gross disability benefits paid during the calendar year and designated as an eligible housing allowance.

4.530: Death Benefits

Recipients of death benefits will be advised of the tax treatment of amounts received.

4.535: Retirement Benefits—Concordia Retirement Plan and Concordia Retirement Savings Plan

Retirement benefits received from the Concordia Retirement Plan and Concordia Retirement Savings Plan (other than Roth amounts) are reportable as taxable income.

Each January, a Form 1099-R is mailed to all recipients of such benefits to inform them of the total amount distributed (and taxes withheld) during the prior year.

4.545: Retirement Benefits—Housing Allowance Designation

In accordance with the Internal Revenue Code and IRS rulings, one hundred percent (100%) of the retirement benefits received from the Concordia Retirement Plan and the Concordia Retirement Savings Plan by a retired minister of religion is designated as "housing allowance." (In-service benefit payments do not qualify for housing allowance treatment). This means that a minister can exclude from taxable income up to one hundred percent (100%) of retirement benefits received from the retirement plans, to the extent that it is used to rent or provide a home (and assuming the amount does not exceed the annual fair rental value of the home, furnished, plus utilities). Qualified expenses include rent (if housing is rented) or principal and interest payments and real estate taxes (if a home is owned), as well as expenses for utilities, routine repair and maintenance, capital improvements, furnishings and garage rent. (See 2.322 for details.) A copy of the IRS approval letter can be found in 4.800.

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4.546:
Disability Benefits—Housing Allowance Designation

In accordance with the Internal Revenue Code and IRS rulings, disability benefits paid by the Concordia Disability and Survivor Plan to a minister of religion are designated as "housing allowance." This means that a disabled minister of religion can exclude from taxable income up to one hundred percent (100%) of disability benefits received, to the extent that it is used to rent or provide a home (and assuming the amount does not exceed the annual fair rental value of the home, furnished, plus utilities). Qualified expenses are the same as those listed in 4.545 above.

4.555:
Personal Spending Accounts

Employers that participate in the Concordia Health Plan may set up personal spending accounts that integrate with the health plan option they have selected for their employees.

"Personal spending accounts" include the following:

- **Flexible Spending Account (FSA)**
  A tax-advantaged account that can be set up through a cafeteria plan of an employer. Employees may contribute pre-tax dollars to fund the account and the funds can be used by the employee to pay for out- of- pocket healthcare expenses or qualified dependent care expenses. An employer may also contribute to the account. Money in an FSA is generally subject to the "use it or lose it" rule, with any funds left in an FSA at the end of the year forfeited to the employer. A medical FSA works with all options offered by the Concordia Health Plan; see Section 7.230 for more details.
- **Health Savings Account (HSA)**
  A tax-advantaged savings account that can be established and funded by either the employer or employee. The account is owned by the employee and is portable. An HSA must be paired with a high deductible health plan; see Section 5.700 for more details about HSAs.
- **Health Reimbursement Arrangement (HRA)**
  An account established by an employer to help cover employees' out-of-pocket healthcare expenses. It has a notional (unfunded) account balance. The account is funded/reimbursed by the employer as claims are incurred. An HRA works with all CHP options, except the HMO options.

Contact Concordia Plan Services at 888-927-7526, or check the CPS website at *concordiaplans.org* for more details about Personal Spending Accounts.

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4.900:
IRS Ruling

4.905:
Retirement Benefits—Housing Allowance Designation

AUG 18 1981

Internal Revenue Service Department of the Treasury

Washington, DC 20224

Index Numbers 0107.00-00
0107.01-00

Board of Managers of Worker
Benefit Plans
Lutheran Church-Missouri Synod
500 North Broadway
St. Louis, MO 63102

EIN: 43-0658188

Attn: Mr. Herbert Mueller
Secretary

Person to Contact:
Ms. Nancy H. Schuhmann
Telephone Number:
(202) 566-3292
Refer Reply to:
T:I:EGWEA:2:2
Date:
AUG 17 1981

Dear Sir or Madam:

This is in reply to your letter of May 14, 1981, in which you, in effect, request a modification of our letter ruling to you dated May 7, 1974, which concerned your authority to designate a portion of certain retired ministers' pensions as "rental allowances" within the meaning of section 107 of the Internal Revenue Code.

On the basis that the circumstances which were the subject of our previous letter ruling have not changed, we conclude that you may designate the entire amount of a retired minister's pension as a "rental allowance."

Please note, however, that we must qualify our ruling to the extent that an amount that you designate as a "rental allowance" will not be excludable from a retired ordained minister's gross income under section 107 to the extent that such amount is either greater than the amount actually used to rent or provide a home or to the extent that such amount exceeds the fair rental value of the home (including furnishings and appurtenances) plus the cost of utilities.

This ruling is directed only to the taxpayer who requested it. Section 6110(j)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent.

Sincerely yours,

Richard L. Crain

Richard L. Crain
Chief, Estate, Gift, Wage,
Excise and Administrative
Provisions Branch

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Chapter 5: Tax-Favored Savings Plans

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5.100: Introduction

There are a variety of tax-favored savings plans designed to meet employees' needs for retirement income, children's educational expenses and out-of- pocket medical expenses. Information included in this publication about some of these plans does not imply that LCMS is recommending participation in them. Neither is the information provided in this chapter considered to be complete nor should it be relied upon when making important decisions relative to these plans. As the laws on these subjects are quite technical and subject to change, any employer or employee contemplating establishing and/or participating in any one of these plans should first seek competent advice.

5.200: Tax-Sheltered Annuities/403(b) Plans

5.205: Eligibility

Tax-sheltered annuities (TSAs or 403(b) plans) are retirement plans available only for employees of tax-exempt organizations, including certain ministers performing ministry outside the church and only in the event their employer sponsors such plans.

5.206: Employer's Responsibilities

Employer plan sponsorship includes adopting and maintaining a defined contribution retirement plan, which, both in form and operation, satisfies the requirements under Section 403(b) of the Internal Revenue Code. The plan must continue all the terms and conditions for eligibility, contribution limits, benefits and the time and form under which benefit distributions will be made under the plan. The employee instructs the employer how much to contribute to an account maintained for the benefit of the employee. Employers (or those to whom they delegate the administrative duties) have oversight and compliance responsibilities for each of its employee's TSA accounts.

Employers are not only responsible for withholding the proper amount of elective deferrals from employees' pay, but also to pass on these amounts to the appropriate financial institution within 15 business days following the month in which these amounts would have been paid to the employee (in other words, within 15 days of the last payday of the month).

5.210: Funding

Typically, in churches, you will find employee 403(b) accounts funded primarily through salary reduction agreements. Each employee chooses whether to contribute to an account maintained for his or her benefit. The employee's contribution is termed an "elective deferral" inasmuch as it defers the tax on a portion of his or her current salary. These contributions are non-forfeitable.

However, more employers are beginning to make additional contributions to their employees' 403(b) accounts either as a fixed percentage of employee compensation or as a "matching" contribution.

5.211: Contribution Limits

The maximum amount of elective deferrals that employees may contribute in 2024, based on taxable earnings, generally cannot exceed $23,000 (indexed annually for inflation).

For age 50 and older, an additional contribution of $7,500 (subject to inflation adjustments) may be made in 2024.

In 2024, the maximum contribution for combined employer contributions and employee elective deferrals is the lessor of 100% of includible compensation and $69,000 (indexed annually for inflation). With respect to ministers, housing allowances are not counted in determining includible compensation for the maximum contribution limit.

The employer is to ensure the employee does not exceed his or her maximum contribution amount.

5.212: Concordia Retirement Savings Plan (CRSP)

The Concordia Retirement Savings Plan (CRSP) is an employer-sponsored 403(b) tax-advantaged savings plan administered by Concordia Plan Services through Fidelity and its affiliates. The CRSP employer contribution is voluntary. Employees may elect to contribute to the CRSP on a pre-tax or Roth basis. The CRSP offers carefully selected low fee investments with the opportunity for the participant to receive a managed investment service. Please refer to *concordiaplans.org* for additional information.

5.220: Tax Aspects

TSA contributions to a 403(b) plan are tax-deferred (i.e., excluded from the employee's gross income in the year earned; and not becoming taxable until withdrawn). Employee pre-tax elective deferrals are shown on Form W-2 in Box 12, Coded E, but not as income in Box 1. Employer's contributions, if any, are not reported on Form W-2.

For the ***lay employee*** these amounts are subject to social security and Medicare tax and must be included on Form W-2 in Box 3 and Box 5. However, for the ***minister*** these amounts are not included as income subject to self-employment tax according to IRS Revenue Ruling 68-395. Contributions that exceed the maximum contribution limits constitute an excess contribution that is included in the individual's gross income for the taxable year in which it was contributed. Excess contributions may also be subject to excise taxes. To avoid this penalty, a plan may provide that contributions found to be in excess will be distributed to the individual (along with allocable net income) by April 15 of the following taxable year.

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A tax credit (called "Saver's Credit") may also be claimed by lower income taxpayers funding a TSA. The income limitations are indexed annually for inflation. The maximum elective contribution eligible for credit is $2,000 ($4,000 if filing jointly). The credit is in addition to the exclusion that already applies. For more information about this retirement savings contribution credit, see IRS Publication 571, Tax Sheltered Annuity Programs.

5.225: Written Plan

It is mandatory that these plans be in writing. In the absence of a written defined contribution plan describing all the provisions of how the plan works, the tax-deferred benefits for all participants will be jeopardized. Written plans can range from simple to very complex. In some situations, the plan might merely be a compilation of several documents: a salary reduction agreement; the various contracts that fund the plan; as well as, a narrative of the administrative procedures regarding compensation eligibility, distribution, timing and contribution limits. In other situations, the employer may incorporate all the necessary elements into a single written document. If an employer has more than one plan, the IRS requires a written master plan document that accounts for the provisions in each individual employee funded account and all employer funded accounts at all financial institutions. In any event, it is always prudent that employers write their TSA plans with help from their legal or tax professionals. NOTE: If any employer offers **only** the Concordia Retirement Savings Plan as its 403(b) plan, Concordia Plan Services provides a written plan document that complies with IRS requirements, and employers will not have to prepare their own written plan.

5.230: Communication

It is not sufficient to have a written plan if you do not make all eligible employees aware of its availability and give them a summary of its provisions.

Also, since employers have oversight and compliance responsibilities with respect to each of their employees' contracts, certain information about all existing employee contracts must be obtained from the financial institutions holding those accounts and contracts. This task may pose difficulties for employers trying to coordinate with a multitude of different financial institutions.

5.240: Distributions

Elective deferrals and employer contributions generally may only be distributed upon severance from employment, death, disability, attainment of age 59½ or in the event of hardship.

Some plans may permit participants to borrow subject to strict tax code requirements. However, this is an optional provision that an employer may or may not decide to include in the plan.

Some plans may permit contract-to-contract exchanges within the same plan and plan-to-plan transfers. Investment changes between contracts within the same plan must follow certain requirements, an important one of which includes an information-sharing agreement with the issuer of the recipient contract. For example, it is essential that the employer and issuer share information about whether the employee has severed employment, whether hardship distribution rules have been satisfied, and plan loan information (if any).

All plans however require that contributions must eventually begin to be distributed, giving IRS its long-awaited source of tax revenue. This event is termed "required beginning date." Distribution must begin by the April 1 following the calendar year in which an individual retires (or reaches age 73 if you reach age 72 after 12/31/2022.)

5.250: Plan Reporting to IRS

A welcome relief, you will not have to file an IRS Form 5500 for a TSA plan that is a church plan.

5.300: Individual Retirement Accounts

5.310: Eligibility

All eligible individuals, including ministers, may contribute to an individual retirement account or annuity (referred to collectively as IRAs). Annual contributions to both traditional and Roth IRAs are limited to an aggregate of $7,000 through 2024. Persons age 50 and older may contribute an additional $1,000. The employees, not their employer, open these accounts and fund them with their own contributions.

For more information about all IRAs, see *IRS Publications* 590-A,Contributions to Individual Retirement Arrangements, and 590-B Distributions from Individual Retirement Accounts.

5.320: Traditional IRA

Any individual who has income from compensation or is filing a joint return with a spouse who earns compensation may contribute to a traditional IRA. Contributions may also be deductible if additional income requirements are met. All distributions become part of taxable income. Penalty-free withdrawals are permitted before age 59½ for certain qualified expenditures. Some of these expenditures include qualified first-time home purchase (up to $10,000), certain medical expenses, qualified higher education expenses, or in the event of death or disability. Withdrawals are required to begin by April 1 of the year following the year in which the account holder reaches age 72.

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Contributions to IRAs are not deductible for self-employment tax purposes. The earnings on IRAs will continue to be tax deferred regardless of whether the initial contribution was deductible or not.

5.330: Roth IRA

Any individual who meets certain income requirements and who has income from compensation or is filing a joint return with a spouse who earns compensation may contribute to a Roth IRA. While contributions are not deductible, earnings grow free of federal tax if the account is open for five tax years and withdrawals are for a qualified reason which includes age 59½, certain medical expenses, qualified higher education, disability, death or a qualified first-time home purchase (up to $10,000). The account holder is not required to begin withdrawals at any particular age.

5.600: Educational Savings

5.610: Coverdell Education Savings Accounts

The sole purpose of this savings instrument is to help pay for your child's elementary, secondary and post- secondary education expenses. Contributions can be made for the child until he or she reaches age 18. Special needs children have no such age limit. Any parent, grandparent, other family member, friend and the child him/herself can make contributions, provided the contributor has modified adjusted gross income within certain limits. Total contributions for the child for a taxable year cannot exceed $2,000. While contributions are not deductible, earnings grow free of federal tax. Withdrawals are tax and penalty free if used for qualified expenses such as tuition, equipment, fees — even room and board — any time before the child reaches the age of 30.

5.620: Qualified Tuition Program/529 Education Savings Account

A 529 Plan is a tax-advantaged investment account for qualified education expenses. Earnings on contributions made to 529 plans grow tax-free, and withdrawals can be made tax-free for qualified education expenses. Depending on the account owner's state of residence and the 529 plan selected, there may be state-tax advantages, as well. There are no annual contribution limits on 529 plans, but account balance limits apply and vary depending on state. Withdrawals from a 529 plan can be used for college expenses, K-12 tuition, certain apprenticeship costs, and student loan repayments. Any parent, grandparent, other family member, friend and the child him/herself can make contributions to the 529 plan account. Beneficiaries of the 529 plan account are transferrable among family members. Starting in 2024, unused 529 funds in certain accounts can be rolled over into a Roth IRA retirement plan for the beneficiary, up to annual and lifetime limits. For more information, see *IRS publication 970*, Chapter 7: Qualified Tuition Program.

5.700: Health Savings Accounts

Health Savings Accounts (HSAs) were created to work in conjunction with high-deductible health plans. If an employer offers a high-deductible health plan through the Concordia Health Plan, the worker and covered spouse may qualify to open separate HSAs to save money for out-of-pocket medical expenses.

An HSA is an individual account that can be funded with employer or worker money, from which the worker can be reimbursed tax-free for qualified medical expenses. Or, if not used, the money accumulates with tax-free interest until retirement, when the worker can continue to withdraw funds for medical expenses tax free or can withdraw funds for any purpose and pay normal taxes. Funds withdrawn for non-qualified medical expenses before age 65 are subject to an additional 20% tax penalty. There is no additional tax on distributions made after the date you are disabled, reach age 65, or die. Individuals own their own HSAs.

If the worker makes the contributions to the HSA under an employer's §125 Cafeteria Plan, he/she elects how much to contribute each year up to the IRS maximum. That HSA amount is divided by the number of paychecks issued throughout the year and then that amount can be automatically deducted from each paycheck by the employer, before taxes, and placed into the worker's HSA account.

Employer contributions (includes employee's elected contributions) must be reported on the worker's Form W-2, box 12, coded W (See Exhibit 7-K(2) on page 7–26 for example).

Advantages of a Health Savings Account (HSA):

- Before-tax contributions by the worker under an employer's §125 Cafeteria Plan reduce the worker's taxable income, meaning less taxes are paid. Contributions outside a §125 Cafeteria Plan are deductible (a deduction on Form 1040) towards reducing the employee's gross income subject to tax.
- Monies in the HSA roll over from year to year and can be used in future years when the worker may have medical expenses.
- High-deductible health plans have lower health plan rates (or premiums), which allows the employer to share the savings with the worker through a salary increase or contributions to the HSA.
- An HSA is portable. The HSA is owned by the worker and travels with him/her from job to job.
- An HSA may earn investment income if investment options are offered. HSAs are designed so that money

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can be withdrawn when needed for medical expenses, but the money that is not withdrawn has the potential to grow and accumulate interest.

- HSA funds can be used for any qualified medical expense.
- The worker is more proactively involved in managing his/her "small dollar" medical expenses, and the incentive is provided to maintain good health.
- No required minimum distributions.

Employers in the Concordia Health Plan can provide their workers the opportunity to participate in an HSA through HealthEquity or Kaiser Permanente (for some options). HSAs can also be set up through banks, investment firms and some insurance companies. The Lutheran Church Extension Fund offers HSAs, too (see 19.200). For more information about HSAs, refer to *IRS Publication 969*.

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Chapter 6: Business Expenses

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QUICK REFERENCE

	2025	2024
Standard business mileage rate	70¢	67¢
Medical mileage rate	21¢	21¢
Charitable mileage rate	14¢	14¢

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6.100: Introduction

The manner in which "business" expenses are treated on a federal income tax return depends on whether the expenses are reimbursed by the employer and whether the reimbursement is a fixed cash allowance *("cash allowance")* or a dollar-for-dollar reimbursement *("direct reimbursement")* under which the employee accounts adequately to the employer for the expenditures.

Cash allowances paid to and spent by the employee for business-related expenses without a required accounting to the employer are includable as income on Form W-2 and, following the passage of the Tax Cuts and Jobs Act (TCJA) passed in December 2017, are no longer eligible as itemized deductions on Schedule A of Form 1040.

Business expenses for which the employee receives a direct reimbursement following an adequate accounting of expenses are not includable as income.

6.110: Accountable Plan/Direct Reimbursement of Expenses

The direct reimbursement method is an understanding between the employee and the congregation or other employer that expenses for local transportation, out-of- town travel and other expenses related to employment, such as the expense of maintaining a library, will be directly reimbursed upon presenting proof of personal payment for those items. The direct reimbursement method is the most favorable because tax regulations permit the congregation or other employer not to report the reimbursement as compensation paid to the employee on Form W-2, and also permit the employee not to report the reimbursement as income on Form 1040.

When the congregation or other employer begins to use direct reimbursement, they must adopt a resolution outlining the terms of the Accountable Reimbursement Policy.

The following resolution is suggested:

The following resolution was adopted by the (church organization), in its Voters' Assembly/Board meeting held on (date).

It is hereby resolved, that the (church organization) adopt an Accountable Plan Reimbursement Policy which is in accordance with income tax regulations 1.162-17 and 1.274-5T(f), as described in the following terms and conditions:

1. Any minister or other employee who is employed now or hereafter shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the Church only if the following conditions are satisfied: (1) The expenses are reasonable in amount; (2) The employee documents the amount, time and place, business purpose and business relationship of each expense with the same kinds of documentary evidence as would be required to support a deduction of the expense on the person's federal income tax return; and (3) the employee documents such expenses by providing the Church treasurer with an accounting of such expenses no less frequently than monthly. In no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by the employee or bona fide volunteer (including a director or officer).

   It is understood that the above conditions are in large part taken from income tax regulation 1.274- 5T(f), which provides that:

   "an adequate accounting means the submission to the employer of an account book, diary, business expense or mileage tracking app, statement of expense, or similar record maintained by the employee in which the information as to each element of expenditure (amount, time and place, business purpose and business relationship) is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner that conforms to all the 'adequate records' requirements."

TREASURERS:
INSIST ON DOCUMENTATION FOR ALL BUSINESS EXPENSES.

2. Reimbursements shall not be paid by increasing paychecks by the amount of business expense reimbursements. Rather all such reimbursements shall be separately paid out of church funds.
3. Reimbursable business and professional expenses include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, vestments and professional dues.
4. The church shall not include on the employee's Form W-2 the amount of any business or professional expense properly substantiated and reimbursed according to the preceding paragraphs. The employee should not report the amount of any such reimbursement as income on his/her Form 1040.
5. Any church reimbursement that exceeds the amount of business or professional expenses properly accounted for by an employee according to the terms of this reimbursement policy must be returned to the church within 120 days after the associated expenses are paid or incurred and shall not be retained by the employee. If the Church's reimbursements are less than the amount of business and professional expenses properly substantiated by an employee, the church will report no part of reimbursements on the employee's Form W-2. The employee may not claim a tax deduction for his or her unreimbursed expenses as in previous years.

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6. Under no circumstances will the church reimburse an employee for business or professional expenses incurred on behalf of the church that are not properly substantiated according to this policy. The church and staff understand that this requirement is necessary to prevent this reimbursement plan from being classified as a "nonaccountable" plan, which would then require the reporting of all such reimbursements as taxable income on Form W-2.
7. All original receipts and other documentary evidence used by an employee to substantiate the business nature and amount of his/her business and professional expenses incurred on behalf of the church shall be retained by the employee. The church may, at its election, make copies of such evidence.

A standard "expense" voucher should be developed for use by the congregation. The following example can be used or modified to meet the needs of the congregation or organization.

First Lutheran Church
2743 Concordia Drive, St. Louis, MO 63122

EXPENSE REIMBURSEMENT VOUCHER

Date _____

Name_____

Address _____

City _____ State _____ ZIP_____

Business Purpose _____

_____

Travel Expense:

Auto Expense_____@ $.??/mile _____

(Mileage log should be attached)

Other Expenses: _____ _____

Other Expenses: _____ _____

_____ _____

_____ _____

(Receipts attached)

TOTAL EXPENSES _____

Signature _____

Approved by Acct # Amt $ _____

Approved by _____Acct # _____ Amt $ _____

6.111:
Direct Reimbursements to Volunteers

Organizations that reimburse volunteer employees for business expenses incurred while performing service, including their transportation expense at the standard business mileage rate, can do so without including any portion of it in their income if the volunteers follow the same rules as employees' reimbursements under an accountable plan. In order to receive mileage reimbursement, they must account for the time, purpose, and number of miles driven for each trip. Refer to 6.110 for the rules that must be followed.

6.115:
Cash Allowances

If, instead of a dollar-for-dollar reimbursement of expenses, the congregation grants a cash expense allowance to an employee with no substantiation requirement, the amount paid by the congregation to the employee must be reported on the employee's Forms W-2 and 1040. The employee may no longer claim a tax deduction for these unreimbursed expenses as in previous years.

6.120:
Record Keeping

Whether the direct reimbursement method or the cash allowance method is adopted by the congregation to reimburse the employee for employee business expenses, it is important to maintain adequate records in order to support either the exclusion of the reimbursement from income or the deductibility of such amounts from expense allowances included on Form W-2 as income.

6.125:
Unreimbursed Business Expenses

It is recommended that congregations employ an Accountable Plan as detailed in section 6.110 because employees can no longer claim a tax deduction for their unreimbursed business expenses incurred and related to their employment. This means mileage expenses when using a personal vehicle for work is no longer tax deductible on the employee's IRS Form 1040. Therefore, churches may consider paying the full IRS standard business mileage rate to employees using personal vehicles to travel for work.

6.135:
Automobile Expenses

Expenses incurred to operate a car owned or leased by the employee may be calculated based on the actual expenses incurred (such as gas, oil, repairs, depreciation, etc.) or based on an amount per mile as prescribed by the IRS. If an owner or lessee uses actual expenses, the total expense must be prorated between business and personal use (commuting). Lessees fully deducting the business use (percent) of their annual lease costs should be aware that if the value of their passenger auto (including trucks and vans) at the beginning of the lease exceeds $50,000 (for 2018), a set amount must be included or "added back" each year to partially offset the entire lease deduction. Inclusion amounts are listed in the appendix of IRS Publication 463.

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6.136:
Transportation Expenses

A taxpayer's costs of going between one business location and another business location generally are deductible, whereas, commuting between his or her residence and regular place of employment generally are nondeductible personal expenses. Special situations in which commuting expenses are deductible are as follows: (1) daily transportation expenses incurred in going between the taxpayer's residence and a temporary work location outside the metropolitan area where the individual lives and normally works; (2) costs of daily travel between the residence and a temporary work location in the same trade or business, regardless of the distance, by a taxpayer who has one or more regular work locations away from the residence; and (3) costs of daily travel between the residence and another work location in the same trade or business, regardless of whether the other work location is regular or temporary and regardless of the distance, if the residence is the taxpayer's principal place of business.

Example: Pastor Ostermeyer's office is in the church and he regularly make visits at a nearby nursing home. The regularity in which he ministers at each of these locations causes them to be his regular places of business. Occasionally, he goes to the hospital to make sick calls. Pastor Ostermeyer's cost to go between home and church or home and the nursing facility are nondeductible personal commuting expenses to his regular place of business. However, his costs are deductible to travel between home and the hospital; between church and the hospital; between the nursing home and the hospital; or between the church and the nursing home.

For an employee, the tax-free benefit is only realized if the transportation expense is reimbursed by the employer under an accountable plan.

For more information related to deductible transportation costs, refer to IRS Publication 463, under Transportation.

6.140:
Moving Expenses

If an employer reimburses an employee for any moving expenses or pays a third party directly (e.g. moving company), these costs must be added to the employee's wages and are subject to income, social security and Medicare taxes paid by means of withholding or estimated payments.

6.150:
Qualified Business Income Deduction

The "qualified business income deduction", a/k/a the "20% deduction", a/k/a "199A deduction", is intended for businesses having pass-through income. The rules to qualify for this deduction can seem quite complex for most taxpayers, but not when applying them to the type and amount of income a minister might typically report on Schedule C (honorariums, book royalties, baptisms, weddings, etc.).

If a minister's income of this type constituting a trade or business is below $364,200 (if married filing jointly)/ $182,100 (if single), he or she may claim this deduction equal to 20% of this income. A minister's wages earned and reported on Form W-2 by his congregation is not eligible for this deduction.

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7.100: Introduction

A typical Lutheran church or school will have two kinds of workers: the employee, who is treated for income tax purposes similarly to all secular businesses, and the "minister of the Gospel," for whom the regulations for income, social security and Medicare tax are unique. IRS Publication 517, *"Social Security and Other Information for Members of the Clergy and Religious Workers,"* alludes to this uniqueness: "Because of specific legislation, you (minister of the Gospel) are considered a self-employed individual in performing your ministerial services for social security purposes. However, because of common-law rules, you may be considered an employee for other tax purposes." See 7.105 for common-law rules and also IRS Publication 15-A. As the reporting and withholding requirements differ for each set of workers, the treasurer should be well versed in the differences and clearly understand in which category each worker is classified.

If you use an outside payroll service, you (congregation and minister) are still responsible. Because of the unique nature of regulations regarding "minister," please pass this information on to your payroll service.

The IRS indicates that there are 3 categories to properly classify workers as an independent contractor (self-employed) or an employee: 1. Behavioral Control 2. Financial Control 3. Relationship of the parties. IRS Revenue Ruling 87-41 lists 20 factors to consider when making such a determination.

7.105: Characteristics of Employees/Self-Employed

An employee is anyone who performs services for remuneration, and the congregation can control what will be done and how it will be done. According to IRS Publication 15, "Circular E, Employer's Tax Guide," and Publication 15-A, "Employee's Supplemental Tax Guide," the congregation is responsible for withholding the correct federal income tax based on the employee's completed Form W-4. If wages for the calendar year exceed $100, the congregation must also withhold and pay the employer's share of social security and Medicare tax.

All lay workers of the congregation are to be treated as employees, unless there are truly unique circumstances. Congregations cannot treat workers as self-employed, independent contractors or neglect to maintain the other payroll requirements of an employer in order to avoid paying social security and Medicare tax.

The IRS indicates that there are 3 categories to properly classify workers as an independent contractor (self-employed) or an employee: 1. Behavioral Control 2. Financial Control 3. Relationship of the parties. IRS Revenue Ruling 87-41 lists 20 factors to consider when making such a determination. When applying the factors to ministers, the factors will describe the worker as an independent contractor in some cases and a common-law employee in others. However, the preponderance of factors indicate that a minister in The Lutheran Church—Missouri Synod is a common-law employee, even though for social security and Medicare tax and income tax withholding purposes, the worker is treated as self-employed.

At the bottom of the page is a summarized list of the characteristics of employees and independent contractors.

Characteristics of EMPLOYEES

- Required to comply with instructions
- Continuous relationship with employer
- Work is done personally by the worker
- Works full time
- No liability incurred if worker quits
- Worker's expenses are reimbursed
- Reports of work completed must be submitted by worker
- Worker is furnished with tools and place to work
- Pension, health or other benefits are provided

Characteristics of SELF-EMPLOYED

- Can employ assistants
- The order and sequence of work set by worker
- Payment is by the job
- Hours of work set by worker
- The person may work for someone else at the same time
- The worker's services are available to the public
- Tools are provided by the worker
- The worker can enjoy a financial profit or loss
- The work can be done on someone else's business premises
- There is a substantial financial investment by the worker
- The worker has a business license

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7.110:
Status of Congregational Workers

All congregational workers—both ministers and non-ministers—should normally have their compensation reported on IRS Form W-2. For purposes of paying social security and Medicare tax, all congregational workers, other than certain "IRS-recognized" ministers, will pay a portion of their social security and Medicare tax by means of social security and Medicare tax withholding, with the employer also paying its appropriate share. Persons paying social security and Medicare tax in this way are generally referred to as covered by the Federal Insurance Contribution Act (FICA). The Self-Employed Contribution Act (SECA) tax is levied on those who work for themselves and ministers of Religion regardless if employed by the congregation. It requires these workers to contribute tax to pay both the employer and employee portions of FICA.

A summary of various congregational workers and their social security status follows.

Normal Worker Title	Social Security Status	Exception
Certified Lay Minister	SECA	None
Deaconess	SECA	None
Directors of Christian Education, Christian Outreach or Parish Music	SECA	If not listed on Synod's roster as "Commissioned Minister," the social security status is FICA.
Director of Evangelism	FICA	None
Guest Pastor	SECA	Report earnings of at least $600 on Form 1099-NEC.
Intentional Interim Minister	SECA	None
Janitor	FICA	If the worker does other work in the profession under contract, report earnings on Form 1099-NEC.
Lay Minister, Deacon	FICA	None
Nurse	FICA	None
Organist	FICA	If the worker does other work in the profession under contract, report earnings on Form 1099-NEC.
Parish Assistant	SECA	None
Parish Worker	FICA	None
Pastor	SECA	None
Secretary	FICA	None
Teacher/Substitute Teacher (not on Synod's roster)	FICA	None
Teacher/Substitute Teacher (on Synod's roster)	SECA	None
Vacancy Pastor	SECA	None
Vicar	FICA	If listed on Synod's roster as "Commissioned Minister," the social security status is SECA.

7.115:
Employee's File

The church should maintain a file for each employee of the church. This file should include the following forms or reports, most of which are described in other areas of this manual:

1. Employment application and/or resume or call document.
2. Employer payroll authorization form. (See Exhibit 7-E.)
3. Copy of Concordia Plan Services enrollment form.
4. Form W-4.
5. Form I-9 (keep separate from employee's file).
6. Forms required by the state.
7. Copy of applicable insurance enrollment forms, such as HMO, dental and vision plans.
8. Copy of statement to employee that no unemployment insurance is available if applicable. (See 12.400.)
9. Employee signed authorization for any payroll adjustment.
10. Federal or state levy (if exists).

The employee's file should be retained permanently. The contents are considered confidential. Access to this file should be limited to the employee's direct supervisor(s) and/or those involved in retention of him or her.

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If the church has an employee evaluation, the evaluation also should be included in this file. However, as there are federal and state laws regarding these evaluations, it is recommended the church receive legal counsel for maintaining these evaluations.

Since Forms I-9 must be available for inspection upon an audit, it is advisable to keep these forms separate from the employee's personnel file.

7.120:
Minister of the Gospel

The IRS regulations require that all "IRS-recognized" ministers of the Gospel, male and female, are governed by the terms of the Self-Employment Contribution Act (SECA) for social security tax purposes. "IRS-recognized" ministers may pay their social security (SECA) and federal income tax in one of two ways. One method is to request their employer to "voluntarily" withhold federal income tax in an amount sufficient to cover both their social security (SECA) and federal income tax liability. (Please note that this allowable method of voluntary withholding payments for both SECA and federal income tax should be reported as federal income tax withheld, and not as either social security or Medicare tax.) See Exhibits 7-J(1), 7-K(3), and 7-L. The second method is to pay timely quarterly estimated tax payments for both the SECA and the federal income tax liability. (Refer to 1.340.)

7.200:
Cafeteria Plans

The "cafeteria plan" is a written plan established by an employer under Internal Revenue Code 125 that allows its employees a choice between a taxable (cash) benefit or a menu of "qualified" nontaxable benefits usually made via a salary reduction agreement. A cafeteria plan permits employees to receive certain tax-free fringe benefits from their employer even though they had the right to receive cash instead. If an employer has not established a bona fide cafeteria plan, any compensation of a non-taxable benefit in lieu of cash salary becomes taxable.

A cafeteria plan **must** present employees with a choice between cash and one or more nontaxable fringe benefits paid by the employer. A plan that allows employees to choose among several non-cash fringe benefits is not a cafeteria plan.

While this section of the Congregational Treasurer's Manual will provide some basic information regarding the cafeteria plan, the requirements for a qualified cafeteria plan are complex and we encourage you to consult a tax attorney or Certified Public Accountant for assistance in preparing your plan. We would also note that some insurance carriers offer services in writing and administering cafeteria plans. Other agencies may offer services to administer the employer's plan for a fee.

Please note that the name "cafeteria plan" is drawn from the menu of options and has no relationship to the eating facility.

7.205:
Qualified Benefits

The only taxable benefit under the cafeteria plan is cash. Employees electing to receive cash will have that amount recorded as ordinary income on the W-2 form. Nontaxable benefits under a cafeteria plan may include the following:

- Employer-paid group term life insurance coverage up to $50,000.
- Employer-paid medical insurance premiums.
- Employer reimbursements of medical expenses under an accident or health plan. This does include the deductibles under the Concordia Health Plan, dental expense deductibles or those exceeding the plan limit, eye examinations and corrective lenses not in the health plan, etc.
- Employer paid dependent care.
- Adoption assistance.

7.210:
Non-Qualified Benefits

A cafeteria plan may not include such benefits as scholarships, educational assistance programs, fringe benefits that are of such little value that it would be administratively impractical to account for them, employee discounts and fringe benefits granted by the employer as a working condition (business use of a car furnished by the employer).

Other items which may not be included are elective cosmetic surgery, health club dues, medical insurance premiums not employer paid, dancing lessons, maternity clothing, marriage counseling and swimming pools, saunas or exercise equipment.

7.215:
Requirements

1. The plan must be in writing.
2. A specific description of each of the benefits available under the plan and the periods during which the benefits are provided (usually the fiscal or calendar year).
3. An explanation of procedures for participants' elections under the plan including when the elections can be made for incumbent and new employees, whether the elections are irrevocable, and the periods for which they are effective (usually one year).
4. How the plan is to be funded. Employer contributions may be made by a salary reduction agreement with the employee or by nonelective employer contributions.

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5. The maximum amount that can be made available in the form of employer contributions to any one employee.
6. The calendar or fiscal year on which the plan operates.

7.220: Highly Compensated Employees

The employer's plan may not discriminate in favor of highly compensated employees. If it does discriminate in favor of such employees, they may lose the benefit of the exclusion.

7.225: Recordkeeping

A critical point of recordkeeping is that records for each claim under the plan must clearly substantiate that the requirements of the plan are being met. That is, that the funds are used only for permitted purposes and the claim is properly verified.

7.230: Flexible Spending Arrangement (FSA)

This is a popular type of cafeteria plan and offers the employee options to cover health care costs in an era of diminishing health benefits. It may also be used for certain dependent care. Concordia Health Plan offers three types of "personal spending accounts" that the employee can integrate with his or her selected health options.

One of these products is an FSA. It allows a salary reduction to pay health costs with pre-tax dollars.

In addition to other cafeteria plan requirements noted above, the following additional requirements apply to the Health FSA:

1. In 2024, annual employee contributions will be capped at $3,200.
2. An employee cannot receive funds set aside in a health FSA as cash or any other benefit in the event they are not needed to pay medical expenses.
3. Employers may offer only one of two of the following options or none at all: 1) it can provide a "grace period" of up to 2 1/2 extra months to use any balance remaining in the FSA at year's end, or 2) it can allow employees to carry up to $570 per year to use in the following year.

   Unused funds revert back to the employer and may be used to defray administrative costs of the plan or distributed to all participants equally as an experience gain dividend (added to the W-2 for the year).
4. Changes in the amount of salary reductions may not be made during the plan year except in the case of changes in family status or employment status.
5. An employee may claim reimbursement for medical expenses at any time during the year up to the maximum amount of coverage, that is, up to the amount of salary reduction for the year, even if actual payments into the FSA are less than the amount claimed at this time of the year.

Cafeteria Plan/FSA

What is the difference between a cafeteria plan and an FSA? A pure cafeteria plan is funded with employer dollars and the employee has the choice of the benefit or the funds. The FSA, on the other hand, is funded with employee before-tax dollars. **These dollars are not subject to federal, state or social security withholding. Neither are they subject to a minister's self-employment tax liability.**

The employer also benefits from the FSA in that payroll taxes including the employer's share of FICA are reduced by the amount the employee sets aside.

7.235: Dependent Care Under FSA

The FSA may also be used for qualified dependent care expenses, providing ***all*** the following conditions are met:

1. The services must be rendered during the year for which the deduction applies.
2. Each individual for whom the employee incurs expenses is:
   a. a dependent under age 13, who the employee is entitled to claim as a dependent on his/her federal income tax return; ***or***
   b. a spouse or other tax dependent who is physically or mentally incapable of caring for himself or herself.
3. The expenses are incurred for the care of a dependent described above and are incurred so that the worker may be gainfully employed.
4. If the expenses are incurred outside the household, they are incurred for the care of a dependent who is described in 2a (above), or who regularly spends at least eight hours per day in the worker's household.
5. If the expenses are incurred for services provided by a dependent care center (caring for more than six individuals not residing at the facility) the center must comply with all applicable state and local laws and regulations.
6. If the expenses are incurred for services provided by a camp, the dependent may not stay overnight at the camp.
7. The expenses may not be paid to a child of yours under the age of 19 at the end of the year in which the expense was incurred or to an individual whom you may claim as a personal tax exemption on your tax return.
8. The reimbursement (when aggregated with all other reimbursements received by the worker under the plan

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during the same year) may not exceed the least of the following:

a. $5,000 ($2,500 if you do not certify that [i] you will file a joint Federal income tax return for the year with your spouse or [ii] you are not married).
b. Your taxable compensation (after the reduction agreed to for dependent care assistance).
c. If you are married, your spouse's actual or deemed earned income.

7.300: Payroll Records and Forms

7.305: Sample Payroll with Completed Tax Forms

Sections 7.310 to 7.370 contain step-by-step procedures for completing the payroll of First Lutheran Church. Exhibit 7-A is the annual payroll information illustrated on the following filled-in forms. The payroll information correlates with the bookkeeping records illustrated in Chapter 23.

7.310: Employer Identification Number

Every congregation and separately incorporated school should have an Employer Identification Number (EIN). A school that is operated by a congregation and not separately incorporated should use the congregation's EIN number. An EIN is a nine-digit number assigned by the IRS. It must be used on all forms and reports submitted to the IRS, including payroll forms, and the annual submission LCMS makes with respect to maintaining the organization's group income tax exemption. It is also necessary for opening a checking or savings account in the church's name.

If the congregation does not have an EIN, there are a variety of ways to obtain one. The preferred method is by Internet. Go to *irs.gov* anytime (24/7) and search the IRS site for "EIN." Follow the instructions for completing all the necessary fields of the online application. When asked for type of legal structure is applying for an EIN, find and select "Church-Controlled Organization." The IRS will issue the EIN immediately upon successful submission of the online application. No paper needs to be sent to the IRS.

It can also be acquired by fax or mail. Applications usually take four to five weeks for processing. Obtain and complete IRS Form SS-4, "Application for Employer Identification Number" (Exhibit 7-B). The address to which it must be mailed can be found in the form's instructions.

Applying for an EIN is a free service offered by the Internal Revenue Service. Beware of websites on the Internet that charge for this same service.

Application by fax generates an EIN within four business days. Complete and fax the Form SS-4 to the IRS using the Fax-TIN number provided in the form's instructions. Be sure to give the IRS a fax number to which it can fax the EIN back. Similar to the Internet, Fax-TIN is available 24 hours a day, seven days a week.

Upon obtaining the EIN, the applicant should subsequently receive **IRS Publication 15, "Circular E."** This publication has complete instructions on withholding, remitting and reporting taxes. Tables for determining the amount of income tax to withhold are found in IRS Publication 15-T.

Synod's Group Exemption Number is 1709.

7.311: Responsible Party Update

When a church or church-related organization applies for a federal Employer Identification Number ("EIN") it reports the organization's responsible party. As this person changes, the new information must be updated with the IRS within 60 days of the change on IRS Form 8822-B. The form and its instructions are available at *irs.gov*.

The responsible party for an organization depends on its legal structure and polity. It could be another entity, but is more typically an individual. For most LCMS congregations, the person who best fits the IRS definition is most likely than not their respective treasurer because he or she, more than anyone else, directly or indirectly "controls, manages or directs the entity and the disposition of its funds and assets."

7.315: Form W-4, Employee's Withholding Certificate

Form W-4, "Employee's Withholding Certificate," (Exhibit 7-C) must be completed by each employee, full-time and part-time. It reports the employee's name, address and social security number (SSN). It is the basis for determining the amount of income tax withheld. For regular wages, income tax withholding is based on the employee's marital status plus any increases or decreases to standard withholding as requested by the employee. The employee can complete the form using the W-4 form worksheets or the IRS Withholding Calculator, at *irs.gov/W4App*. Employees should consider using the calculator for special tax situations such as a working spouse, more than one job or a large amount of non-wage income. If the calculator is used, there is no need to use the W-4 worksheets. If the employee does not provide a completed Form W-4, the employer must withhold federal income tax as if the worker were single with no withholding allowance.

The form remains valid until a new one is furnished by the employee. The employee is required to file a new Form W-4 when changes to a personal or financial situation would change the entries on the form.

It is necessary to report the correct names and SSNs on W-2 wage reports. The Social Security Administration provides an online service to verify that employee names and SSN's match. Go to *ssa.gov/employer/ssnv.htm* for information on this service.

(Go to page 7-9)

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INDIVIDUAL PAYROLL RECORD

Year 20XX

Employee Name Mary Kelly | Social Security No. 342-02-1234 | Marital Status M | Exemption Allowance(s) 1

Address 789 Main St. | Position Secretary | Exempt from federal income tax withholding? Yes ____ No X

St. Louis Mo 63122 | Phone No. 314-826-1000 | Rate: Hourly $____ Weekly $____ Monthly $ 800.00

Period Ending	Basic Salary	Housing Allowance	Auto Allowance	Christmas Gift	Total Earnings	Federal Withheld	Social Security Tax	Medicare Tax	State Withheld	Other	Advance	Net Paid	Check No.
1-31-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	106
2-28-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	124
3-31-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	147
Total First Quarter	2400.00				2400.00	180.00	148.80	34.80	63.00	8.40		1965.00	
4-30-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	167
5-31-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	191
6-30-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	214
Total 2nd Quarter	2400.00				2400.00	180.00	148.80	34.80	63.00	8.40		1965.00	
7-31-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	235
8-31-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	246
9-30-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	253
Total 3rd Quarter	2400.00				2400.00	180.00	148.80	34.80	63.00	8.40		1965.00	
10-31-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	308
11-30-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	329
12-20-XX				50.00	50.00		3.10	.73				46.17	342
12-31-XX	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	349
Total 4th Quarter	2400.00			50.00	2450.00	180.00	151.90	35.53	63.00	8.40		2011.17	
Annual Totals	9600.00			50.00	9650.00	720.00	598.30	139.93	252.00	33.60		7906.17	

EXHIBIT 7-A

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Form **SS-4** (Rev. December 2023)
Department of the Treasury
Internal Revenue Service

Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)
See separate instructions for each line. Keep a copy for your records.
Go to *www.irs.gov/FormSS4* for instructions and the latest information.

OMB No. 1545-0003

EIN

Type or print clearly.

1 Legal name of entity (or individual) for whom the EIN is being requested

2 Trade name of business (if different from name on line 1)

3 Executor, administrator, trustee, "care of" name

4a Mailing address (room, apt., suite no. and street, or P.O. box)

5a Street address (if different) (Don't enter a P.O. box.)

4b City, state, and ZIP code (if foreign, see instructions)

5b City, state, and ZIP code (if foreign, see instructions)

6 County and state where principal business is located

7a Name of responsible party

7b SSN, ITIN, or EIN

8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? . . . . . ☐ Yes ☐ No

8b If 8a is "Yes," enter the number of LLC members . . . . . .

8c If 8a is "Yes," was the LLC organized in the United States? . . . . . ☐ Yes ☐ No

9a **Type of entity** (check only one box). **Caution:** If 8a is "Yes," see the instructions for the correct box to check.

- ☐ Sole proprietor (SSN) _____
- ☐ Partnership
- ☐ Corporation (enter form number to be filed) _____
- ☐ Personal service corporation
- ☐ Church or church-controlled organization
- ☐ Other nonprofit organization (specify) _____
- ☐ Other (specify)
- ☐ Estate (SSN of decedent) _____
- ☐ Plan administrator (TIN) _____
- ☐ Trust (TIN of grantor) _____
- ☐ Military/National Guard ☐ State/local government
- ☐ Farmers' cooperative ☐ Federal government
- ☐ REMIC ☐ Indian tribal governments/enterprises

Group Exemption Number (GEN) if any

9b If a corporation, name the state or foreign country (if applicable) where incorporated — State — Foreign country

10 **Reason for applying** (check only one box)

- ☐ Started new business (specify type) _____
- ☐ Hired employees (Check the box and see line 13.)
- ☐ Compliance with IRS withholding regulations
- ☐ Other (specify)
- ☐ Banking purpose (specify purpose) _____
- ☐ Changed type of organization (specify new type) _____
- ☐ Purchased going business
- ☐ Created a trust (specify type) _____
- ☐ Created a pension plan (specify type) _____

11 Date business started or acquired (month, day, year). See instructions.

12 Closing month of accounting year

13 Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.

Agricultural	Household	Other

14 If you expect your employment tax liability to be $1,000 or less in a full calendar year **and** want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability will generally be $1,000 or less if you expect to pay $5,000 or less, $6,536 or less if you're in a U.S. territory, in total wages.) If you don't check this box, you must file Form 941 for every quarter. ☐

15 First date wages or annuities were paid (month, day, year). **Note:** If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) . . . . . .

16 Check **one** box that best describes the principal activity of your business.

☐ Construction ☐ Rental & leasing ☐ Transportation & warehousing ☐ Health care & social assistance ☐ Accommodation & food service ☐ Wholesale—agent/broker ☐ Wholesale—other ☐ Retail ☐ Real estate ☐ Manufacturing ☐ Finance & insurance ☐ Other (specify)

17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.

18 Has the applicant entity shown on line 1 ever applied for and received an EIN? ☐ Yes ☐ No

If "Yes," write previous EIN here

Third Party Designee

Complete this section **only** if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.

Designee's name — Designee's telephone number (include area code)

Address and ZIP code — Designee's fax number (include area code)

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

Name and title (type or print clearly) — Applicant's telephone number (include area code)

Signature — Date — Applicant's fax number (include area code)

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 16055N Form **SS-4** (Rev. 12-2023)

EXHIBIT 7-B

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All Form W-4s are to be retained by the employer.

The "minister of the Gospel" may also complete the form but should note that no taxes are to be withheld pursuant to Section 3401(a)(9) of the Internal Revenue Code that specifically exempts the minister's wages from income tax withholding. If the minister elects to have income tax withheld (see 1.350), he/she must complete the form as instructed with additional amounts to be deducted for self-employment tax. If voluntary withholding is requested, both the employee and employer must sign Form W-4.

Additional withholding forms may be required in some states. Contact your LCMS district office for clarification.

7.316: Disposal of Consumer Reports

The Federal Trade Commission requires employers to dispose of their consumer reports in any such manner that discourages or impedes identity theft. Credit checks, criminal records, and references that are often gathered in hiring employees are all examples of consumer reports under this rule. It is recommended to destroy these document types by shredding, burning or pulverizing. Simply throwing them into a trash can is prohibited. Before you dispose of a computer containing similar information, use a wipe utility program to overwrite the entire hard drive. For more detailed information, go to the FTC website at *ftc.gov*.

7.317: New Hire Reporting

Employers are required to report any new employee to their state New Hire Reporting Agency. Requirements and due dates for reporting varies by individual state. You should consult with your individual state for applicable requirements. (See also 12.700.)

Form **W-4** — Department of the Treasury, Internal Revenue Service

Employee's Withholding Certificate

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.

OMB No. 1545-0074

2024

Step 1: Enter Personal Information

(a) First name and middle initial | Last name | (b) Social security number

Address

City or town, state, and ZIP code

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 *www.ssa.gov*.

(c) ☐ **Single** or **Married filing separately**
☐ **Married filing jointly** or **Qualifying surviving spouse**
☐ **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.)

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, and when to use the estimator at *www.irs.gov/W4App*.

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* for most accurate withholding for this step (and Steps 3–4). If you or your spouse have self-employment income, use this option; **or**

(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; **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 generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate . . . . . ☐

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 Dependent and Other Credits

If your total 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 for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here . . . . . **3** $

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)** $

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)

For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat. No. 10220Q Form **W-4** (2024)

EXHIBIT 7-C

7.318:
Form I-9, Employment Eligibility Verification

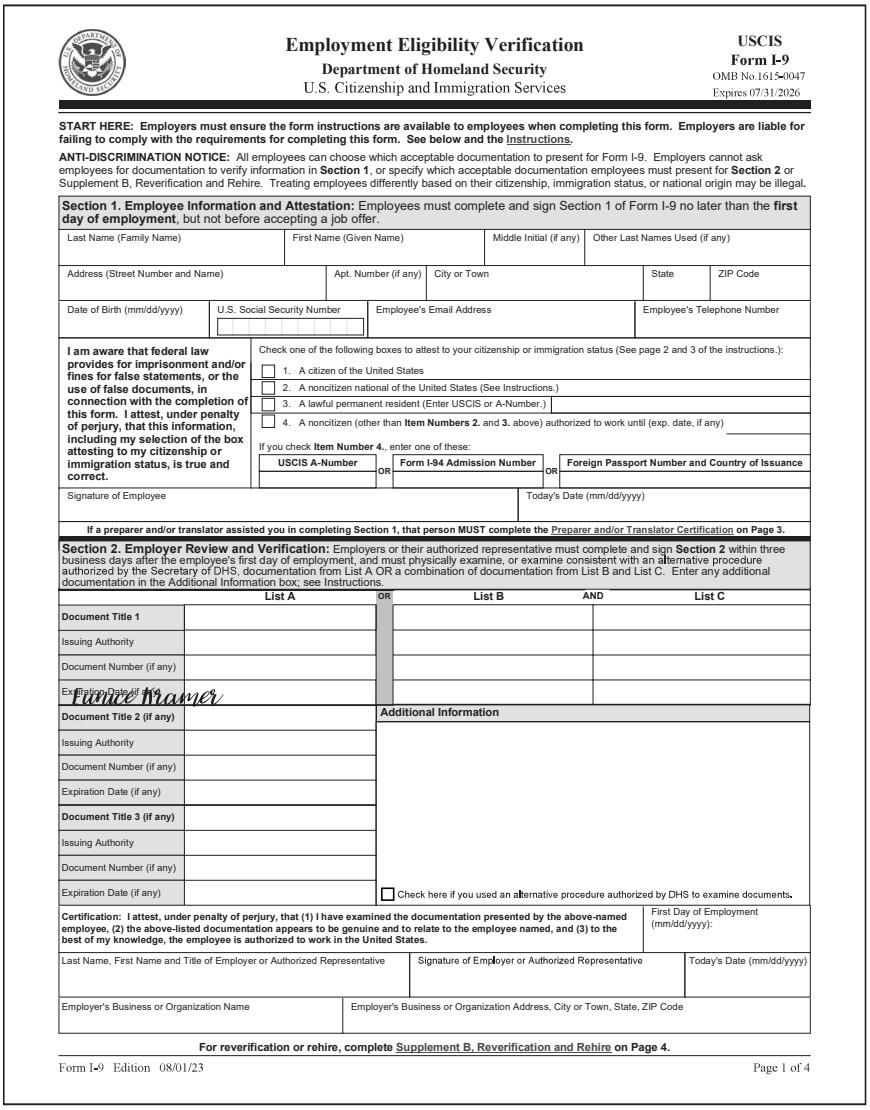
The Immigration Reform and Control Act (ACT) of 1986 requires all U.S. employers to complete and retain Form I-9, "Employment Eligibility Verification," (Exhibit 7-D) for each employee hired, including a minister of religion — ordained or commissioned, even if the employer is absolutely certain the employee is a U.S. citizen. Churches and schools are not exempt from this Act.

To understand the Act and complete the form, the church should obtain Form M-274, the "Handbook for Employers" from U.S. Citizenship and Immigration Services. By phone, call 800-375-5283; by internet, go to uscis.gov. Form I-9 contains two parts: (1) employee information and verification, and (2) employer review and verification. The second part requires that the employer examine original documents of the employee. These documents include in part: a United States passport, a state-issued driver's license, a U.S. military card, social security number card or birth certificate.

Supplement A is to be completed by a preparer or translator who assists in completing the Form I-9, and Supplement B is used if reverification is required. Supplements A and B are to be completed and retained only if the apply.

The form must be retained by the employer for at least three years after hiring or one year after the date of employee termination, whichever is later.

Note: Payments to non-U.S. citizens can be subject to an entirely different set of reporting and withholding rules that make up a tax system completely separate from the U.S. Tax System. Failing to report or withhold correctly may cost you severely in penalties. In determining how to tax any non-U.S. citizen, you must first decide whether the recipient is classified as a U.S. "resident" alien or a "nonresident" alien. For more information about the classification, reporting and withholding rules applicable to nonresident aliens, obtain Publication 515 from IRS.



Employment Eligibility Verification
Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No.1615-0047
Expires 07/31/2026

START HERE: Employers must ensure the form instructions are available to employees when completing this form. Employers are liable for failing to comply with the requirements for completing this form. See below and the Instructions.

ANTI-DISCRIMINATION NOTICE: All employees can choose which acceptable documentation to present for Form I-9. Employers cannot ask employees for documentation to verify information in **Section 1**, or specify which acceptable documentation employees must present for **Section 2** or Supplement B, Reverification and Rehire. Treating employees differently based on their citizenship, immigration status, or national origin may be illegal.

Section 1. Employee Information and Attestation: Employees must complete and sign Section 1 of Form I-9 no later than the **first day of employment**, but not before accepting a job offer.

Last Name (Family Name) | First Name (Given Name) | Middle Initial (if any) | Other Last Names Used (if any)

Address (Street Number and Name) | Apt. Number (if any) | City or Town | State | ZIP Code

Date of Birth (mm/dd/yyyy) | U.S. Social Security Number | Employee's Email Address | Employee's Telephone Number

I am aware that federal law provides for imprisonment and/or fines for false statements, or the use of false documents, in connection with the completion of this form. I attest, under penalty of perjury, that this information, including my selection of the box attesting to my citizenship or immigration status, is true and correct.

Check one of the following boxes to attest to your citizenship or immigration status (See page 2 and 3 of the instructions.):

- ☐ 1. A citizen of the United States
- ☐ 2. A noncitizen national of the United States (See Instructions.)
- ☐ 3. A lawful permanent resident (Enter USCIS or A-Number.)
- ☐ 4. A noncitizen (other than **Item Numbers 2.** and **3.** above) authorized to work until (exp. date, if any)

If you check **Item Number 4.**, enter one of these:

USCIS A-Number OR **Form I-94 Admission Number** OR **Foreign Passport Number and Country of Issuance**

Signature of Employee | Today's Date (mm/dd/yyyy)

If a preparer and/or translator assisted you in completing Section 1, that person MUST complete the Preparer and/or Translator Certification on Page 3.

Section 2. Employer Review and Verification: Employers or their authorized representative must complete and sign **Section 2** within three business days after the employee's first day of employment, and must physically examine, or examine consistent with an alternative procedure authorized by the Secretary of DHS, documentation from List A OR a combination of documentation from List B and List C. Enter any additional documentation in the Additional Information box; see Instructions.

	List A	OR	List B	AND	List C
Document Title 1					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					
Document Title 2 (if any)			**Additional Information**		
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					
Document Title 3 (if any)					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					

Check here if you used an alternative procedure authorized by DHS to examine documents.

Certification: I attest, under penalty of perjury, that (1) I have examined the documentation presented by the above-named employee, (2) the above-listed documentation appears to be genuine and to relate to the employee named, and (3) to the best of my knowledge, the employee is authorized to work in the United States.

First Day of Employment (mm/dd/yyyy):

Last Name, First Name and Title of Employer or Authorized Representative | Signature of Employer or Authorized Representative | Today's Date (mm/dd/yyyy)

Employer's Business or Organization Name | Employer's Business or Organization Address, City or Town, State, ZIP Code

For reverification or rehire, complete Supplement B, Reverification and Rehire on Page 4.

Form I-9 Edition 08/01/23 Page 1 of 4

EXHIBIT 7-D(2)

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Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No.1615-0047
Expires 07/31/2026

START HERE: Employers must ensure the form instructions are available to employees when completing this form. Employers are liable for failing to comply with the requirements for completing this form. See below and the Instructions.

ANTI-DISCRIMINATION NOTICE: All employees can choose which acceptable documentation to present for Form I-9. Employers cannot ask employees for documentation to verify information in **Section 1**, or specify which acceptable documentation employees must present for **Section 2** or Supplement B, Reverification and Rehire. Treating employees differently based on their citizenship, immigration status, or national origin may be illegal.

Section 1. Employee Information and Attestation: Employees must complete and sign Section 1 of Form I-9 no later than the **first day of employment**, but not before accepting a job offer.

Last Name (Family Name)	First Name (Given Name)	Middle Initial (if any)	Other Last Names Used (if any)

Address (Street Number and Name)	Apt. Number (if any)	City or Town	State	ZIP Code

Date of Birth (mm/dd/yyyy)	U.S. Social Security Number	Employee's Email Address	Employee's Telephone Number

I am aware that federal law provides for imprisonment and/or fines for false statements, or the use of false documents, in connection with the completion of this form. I attest, under penalty of perjury, that this information, including my selection of the box attesting to my citizenship or immigration status, is true and correct.

Check one of the following boxes to attest to your citizenship or immigration status (See page 2 and 3 of the instructions.):

- ☐ 1. A citizen of the United States
- ☐ 2. A noncitizen national of the United States (See Instructions.)
- ☐ 3. A lawful permanent resident (Enter USCIS or A-Number.)
- ☐ 4. A noncitizen (other than **Item Numbers 2.** and **3.** above) authorized to work until (exp. date, if any)

If you check **Item Number 4.**, enter one of these:

USCIS A-Number	OR	Form I-94 Admission Number	OR	Foreign Passport Number and Country of Issuance

Signature of Employee	Today's Date (mm/dd/yyyy)

If a preparer and/or translator assisted you in completing Section 1, that person MUST complete the Preparer and/or Translator Certification on Page 3.

Section 2. Employer Review and Verification: Employers or their authorized representative must complete and sign **Section 2** within three business days after the employee's first day of employment, and must physically examine, or examine consistent with an alternative procedure authorized by the Secretary of DHS, documentation from List A OR a combination of documentation from List B and List C. Enter any additional documentation in the Additional Information box; see Instructions.

	List A	OR	List B	AND	List C
Document Title 1					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					
Document Title 2 (if any)					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					
Document Title 3 (if any)					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					

Additional Information

☐ Check here if you used an alternative procedure authorized by DHS to examine documents.

Certification: I attest, under penalty of perjury, that (1) I have examined the documentation presented by the above-named employee, (2) the above-listed documentation appears to be genuine and to relate to the employee named, and (3) to the best of my knowledge, the employee is authorized to work in the United States.	First Day of Employment (mm/dd/yyyy):

Last Name, First Name and Title of Employer or Authorized Representative	Signature of Employer or Authorized Representative	Today's Date (mm/dd/yyyy)

Employer's Business or Organization Name	Employer's Business or Organization Address, City or Town, State, ZIP Code

For reverification or rehire, complete Supplement B, Reverification and Rehire on Page 4.

EXHIBIT 7-D(2)

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LISTS OF ACCEPTABLE DOCUMENTS

All documents containing an expiration date must be unexpired.
* Documents extended by the issuing authority are considered unexpired.
Employees may present one selection from List A or a
combination of one selection from List B and one selection from List C.
Examples of many of these documents appear in the Handbook for Employers (M-274).

LIST A Documents that Establish Both Identity and Employment Authorization	OR	LIST B Documents that Establish Identity	AND	LIST C Documents that Establish Employment Authorization
1. U.S. Passport or U.S. Passport Card		**1.** Driver's license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		**1.** A Social Security Account Number card, unless the card includes one of the following restrictions: **(1)** NOT VALID FOR EMPLOYMENT **(2)** VALID FOR WORK ONLY WITH INS AUTHORIZATION **(3)** VALID FOR WORK ONLY WITH DHS AUTHORIZATION
2. Permanent Resident Card or Alien Registration Receipt Card (Form I-551)		**2.** ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address		**2.** Certification of report of birth issued by the Department of State (Forms DS-1350, FS-545, FS-240)
3. Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa		**3.** School ID card with a photograph		**3.** Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal
4. Employment Authorization Document that contains a photograph (Form I-766)		**4.** Voter's registration card		**4.** Native American tribal document
5. For an individual temporarily authorized to work for a specific employer because of his or her status or parole: **a.** Foreign passport; and **b.** Form I-94 or Form I-94A that has the following: **(1)** The same name as the passport; and **(2)** An endorsement of the individual's status or parole as long as that period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form.		**5.** U.S. Military card or draft record		**5.** U.S. Citizen ID Card (Form I-197)
		6. Military dependent's ID card		**6.** Identification Card for Use of Resident Citizen in the United States (Form I-179)
		7. U.S. Coast Guard Merchant Mariner Card		**7.** Employment authorization document issued by the Department of Homeland Security For examples, see **Section 7** and **Section 13** of the M-274 on **uscis.gov/i-9-central**. The Form I-766, Employment Authorization Document, is a List A, **Item Number 4.** document, not a List C document.
		8. Native American tribal document		
		9. Driver's license issued by a Canadian government authority		
		For persons under age 18 who are unable to present a document listed above:		
		10. School record or report card		
		11. Clinic, doctor, or hospital record		
6. Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI		**12.** Day-care or nursery school record		
Acceptable Receipts May be presented in lieu of a document listed above for a temporary period. For receipt validity dates, see the M-274.				
• Receipt for a replacement of a lost, stolen, or damaged List A document. • Form I-94 issued to a lawful permanent resident that contains an I-551 stamp and a photograph of the individual. • Form I-94 with "RE" notation or refugee stamp issued to a refugee.	**OR**	Receipt for a replacement of a lost, stolen, or damaged List B document.		Receipt for a replacement of a lost, stolen, or damaged List C document.

*Refer to the Employment Authorization Extensions page on **I-9 Central** for more information.

EXHIBIT 7-D(3)

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7.320:
Payroll Authorization Form

A payroll authorization form (Exhibit 7-E) should be completed each time a new employee is added or deleted from the payroll or any other payroll revision is made.

The authorization form is to be completed by a congregational officer *(president, treasurer, etc.)* after the voters' assembly or appropriate board or committee has approved a payroll revision.

7.325:
Payroll Check

The stub of the payroll check or an attached schedule must contain all payroll and withholding information (see Exhibit 7-F). It is helpful to include year-to-date payroll information.

7.330:
Payroll Records

Accurate records that record each payroll check, wages and all taxes withheld with quarterly and annual totals must be kept (see Exhibit 7-G). An individual ledger sheet should be maintained for each employee. (Exhibit 7-A)

7.334:
Overtime Pay

The Fair Labor Standards Act (FLSA) requires that overtime be paid at a rate of not less than one and one-half times an employee's regular rate of pay for each hour that an employee works in excess of 40 hours in a single workweek. It may begin on any day of the week and at any hour of the day.

Contrary to popular belief, comp time does not exist as an alternative to paying overtime. Time off cannot be banked or accrued beyond the workweek in which the worker works overtime. It is permissible, however, to offer "time off" in lieu of the overtime pay if the time-off is used within the same workweek. Generally, employers who offer this "time off" administer it on an hour-for- hour basis.

There exist certain exemptions from the minimum wage and overtime requirements. The most used are the executive, administrative and professional exemptions. These are often called the "white collar exemptions." To be exempt, employees must be paid on a salary basis, paid at the required salary level of at least $1,128 per week (the equivalent of $58,656 per year). To be paid on a salary basis means that the employee's compensation is not subject to reduction based on the quality or quantity of work. In addition to meeting the salary test and being paid on a salary basis, the employee is exempt only if he or she meets a "duties test." The "duties test" varies depending upon the particular exemption. An employee whose duty requires advanced knowledge beyond high school level and is customarily acquired by a prolonged course of specialized intellectual instruction may meet the duty requirement for the learned or creative professional.

An employee whose primary duty is to manage or direct operations and supervise at least two full-time employees or their equivalent (one full-time and two half-time employees) may qualify under the executive exemption. An employee whose primary duty is the performance of office or non-manual work directly related to the management or general business operations, which include the exercise of discretion and independent judgment with respect to matters of significance, may qualify under the administrative exemption. Whether or not an individual qualifies under an exemption is not decided based on one's job title but rather on the employee's actual job duties. Go to the website of the Department of Labor at *dol.gov* for more information.

Pastors, DCEs, DCOs (including interns) and vicars who meet the required salary and duties tests are not subject to overtime pay or would likely be exempt on other grounds.

Doctors, lawyers and teachers are generally exempt regardless of their pay because minimum salary requirements do not apply to them. However, to be exempt, a teacher's primary duty must be teaching, tutoring, instructing or lecturing in an educational institution. Preschool teachers whose primary duty is to care for the physical needs of children ordinarily would not meet the teacher exemption.

The ministerial exception may provide another avenue to assert that the FLSA does not apply to certain positions. Ordained ministers and most (if not all) commissioned ministers should fall within the ministerial exception. Potentially other positions, such as teachers or music directors, may also be subject to the ministerial exception. Each position and its particular duties must be reviewed before assuming the ministerial exception applies. Legal counsel should be sought to determine whether the ministerial exemption is applicable.

Any uncertainty about an individual's employment status (exempt or non-exempt) should be resolved with the assistance of legal counsel.

Finally, be aware that some states may have stricter standards with respect to these rules. Where federal and state law differs, the higher standard applies. If in doubt, contact your congregation's district office for more information or your own state's department of labor office.

7.335:
Minimum Wage

The federal minimum wage rate is currently $7.25 per hour. Most employers *(including churches, schools, preschools and early childhood centers)* must pay their non-exempt employees at least the minimum wage.

Although the standard is fixed on an hourly basis, employers may pay workers a salary on a monthly basis, by piecework or any other basis as long as the minimum wage is met.

The minimum wage requirement is met if each workweek, the straight-time wages paid *(or accrued to be paid)*

(Go to page 7-15.)

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PAYROLL AUTHORIZATION FORM

NEW EMPLOYEE [X] REVISION [ ] REMOVAL [ ] EFFECTIVE DATE 2/1/XX

NAME Mary A. Kelly DATE OF BIRTH 6/26/45

SSN 342-02-1234 MARITAL STATUS M EXEMPTIONS FED:1 STATE: 1 LOC: 0

POSITION Secretary DATE OF HIRE _____ DATE OF CHURCH COUNCIL ACTION _____

STATUS FULL TIME [X] PART TIME [ ] NO. OF MONTHS/YEAR 12

MINISTER OF THE GOSPEL? YES [ ] NO [X] HOURS/WEEK 40

REMUNERATION	PER PAY PERIOD	ANNUALLY
SALARY	$ 800.00	$ 9,600.00
HOUSING ALLOWANCE		
OTHER		
TSA		
TOTAL	$ 800.00	$ 9,600.00

RATE: HOURLY $_____ WEEKLY $_____ MONTHLY $_____

AUTO EXPENSES REIMBURSE 57.5¢ CENTS PER MILE —No— MONTHLY ALLOWANCE

DEDUCTIONS PER PAY PERIOD (YES, NO OR AMOUNT)

FEDERAL INCOME TAX	yes	TSA	no
SOCIAL SECURITY TAX	yes	All-Cause Accident	yes
MEDICARE TAX	yes	Local Income Tax	no
STATE INCOME TAX	yes		

CONCORDIA PLANS OR OTHER HEALTH PLANS

ELIGIBLE YES [X] NO [ ]

BASIS: RETIREMENT FULL [ ] REGULAR [X]

HEALTH COVERAGE OPTION: (FILL IN)_____

SURVIVOR/DISABILITY FULL [ ] REGULAR [X]

ENROLLED IN ALL-CAUSE ACCIDENT YES [X] NO [ ]

FORMS COMPLETED

CONCORDIA PLAN SERVICES ENROLLMENT FORMS	YES [X]	NO [ ]
W-4 WITHHOLDING ALLOWANCE CERTIFICATES	YES [X]	NO [ ]
I-9 EMPLOY. ELIGIBILITY VERIFICATION	YES [X]	NO [ ]
NEW HIRE REPORTING	YES [X]	NO [ ]
STATEMENT TO EMPLOYEE THAT NO UNEMPLOYMENT INSURANCE IS AVAILABLE	YES [X]	NO [ ]

OTHER _____

PERMANENT MAILING ADDRESS

789 Main Street
STREET

St. Louis, MO 63xxx
CITY/STATE ZIP

(314) 826-1xxx
TELEPHONE

IN CASE OF EMERGENCY

same
STREET

same
CITY/STATE ZIP

(314) 865-02xx (work no.)
TELEPHONE

COMPLETED BY:

Eunice Kramer
SIGNED

Treasurer *2-1-XX*
TITLE DATE

APPROVED BY:

William Schwartz
SIGNED

President ***2-1-XX***
TITLE DATE

EXHIBIT 7-E

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is equal to the number of hours worked multiplied by the minimum wage rate. Wage payments in any medium other than cash are also allowed as long as its fair market value to the employee meets the minimum wage requirements.

In lieu of the minimum wage, an employer may temporarily pay an employee under age 20 a training or "opportunity" wage. This special wage cannot be less than $4.25 per hour during the worker's first 90 consecutive calendar days of employment. However, an employer is prohibited from hiring employees at the opportunity wage for the sole purpose of reducing the hours or employment benefits of its workforce.

Minimum wage standards do not apply to exempt employees. An exempt employee is any individual employed in an executive, administrative or professional capacity if certain income tests are met *(see 7.334)*.

Finally, be aware that many states and cities have adopted wage standards higher than the federal minimum. If in doubt, contact your congregation's district office for more information or your own state and local department of labor offices. A table of minimum wages by state can be found here: *dol.gov/agencies/whd/minimum-wage/state.*

(Go to page 7-17.)

FIRST LUTHERAN CHURCH 2743 Concordia Drive, St. Louis, Missouri 63122 0349

Date	Invoice Number and Description			Account No.	√	Amount
12/31/xx	December 19xx Payroll	Current Amount	YTD			
	Gross Salary	$800.00	$9,600.00	2015		$701.17
	Christmas Bonus	$50.00	50.00	2021		
	Less: Federal W/H	(60.00)	(720.00)	2022		
	Social Sec W/H	(52.70)	(598.30)	2023		
	Medicare W/H	(12.33)	(139.93)	2024		
	State W/H	(21.00)	(252.00)			
	Other	(2.80)	(33.60)			
	Net Pay	$701.17	$7,906.17			

ATTACHED IS OUR CHECK IN PAYMENT OF THE ITEMS SHOWN ABOVE.

NO. 0349

FIRST LUTHERAN CHURCH
2743 Concordia Drive, St. Louis, Missouri 63122

FIRST NATIONAL BANK OF ST. LOUIS, MISSOURI 24-12/1230

PLEASE DETACH BEFORE DEPOSITING

December 31 20 xx

VOID AFTER 90 DAYS

THE SUM OF $701 dollars 17 cents DOLLARS $ $701.17

TO THE ORDER OF MARY KELLY

FIRST LUTHERAN CHURCH

⑈A051705⑈ ⑆C A123000123A104 000011 6⑈

EXHIBIT 7-F

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EXHIBIT 7-G

CONGREGATIONAL PAYROLL INFORMATION

POSITION NAME	PAYROLL PERIOD	PER PAY PERIOD Gross Salary	Housing Allowance	Net Salary	Other	TSA	MARITAL STATUS	NO. OF EXEMP.	PER PAY PERIOD Federal WIH	State WIH	(6.20%) FICA	(1.45) Medicare	Other	NET PAY
Pastor/Schmidt	monthly	2,350.00	800.00	1,550.00	196.76*	100.00	M	3	-0-	-0-	-0-	-0-	2.80	2247.20
"	Group term life insurance													196.76
Secretary/ Mary Kelly	monthly	800.00		800.00			M**	1	60.00	21.00	49.60	11.60	2.80	655.00
" "	X-mas bonus				50.00*						3.10	.73		46.17
Janitor/ Harry Plumber	monthly	250.00		250.00			M	2	-0-	-0-	15.50	3.63	3.50	227.37
Organist/ Ann Rodgers	monthly	300.00		300.00			S	1	-0-	-0-	18.60	4.35	2.80	274.25
Teacher*** Irene Braun	monthly	1600.00	525.00	1075.00			S	2	310.80	19.00	-0-	-0-	3.50	1266.70
Monthly Totals		5,300.00	1,325.00	3975.00	246.76	100.00			370.80	40.00	86.80	20.31	15.40	4913.45
Quarterly Totals		15,900.00	3,975.00	11,925.00	246.76	300.00			1112.40	120.00	254.20	59.47	46.20	14,254.49
Annual Totals		63,600.00	15,900.00	47,700.00	246.76	1,200.00			4449.60	480.00	1007.50	235.69	184.80	56,289.17

*only included in month paid.

** married, but withholding at the higher single rate.

*** commissioned minister with voluntary withholding for tax & social security, all paid as federal W/H.

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7.336:
Labor Law Posters

The Department of Labor (DOL) requires that certain notices be posted in the workplace. Posting requirements vary by statute; that is, not all employers are covered by each of DOL's statutes and thus may not be required to post a specific notice. For example, every employer of employees subject to the Fair Labor Standards Act's (FLSA) minimum wage law and OSHA provisions must post, and keep posted, notices explaining these Acts in a conspicuous place in all of their establishments so as to permit employees to readily read it; but if the employer is considered a small business, it may not be covered by the Family and Medical Leave Act and thus would not be subject to posting notices related to those statutes. Your posted notice, if any, may be modified to explain that the FLSA minimum wage and overtime pay requirements do not apply to ministers.

Another poster required to hang in a prominent location for employees to read is one explaining that it is generally unlawful for an employer to require its employees or job applicant to take a polygraph test.

A notice that employment discrimination is prohibited must also be displayed. However, it may be modified appropriately to explain specific exemptions to allow religious employers to discriminate in employment decisions on the basis of religion.

This link *webapps.dol.gov/elaws/posters.htm* to the Department of Labor website (*dol.gov*) provides a survey where you answer questions regarding your church or organization and produces a list of which posters you need to post in your building based on the state your ministry is located as well as links to the posters for you to print for free.

For the number of the Wage and Hour Office closest to you, call the Wage-Hour toll-free help line at 1-866-4USWAGE (866-487-9243). A customer service representative is available from 8 a.m. to 8 p.m. in your time zone, with referral information.

7.337:
Notice Regarding the Rights of Employees Serving in the Armed Forces

A provision that expands the rights and benefits of veterans is one that requires employers to post a notice of affected employees' rights and obligations under the Uniformed Services Employment and Reemployment Rights Act of 1994. The law specifies that this notice requirement may be satisfied by posting a notice where other required notices for employees are customarily posted. To secure a copy of the notice from the website of the Department of Labor, go to *dol.gov*.

7.343: Social Security/Medicare Tax Rates for Employees/Employers

Year	Employee Rate	Employer Rate	Total	Wage Base
2024 (S.S.) *	6.20%	6.20%	12.4%	Wages up to $106,600
2025 (S.S.) *	6.20%	6.20%	12.4%	$174,900
2023/2024 (Med.)	1.45%	1.45%	2.9%	No wage base limit
Additional (Med.)	.9%	1.45%	2.35%	Wages above $200,000 for single and joint filers

* Refer to **IRS Publication 15, "Circular E, Employer's Tax Guide,"** (*irs.gov/publication/p15*) for the current rates and wage base as those shown are only estimates.

7.344: Withholding Taxes on Deceased Worker's Paycheck

A deceased worker's wages paid to the beneficiary or estate in the same calendar year as the worker's death are subject to FICA tax withholding, but not income tax withholding. However, wages are subject to neither FICA tax withholding nor income tax withholding if paid in a subsequent year. For more detailed information about how to report these payments to the IRS, refer to the IRS Instructions for Forms W-2 and 1099-MISC. Wages paid after the year of death are not subject to tax withholding and should be reported only in Box 3 (Other) of Form 1099-MISC in the name of the beneficiary of the payment. The recipient of a deceased worker's net paycheck generally incurs a federal income tax liability based on the gross amount of wages paid (before social security/ Medicare taxes withheld, if any). If he or she does not provide a TIN (SSN if payable to a beneficiary; EIN if to an estate) for reporting purposes, the general backup withholding rules described later in Sec. 7.464 applies to this gross paid amount.

7.345: Depositing Payroll Taxes

All deposits of income, social security and Medicare taxes withheld and the employer's portion of social security and Medicare tax, must be made electronically under the Electronic Federal Tax Payment System ("EFTPS") or in some cases mailed with your payroll tax liability report.

The frequency of the deposits depends on the amount of taxes the congregation owes for its payroll period. Use the following schedule to determine the deposit due date. It is critical to deposit the taxes by the due date to avoid severe penalties.

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Summary of Deposit Rules for Social Security and Medicare Taxes and Withheld Income Tax (for calendar year 2025)	
Monthly Deposit Rule	
If the total tax reported on Form 941 (or 941-E) for the third and fourth quarters of 2024 and the first and second quarters of 2023 is $50,000 or less:	Then, you are a monthly depositor for the current year (2023). You must deposit employment taxes and taxes withheld on payments made during a calendar month by the 15th day of the following month.
Semi-Weekly Deposit Rule	
If the total tax reported on Form 941 (or 941-E) for the third and fourth quarters of 2024 and the first and second quarters of 2023 is more than $50,000:	Then, you are a semi-weekly depositor for the current year (2023). If you are a semi-weekly depositor, you must deposit on Wednesday and/or Friday depending on what day of the week you make payments as shown below: **Payment Days/Deposit Periods:** Wednesday, Thursday and/or Friday **Deposit by**—Following Wednesday **Payment Days/Deposit Periods:** Saturday, Sunday, Monday and/or Tuesday **Deposit by**—Following Friday Attach Schedule B to Form 941. [Exhibit 7-J(2) pp. 7-22]

See your current **IRS Publication 15, "Circular E, Employer's Tax Guide,"** for a complete description of the deposit rules.

7.346: Methods for Depositing Payroll Taxes

Electronic Federal Tax Payment System

All employers are required to make their federal tax deposits by Electronic Funds Transfer {EFT) using the Electronic Federal Tax Payments System (EFTPS) which is a free service provided by the Department of Treasury. For more information regarding EFTPS and to enroll, please visit EFTPS.gov or call 800-555-4477. Any business, regardless of its size, must deposit its payroll taxes by this method unless the exception applies to paying with the tax return. Payroll taxes include withheld FICA and income taxes, as well as the employer's share of FICA taxes. The IRS can impose a 10 percent penalty on businesses failing to deposit electronically when required.

Form 941

Employers whose quarterly payroll tax liability will not accumulate to $2,500, may pay the full amount to IRS directly when filing a timely Form 941. Payment, Form 941-V Payment Voucher, and tax return should be mailed together.

Employers also may pay the IRS directly when filing a timely Form 941 if their previous quarter's tax liability was less than $2,500 and whose current liability is less than $100,000.

Form 944

Some employers have been notified by the IRS to file a Form 944, reporting their payroll tax liability on an annual basis. The amount of annual tax liability ($1,000 or less) that makes an employer eligible for annual filing must not be confused with the $2,500 threshold at which federal tax deposits must be made. See Sec. 7.348 for the eligibility rules to file annually. Most 944 filer's liability for social security, Medicare and withheld federal income taxes is less than $1,000 for the year. They can pay the taxes with the timely filing of their return. They do not have to deposit the taxes; however, may choose to do so. Refer to Instructions for Form 944 if the payroll tax liability reaches or exceeds $2,500. It may be required in that case to deposit the taxes sooner than the due date of the tax return.

The look-back period (see 7.345) for previous 941 filers is the second preceding year for either of the two previous calendar years, not just the one previous year. Example: If filed Form 941 in 2019 but not 2020, the look-back for 2021 would be calendar year 2019.

7.347: Quarterly Reporting of Payroll Taxes

By the last day of the month following the end of each calendar quarter, Form 941, "Employer's Quarterly Federal Tax Return" (Exhibit 7-J) must be filed. A filer may complete and mail-in the Form 941 or choose various paperless options for filing. If all taxes have already been deposited on-time and no taxes are due, you have 10 more days in which to file the form. Closely follow the instructions accompanying the form.

Note: If a minister is the only employee and there is no voluntary withholding, Form 941 is not required. However, mark "941" kind of payer when filing the Form W-3 regardless of this condition.

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Data for Exhibit 7-J(1).

FORM 941, EMPLOYER'S QUARTERLY FEDERAL TAX RETURN

Line 2 The wages paid this quarter to the employees:

John Schmidt (Minister) Salary: $4,650 (exclusive of housing allowance) less $300 for TSA plus group term life insurance in excess of $50,000: $196.76	$4,546.76
Mary Kelly Salary: $2,400 plus Christmas gift of $50	2,450.00
Harry Plumber Salary	750.00
Ann Rogers Salary	900.00
Irene Braun (Commissioned Minister) Salary: $3,225 (exclusive of housing allowance)	3,225.00
	$11,871.76

Line 3 This is the amount of federal income tax withheld from the three non-minister workers for October, November, and December; and the amount of federal income and self-employment taxes (SECA) withheld from the teacher during the same payroll period under the voluntary withholding plan.

Line 5a and 5c

The wages paid this quarter to social security and Medicare tax of all non-minister workers.

Kelly	$2,450.00
Plumber	750.00
Rogers	900.00
	$4,100.00

The total social security and Medicare tax should be the total amount withheld from the non-minister workers for October, November, and December plus the church's share of the tax.

Line 15 This congregation would follow the "Monthly Depositor Rule." Deposits would have been made on or before November 15, December 15 and January 15.

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Form **941 for 2024: Employer's QUARTERLY Federal Tax Return**
(Rev. March 2024) Department of the Treasury — Internal Revenue Service

950124
OMB No. 1545-0029

Employer identification number (EIN) 43-8912055

Name *(not your trade name)* FIRST LUTHERAN CHURCH

Trade name *(if any)*

Address 2743 CONCORDIA DRIVE
Number Street Suite or room number

ST. LOUIS | MO | 63122
City State ZIP code

Foreign country name | Foreign province/county | Foreign postal code

Report for this Quarter of 2024
(Check one.)

- ☐ **1:** January, February, March
- ☐ **2:** April, May, June
- ☐ **3:** July, August, September
- ☒ **4:** October, November, December

Go to *www.irs.gov/Form941* for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: **Answer these questions for this quarter. Employers in American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, and Puerto Rico can skip lines 2 and 3, unless you have employees who are subject to U.S. income tax withholding.**

5

1	**Number of employees who received wages, tips, or other compensation for the pay period including: *Mar. 12* (Quarter 1), *June 12* (Quarter 2), *Sept. 12* (Quarter 3), or *Dec. 12* (Quarter 4)**	1	
2	**Wages, tips, and other compensation**	2	11871.76
3	**Federal income tax withheld from wages, tips, and other compensation**	3	1112.40
4	**If no wages, tips, and other compensation are subject to social security or Medicare tax** ☐ **Check here and go to line 6.**		

		Column 1		Column 2
5a	**Taxable social security wages**	4100.00	× 0.124 =	508.40
5b	**Taxable social security tips**	.	× 0.124 =	.
5c	**Taxable Medicare wages & tips**	4100.00	× 0.029 =	254.20
5d	**Taxable wages & tips subject to Additional Medicare Tax withholding**	.	× 0.009 =	.

5e	**Total social security and Medicare taxes.** Add Column 2 from lines 5a, 5b, 5c, and 5d	5e	762.60
5f	**Section 3121(q) Notice and Demand—Tax due on unreported tips** (see instructions)	5f	.
6	**Total taxes before adjustments.** Add lines 3, 5e, and 5f	6	1875.00
7	**Current quarter's adjustment for fractions of cents**	7	.04
8	**Current quarter's adjustment for sick pay**	8	.
9	**Current quarter's adjustments for tips and group-term life insurance**	9	.
10	**Total taxes after adjustments.** Combine lines 6 through 9	10	1875.04
11	**Qualified small business payroll tax credit for increasing research activities.** Attach Form 8974	11	.
12	**Total taxes after adjustments and nonrefundable credits.** Subtract line 11 from line 10	12	1875.04
13	**Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), or 944-X filed in the current quarter**	13	1875.04
14	**Balance due.** If line 12 is more than line 13, enter the difference and see instructions	14	0.00
15	**Overpayment.** If line 13 is more than line 12, enter the difference . Check one: ☐ Apply to next return. ☐ Send a refund.		

You MUST complete both pages of Form 941 and SIGN it.

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 17001Z Form **941** (Rev. 3-2024)

EXHIBIT 7-J (1A)

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950922

Name *(not your trade name)*	Employer identification number (EIN)
FIRST LUTHERAN CHURCH	43 – 8912055

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

17 **If your business has closed or you stopped paying wages** . . . . . ☐ Check here, and enter the final date you paid wages ___/___/___; also attach a statement to your return. See instructions.

18 **If you're a seasonal employer and you don't have to file a return for every quarter of the year** . . . ☐ Check here.

19	Qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021	19	.
20	Qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021	20	.
21	Reserved for future use	21	.
22	Reserved for future use	22	.
23	Qualified sick leave wages for leave taken after March 31, 2021, and before October 1, 2021	23	.
24	Qualified health plan expenses allocable to qualified sick leave wages reported on line 23	24	.
25	Amounts under certain collectively bargained agreements allocable to qualified sick leave wages reported on line 23	25	.
26	Qualified family leave wages for leave taken after March 31, 2021, and before October 1, 2021	26	.
27	Qualified health plan expenses allocable to qualified family leave wages reported on line 26	27	.
28	Amounts under certain collectively bargained agreements allocable to qualified family leave wages reported on line 26	28	.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ Yes. Designee's name and phone number _____ _____

Select a 5-digit personal identification number (PIN) to use when talking to the IRS. ☐☐☐☐☐

☐ No.

Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.

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

X **Sign your name here** Eunice Kramer

Print your name here: EUNICE KRAMER

Print your title here: TREASURER

Date: 1/27/XX

Best daytime phone: 314-996-XXXX

Paid Preparer Use Only

Check if you're self-employed . . . ☐

Preparer's name		PTIN	
Preparer's signature		Date	___/___/___
Firm's name (or yours if self-employed)		EIN	
Address		Phone	
City	State	ZIP code	

EXHIBIT 7-J (2)

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7.348:
Annual Reporting of Payroll Taxes

Form 944, Employer's Annual Federal Tax Return, is designed so the smallest employers (those whose annual liability for social security, Medicare and withheld federal income taxes is $1,000 or less) will file and pay these taxes only once a year instead of every quarter.

Based on current tax rates, if you pay $5,000 or less in wages subject to social security and Medicare taxes and federal income tax withholding, you are likely to pay $1,000 or less in employment taxes.

Currently, the IRS notifies employers selected to file a Form 944. If you believe you are eligible to report your tax liability on Form 944 but were not notified, call the IRS at 1-800-829-4933. You may express your desire to file Form 944 if you estimate that your annual employment tax liability will not exceed $1,000.

The Form 944 must be filed by the last day of the month following the end of the calendar year (January 31). If you have already made deposits in full payment of your taxes by this date, you have 10 more calendar days in which to file your return.

After you file your first Form 944, you must file Form 944 for every year after that or until the IRS notifies you to file Form 941.

The program is entirely voluntary, enabling employers who have been notified by the IRS to file a Form 944 to opt out from doing so; and, enabling employers who believe they are eligible to file a Form 944 to elect to do so. Instructions to Form 944 details how either is to be done.

7.350:
Form W-2, Wage and Tax Statement

By January 31, each employee must be mailed Form W-2, "Wage and Tax Statement" [Exhibits 7-K(1), 7-K(2), and 7-K(3)] for the previous calendar year. Employers may instead furnish its employees with electronic Form W-2s if the employees have consented to this option (for details see IRS Publication 15-A).

The minister's Form W-2 should not report any social security or Medicare wages or taxes withheld. However, if a minister elects voluntary withholding, the total federal income and self-employment tax liability withheld is to be reported as federal income tax withheld [see 1.350 and Exhibit 7-K(3)].

An employer may visit the SSA's Business Services Online (BSO) website at *ssa.gov/bso/bsowelcome.htm*, complete up to 50 Forms W-2 per W-3 right on the computer, electronically submit them to the SSA and print copies suitable for distribution to its employees — a completely "paperless" process of filing. There is no limit on the number of Forms W-3 an employer can submit even for the same Employer Identification Number (EIN). (Note: Advance registration is required for online wage reporting.) Alternatively, Forms W-2 and W-3 can be obtained for free from IRS by visiting *irs.gov/businesses/online-ordering-for-information-returns-and-employer-returns*, suitable for filing with the SSA and distributing to employees. Any software used to produce and complete Forms W-2, must conform to the specifications and standards in the latest IRS Publication 1141. If any organization has more than 250 Form W-2s, paper copies may be distributed to the employees but the reportable information must be submitted to the SSA electronically.

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FORM W-2, "WAGE AND TAX STATEMENT" — for the lay employee [Exhibit 7-K(1)]

Boxes 1, 2, 3, 4, 5, 6, 16, 17
Include the appropriate information from the worker's "individual payroll record" totals.

Boxes 12 a-d
Leave blank since no applicable payments were made. See form's instructions.

Box 13 Check "Retirement plan" as the worker is a full-time employee and is included in the Concordia Retirement Plan.

Box 15 Include the two-letter code for your state and your Employer's State IdentificationNumber.

22222

a Employee's social security number: 342-00-1234

OMB No. 1545-0008

b Employer identification number (EIN): 43-8912055

c Employer's name, address, and ZIP code:
FIRST LUTHERAN CHURCH
2743 CONCORDIA DRIVE
ST LOUIS MO 63122

d Control number

e Employee's first name and initial: MARY A. Last name: KELLY Suff.

789 MAIN STREET
ST LOUIS MO 63122

f Employee's address and ZIP code

1 Wages, tips, other compensation: 9650.00	2 Federal income tax withheld: 720.00
3 Social security wages: 9650.00	4 Social security tax withheld: 598.30
5 Medicare wages and tips: 9650.00	6 Medicare tax withheld: 139.93
7 Social security tips	8 Allocated tips
9	10 Dependent care benefits
11 Nonqualified plans	12a Code
13 Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐	12b Code
14 Other	12c Code
	12d Code

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
MO	800-0484-6	9650.00	252.00			

Form **W-2** Wage and Tax Statement 2023 Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

EXHIBIT 7-K(1)

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FORM W-2, "WAGE AND TAX STATEMENT" —for the minister of the Gospel (no withholding) [Exhibit 7-K(2)]

Box 1 Salary ($1,550/mo x 12) $18,600.00
Less: TSA ($100/mo x 12) (1,200.00)
Add: Group term life insurance 196.76
Total wages $17,596.76

Do not include the housing allowance in this box.

If the minister of the Gospel received cash allowances for auto expenses, include this amount in Box 1.

You may give the employee more than one Form W-2. For example, if you have completed the Form W-2s with the usual payroll items, and then you receive the group term life insurance information, you may prepare a second Form W-2 rather than amend the first. See 1.305 for a list of the items to be included in Box 1.

Boxes 2, 3, 4, 5, 6
No dollar amount should ever be included.

Box 12 a-d
Include the applicable payments made by Code:

- **C–** Group-term life insurance over $50,000
- **E–** Elective deferrals to a section 403(b) salary reduction agreement (Tax-Sheltered Annuity)
- **L–** Substantiated Employee Business Expense (Federal rate)(Required if NOT substantiated)
- **P–** Qualified moving expenses
- **R–** Employer contributions to your medical savings account
- **T–** Adoption benefits
- **W–** Employee contributions to a Health Savings Account (HSA) under a Cafeteria Plan or Employer Contributions to an HSA.
- **BB–** Roth contributions under a section 403(b) plan.

Box 13 Check "Retirement plan" since the worker is enrolled in the Concordia Retirement Plan.

Box 14 Suggest writing "Minister of the Gospel" in this box and "Housing Allow. not incl. in Box 1: $xxxx."
If space doesn't permit it, report housing allowance payments on a separate statement.

Box 15 Include the two-letter code for your state and your Employer's State Identification Number.

Box 16 Include the wages from Box 1.

Box 17 Include the state taxes withheld if your state requires the church to withhold state income tax from the minister's wages.

Boxes 18-20
Complete these boxes if your county, city, or other municipality requires the church to withhold a local tax.

22222	a Employee's social security number 542-39-8756	OMB No. 1545-0008	
b Employer identification number (EIN) 43-8912055		1 Wages, tips, other compensation 17596.76	2 Federal income tax withheld
c Employer's name, address, and ZIP code FIRST LUTHERAN CHURCH 2743 CONCORDIA DRIVE ST LOUIS MO 63122		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
		7 Social security tips	8 Allocated tips
d Control number		9	10 Dependent care benefits
e Employee's first name and initial: JOHN C. Last name: SCHMIDT Suff. 123 WALNUT DRIVE ST LOUIS MO 63122 f Employee's address and ZIP code		11 Nonqualified plans	12a Code C 196.76
		13 Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐	12b Code E 1200.00
		14 Other: Minister of the Gospel Housing Allow, not included in Box 1: $9600.00	12c Code W 2500.00
			12d Code

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
MO	800-0484-6	17596.76				

Form **W-2** Wage and Tax Statement 2023 Department of the Treasury—Internal Revenue Service
Copy 1—For State, City, or Local Tax Department

EXHIBIT 7-K(2)

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FORM W-2, "WAGE AND TAX STATEMENT" —for the minister of the Gospel (with voluntary withholding) [Exhibit 7-K(3)]

Follow directions for "minister of the Gospel *(no withholding)*" with the following exceptions.

Box 2 Include amounts withheld for federal income and self-employment tax.

Box 17 Include amount withheld for state income tax.

22222	**a** Employee's social security number 378-38-7028	OMB No. 1545-0008	
b Employer identification number (EIN) 43-8912055		**1** Wages, tips, other compensation 12900.00	**2** Federal income tax withheld 3729.60
c Employer's name, address, and ZIP code FIRST LUTHERAN CHURCH 2743 CONCORDIA DRIVE ST LOUIS MO 63122		**3** Social security wages	**4** Social security tax withheld
		5 Medicare wages and tips	**6** Medicare tax withheld
		7 Social security tips	**8** Allocated tips
d Control number		**9**	**10** Dependent care benefits
e Employee's first name and initial IRENE M. / Last name BRAUN / Suff. 22 GRACELAND CT. #5 ST LOUIS MO 63122 **f** Employee's address and ZIP code		**11** Nonqualified plans **13** Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐ **14** Other: Minister of the Gospel Housing Allowance not included in Box 1: $6300.00	**12a** Code **12b** Code **12c** Code **12d** Code

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
MO | 800-0484-6	12900.00				

Form **W-2** Wage and Tax Statement — 2023 — Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

EXHIBIT 7-K(3)

7.351: Cost of Health Care Coverage Reporting

Employers that provide coverage through a self-funded church health plan, such as the Concordia Health Plan (CHP), currently are exempt from the requirement to report the cost of health coverage on Form W-2. Employers that offer health plans other than the CHP may not be eligible for this exemption and should check with their health plan carrier or review IRS Notice 2012-9 to determine whether an exemption is applicable. Other W-2 reporting obligations continue to apply. The Internal Revenue Service (IRS) notices describing this exemption suggest that the exemption may not be permanent. Concordia Plan Services will continue to monitor IRS guidance and provide information as it becomes available. The IRS has stated it will provide at least a six-month notice if the exemption is eliminated.

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7.355: Transmittal of Wage and Tax Statements to SSA

Form W-3 summarizes the various amounts on the accumulative Forms W-2. Its purpose is to transmit Copy A of Forms W-2 to the Social Security Administration (SSA). This transmittal must be mailed by January 31 to the address found in the form's instructions. The data is shared with the IRS to reconcile your previously filed Forms 941 [Exhibit 7-J (1)] or Form 944, if applicable. No money is sent with the Form W-3.

Electronic submission of wage and tax statements is also due by January 31.

For more information about electronic filing, go to *ssa.gov/bso*.

Form W-3: "TRANSMITTAL OF INCOME AND TAX STATEMENTS"

Summary of Totals:

Worker Name	Box 1	Box 2	Box 3&5	Box 4	Box 6	Box 12	Box 16	Box 17
Schmidt	17,596.76					1,200.00	17,596.76	
Kelly	9,650.00	720.00	9,650.00	598.30	139.93		9,650.00	252.00
Plumber	3,000.00		3,000.00	186.00	43.56		3,000.00	
Rogers	3,600.00		3,600.00	223.20	52.20		3,600.00	
Braun	12,900.00	3,729.60					12,900.00	228.00
Totals	46,746.76	4,449.60	16,250.00	1,007.50	235.69	1,200.00	46,746.76	480.00

Box 1 The salary and other compensation of all employees. This box does not include the housing allowance. The total in this box must be the total of Box 1 of all Form W-2s included. This amount must all agree with the totals on line 2, Form 941 (or 944) for all such returns filed, if any, during the year.

Box 2 The total of all federal income tax withheld on all employees during the year. This box also includes Self-Employment tax (SECA) from "ministers of the Gospel" who elect to withhold. The total in this box must equal the total of Box 2 on all Form W-2s included with the Form W-3.

Box 3&5 The total of all social security tax (Box 3) and Medicare tax (Box 5) of all non-minister employees. The totals in these boxes must equal the total of Box 3 and Box 5 of all Form W-2s included with the Form W-3.

Box 4 The total of all social security tax withheld from the employees' payroll checks. This box does not include the employer's share of the social security tax. The total in this box must equal to total of Box 4 of all Form W-2s included with the Form W-3.

Box 6 The total of all Medicare tax withheld from the employee's payroll checks. This box does not include the employer's share of the Medicare tax. The total in this box must equal the total of Box 6 of all Form W-2s included with the Form W-3.

Box 12 The total of all deferred compensation (TSA earnings) of all eligible employees.

Box 15 Two-letter abbreviation for name of the state being reported on Forms W-2 and employer's state assigned id number. If more than one state being reported, enter "X" and no id number.

Box 16,17 The total state wages and taxes shown in their corresponding boxes on the Form W-2.

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DO NOT STAPLE

33333	a Control number	For Official Use Only: OMB No. 1545-0008

b Kind of Payer (Check one): 941 [X] Military [ ] 943 [ ] 944 [ ] CT-1 [ ] Hshld. emp. [ ] Medicare govt. emp. [ ]

Kind of Employer (Check one): None apply [ ] 501c non-govt. [X] State/local non-501c [ ] State/local 501c [ ] Federal govt. [ ]

Third-party sick pay (Check if applicable) [ ]

c Total number of Forms W-2: 5	d Establishment number	1 Wages, tips, other compensation: 46746.76	2 Federal income tax withheld: 4449.60
e Employer identification number (EIN): 43-8912055		3 Social security wages: 16250.00	4 Social security tax withheld: 1007.50
f Employer's name: FIRST LUTHERAN CHURCH		5 Medicare wages and tips: 16250.00	6 Medicare tax withheld: 235.69
2743 CONCORDIA DRIVE ST LOUIS MO 63122		7 Social security tips	8 Allocated tips
		9	10 Dependent care benefits
g Employer's address and ZIP code		11 Nonqualified plans	12a Deferred compensation: 1200.00
h Other EIN used this year		13 For third-party sick pay use only	12b
15 State: MO	Employer's state ID number: 800-0484-6	14 Income tax withheld by payer of third-party sick pay	
16 State wages, tips, etc.: 46746.76	17 State income tax: 480.00	18 Local wages, tips, etc.	19 Local income tax
Employer's contact person: EUNICE KRAMER		Employer's telephone number: 314 667-8215	For Official Use Only
Employer's fax number		Employer's email address	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature: Eunice Kramer Title: TREASURER Date: 1/31/XX

Form **W-3** **Transmittal of Wage and Tax Statements** 2024

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration (SSA). Photocopies are not acceptable. Do not send Form W-3 if you filed electronically with the SSA.
Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Reminder

Separate instructions. See the 2024 General Instructions for Forms W-2 and W-3 for information on completing this form. Do not file Form W-3 for Form(s) W-2 that were submitted electronically to the SSA.

Purpose of Form

Complete a Form W-3 transmittal only when filing paper Copy A of Form(s) W-2, Wage and Tax Statement. Don't file Form W-3 alone. All paper forms **must** comply with IRS standards and be machine readable. Photocopies are **not** acceptable. Use a Form W-3 even if only one paper Form W-2 is being filed. Make sure both the Form W-3 and Form(s) W-2 show the correct tax year and employer identification number (EIN). Make a copy of this form and keep it with Copy D (For Employer) of Form(s) W-2 for your records. The IRS recommends retaining copies of these forms for 4 years.

E-Filing

The SSA strongly suggests employers report Form W-3 and Forms W-2 Copy A electronically instead of on paper. The SSA provides two free e-filing options on its Business Services Online (BSO) website.

- **W-2 Online.** Use fill-in forms to create, save, print, and submit up to 50 Forms W-2 at a time to the SSA.
- **File Upload.** Upload wage files to the SSA you have created using payroll or tax software that formats the files according to the SSA's *Specifications for Filing Forms W-2 Electronically (EFW2)*.

W-2 Online fill-in forms or file uploads will be on time if submitted by **January 31, 2025**. For more information, go to *www.SSA.gov/bso*. First-time filers, select "*Register*"; returning filers, select "*Log In*."

When To File Paper Forms

Mail Form W-3 with Copy A of Form(s) W-2 by **January 31, 2025.**

Where To File Paper Forms

Send this entire page with the entire Copy A page of Form(s) W-2 to:

Social Security Administration
Direct Operations Center
Wilkes-Barre, PA 18769-0001

Note: If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS-approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See Pub. 15 (Circular E), Employer's Tax Guide, for a list of IRS-approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 10159Y

EXHIBIT 7-L

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7.370:
Correcting Previously Filed Payroll Information Forms

Form 941-X

Form 941-X is used to correct previously filed Form 941s. Instructions for completing the form accompany it. Form 941-X should be filed immediately when the mistake is discovered.

Example: On April 5, the treasurer discovered an error in Mary Kelly's payroll record. She received a $200 payroll check that was not recorded for the fourth quarter.

		Employer's Tax Liability	
		Fed	State
Salary	$200.00	$	$
Federal Tax Withheld	-25.00	25.00	
Social Security	-12.40	24.80	
Medicare	- 2.90	5.80	
State Tax	-10.00		10.00
Net Check	$149.70	$55.60	$10.00

Form 941-X must be used to correct under-reporting of social security wages and taxes due; also under-reporting of withheld federal income tax and payment of amounts due [see Exhibit 7-M(1)]. The net adjustment of $55.60 [$25.00 + $24.80 + $5.80] will be paid with the filing of Form 941-X.

Note: Exhibit 7-M does not correct Exhibit 7-J and is included here for illustrative purposes only.

Form W-2C

Form W-2C is used to correct previously filed Form W-2s. Instructions for completing this form are on the back side of the last copy. Following through the example above, we need to correct Mary Kelly's Form W-2 (see Exhibit 7-N).

Form W-3C

Form W-3C is used to transmit Form W-2Cs to the Social Security Administration.

Note, for purposes of this example, the numbers only reflect the resulting change shown in Exhibit 7-N (see Exhibit 7-O).

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Form **941-X:** **Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund**
(Rev. April 2023) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) 43-8912055

Name (*not your trade name*) FIRST LUTHERAN CHURCH

Trade name (*if any*)

Address 2743 CONCORDIA DRIVE
Number Street Suite or room number

ST LOUIS | MO | 63122
City State ZIP code

Foreign country name | Foreign province/county | Foreign postal code

Return You're Correcting...

Check the type of return you're correcting.

- [X] **941**
- [ ] **941-SS**

Check the ONE quarter you're correcting.

- [ ] **1:** January, February, March
- [ ] **2:** April, May, June
- [ ] **3:** July, August, September
- [X] **4:** October, November, December

Enter the calendar year of the quarter you're correcting.
20XX (YYYY)

Enter the date you discovered errors.
04 / 05 / 20XX
(MM / DD / YYYY)

Read the separate instructions before completing this form. Use this form to correct errors you made on Form 941 or 941-SS. Use a separate Form 941-X for each quarter that needs correction. Type or print within the boxes. You MUST complete all five pages. Don't attach this form to Form 941 or 941-SS unless you're reclassifying workers; see the instructions for line 42.

Part 1: Select ONLY one process. See page 6 for additional guidance, including information on how to treat employment tax credits and social security tax deferrals.

- [X] **1. Adjusted employment tax return.** Check this box if you underreported tax amounts. Also check this box if you overreported tax amounts and you would like to use the adjustment process to correct the errors. You must check this box if you're correcting both underreported and overreported tax amounts on this form. The amount shown on line 27, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, or Form 944 for the tax period in which you're filing this form.
- [ ] **2. Claim.** Check this box if you overreported tax amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 27. Don't check this box if you're correcting ANY underreported tax amounts on this form.

Part 2: Complete the certifications.

- [X] **3. I certify that I've filed or will file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, as required.**

Note: If you're correcting underreported tax amounts only, go to Part 3 on page 2 and skip lines 4 and 5. If you're correcting overreported tax amounts, for purposes of the certifications on lines 4 and 5, Medicare tax doesn't include Additional Medicare Tax. Form 941-X can't be used to correct overreported amounts of Additional Medicare Tax unless the amounts weren't withheld from employee wages or an adjustment is being made for the current year.

4. If you checked line 1 because you're adjusting overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply. You must check at least one box.
I certify that:

- [ ] **a.** I repaid or reimbursed each affected employee for the overcollected federal income tax or Additional Medicare Tax for the current year and the overcollected social security tax and Medicare tax for current and prior years. For adjustments of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that they haven't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- [ ] **b.** The adjustments of social security tax and Medicare tax are for the employer's share only. I couldn't find the affected employees or each affected employee didn't give me a written statement that they haven't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- [ ] **c.** The adjustment is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from employee wages.

5. If you checked line 2 because you're claiming a refund or abatement of overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, check all that apply. You must check at least one box.
I certify that:

- [ ] **a.** I repaid or reimbursed each affected employee for the overcollected social security tax and Medicare tax. For claims of employee social security tax and Medicare tax overcollected in prior years, I have a written statement from each affected employee stating that they haven't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- [ ] **b.** I have a written consent from each affected employee stating that I may file this claim for the employee's share of social security tax and Medicare tax. For refunds of employee social security tax and Medicare tax overcollected in prior years, I also have a written statement from each affected employee stating that they haven't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- [ ] **c.** The claim for social security tax and Medicare tax is for the employer's share only. I couldn't find the affected employees, or each affected employee didn't give me a written consent to file a claim for the employee's share of social security tax and Medicare tax, or each affected employee didn't give me a written statement that they haven't claimed (or the claim was rejected) and won't claim a refund or credit for the overcollection.
- [ ] **d.** The claim is for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that I didn't withhold from employee wages.

For Paperwork Reduction Act Notice, see the separate instructions. *www.irs.gov/Form941X* Cat. No. 17025J Form **941-X** (Rev. 4-2023)

EXHIBIT 7-M(1)

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Name (not your trade name)	Employer identification number (EIN)	Correcting quarter 4 (1, 2, 3, 4)
FIRST LUTHERAN CHURCH	43-8912055	Correcting calendar year (YYYY) 20XX

Part 3: Enter the corrections for this quarter. If any line doesn't apply, leave it blank.

		Column 1 — Total corrected amount (for ALL employees)	–	Column 2 — Amount originally reported or as previously corrected (for ALL employees)	=	Column 3 — Difference (If this amount is a negative number, use a minus sign.)		Column 4 — Tax correction
6.	**Wages, tips, and other compensation** (Form 941, line 2)	12,071.76	–	11,871.76	=	200.00	Use the amount in Column 1 when you prepare your Forms W-2 or Forms W-2c.	
7.	**Federal income tax withheld from wages, tips, and other compensation** (Form 941, line 3)	1,137.40	–	1,112.40	=	25.00	Copy Column 3 here . .	25.00
8.	**Taxable social security wages** (Form 941 or 941-SS, line 5a, Column 1)	4,300.00	–	4,100.00	=	200.00	× 0.124* =	24.80
						* If you're correcting your employer share only, use 0.062. See instructions.		
9.	**Qualified sick leave wages*** (Form 941 or 941-SS, line 5a(i), Column 1)	.	–	.	=	.	× 0.062 =	.
		* Use line 9 only for qualified sick leave wages paid after March 31, 2020, for leave taken before April 1, 2021.						
10.	**Qualified family leave wages*** (Form 941 or 941-SS, line 5a(ii), Column 1)	4,300.00	–	4,100.00	=	200.00	× 0.062 =	12.40
		* Use line 10 only for qualified family leave wages paid after March 31, 2020, for leave taken before April 1, 2021.						
11.	**Taxable social security tips** (Form 941 or 941-SS, line 5b, Column 1)	.	–	.	=	.	× 0.124* =	.
						* If you're correcting your employer share only, use 0.062. See instructions.		
12.	**Taxable Medicare wages & tips** (Form 941 or 941-SS, line 5c, Column 1)	.	–	.	=	.	× 0.029* =	.
						* If you're correcting your employer share only, use 0.0145. See instructions.		
13.	**Taxable wages & tips subject to Additional Medicare Tax withholding** (Form 941 or 941-SS, line 5d)	.	–	.	=	.	× 0.009* =	.
						* Certain wages and tips reported in Column 3 shouldn't be multiplied by 0.009. See instructions.		
14.	**Section 3121(q) Notice and Demand—Tax due on unreported tips** (Form 941 or 941-SS, line 5f)	.	–	.	=	.	Copy Column 3 here . .	.
15.	**Tax adjustments** (Form 941 or 941-SS, lines 7 through 9)	.	–	.	=	.	Copy Column 3 here . .	.
16.	**Qualified small business payroll tax credit for increasing research activities** (Form 941 or 941-SS, line 11a; you must attach Form 8974)	.	–	.	=	.	See instructions	.
17.	**Nonrefundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021** (Form 941 or 941-SS, line 11b)	.	–	.	=	.	See instructions	55.60
18a.	**Nonrefundable portion of employee retention credit*** (Form 941 or 941-SS, line 11c)	.	–	.	=	.	See instructions	.
		* Use line 18a only for corrections to quarters beginning after March 31, 2020, and before January 1, 2022.						
18b.	**Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021, and before October 1, 2021** (Form 941 or 941-SS, line 11d)	.	–	.	=	.	See instructions	.
18c.	**Nonrefundable portion of COBRA premium assistance credit** (Form 941 or 941-SS, line 11e)	.	–	.	=	.	See instructions	55.60
18d.	**Number of individuals provided COBRA premium assistance** (Form 941 or 941-SS, line 11f)		–		=			
19.	**Special addition to wages for federal income tax**	.	–	.	=	.	See instructions	.
20.	**Special addition to wages for social security taxes**	.	–	.	=	.	See instructions	.
21.	**Special addition to wages for Medicare taxes**	.	–	.	=	.	See instructions	55.60

EXHIBIT 7-M(2)

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Name (*not your trade name*)	Employer identification number (EIN)	Correcting quarter 4 (1, 2, 3, 4)
FIRST LUTHERAN CHURCH	43-8912055	Correcting calendar year (YYYY) 20XX

Part 4: Explain your corrections for this quarter.

☐ **41. Check here if any corrections you entered on a line include both underreported and overreported amounts.** Explain both your underreported and overreported amounts on line 43.

☐ **42. Check here if any corrections involve reclassified workers.** Explain on line 43.

43. You must give us a detailed explanation of how you determined your corrections. See the instructions.

Clerical error, one payroll check found not recorded.

Part 5: Sign here. You must complete all five pages of this form and sign it.

Under penalties of perjury, I declare that I have filed an original Form 941 or Form 941-SS and that I have examined this adjusted return or claim, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign your name here Eunice Kramer

Print your name here: EUNICE KRAMER

Print your title here: TREASURER

Date: 04/05/20XX

Best daytime phone: 314 667-8215

Paid Preparer Use Only

Check if you're self-employed . . . ☐

Preparer's name

PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

Address

Phone

City

State

ZIP code

EXHIBIT 7-M(3)

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44444 | **For Official Use Only** OMB No. 1545-0008

a Employer's name, address, and ZIP code

FIRST LUTHERAN CHURCH
2743 CONCORDIA DRIVE
ST. LOUIS, MO 63122

b Employer identification number (EIN)
43-8912055

c Tax year/Form corrected
20xx / **W-2**

d Employee's correct SSN
342-02-1234

e Corrected SSN and/or name. (Check this box and complete boxes f and/or g if incorrect on form previously filed.) ☐

Complete boxes f and/or g only if incorrect on form **previously filed**:

f Employee's **previously reported** SSN

g Employee's **previously reported** name

h Employee's first name and initial: MARY | Last name: KELLY | Suff.

Note: Only complete money fields that are being corrected. (Exception: for corrections involving MQGE, see the General Instructions for Forms W-2 and W-3, under *Specific Instructions for Form W-2c*, boxes 5 and 6).

i Employee's address and ZIP code
789 MAIN STREET
ST. LOUIS, MO 63122

Previously reported	Correct information	Previously reported	Correct information
1 Wages, tips, other compensation: 9650.00	**1** Wages, tips, other compensation: 9850.00	**2** Federal income tax withheld: 720.00	**2** Federal income tax withheld: 745.00
3 Social security wages: 9650.00	**3** Social security wages: 9850.00	**4** Social security tax withheld: 598.30	**4** Social security tax withheld: 610.70
5 Medicare wages and tips: 9650.00	**5** Medicare wages and tips: 9850.00	**6** Medicare tax withheld: 139.93	**6** Medicare tax withheld: 142.83
7 Social security tips	**7** Social security tips	**8** Allocated tips	**8** Allocated tips
9	**9**	**10** Dependent care benefits	**10** Dependent care benefits
11 Nonqualified plans	**11** Nonqualified plans	**12a** See instructions for box 12 Code	**12a** See instructions for box 12 Code
13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	**13** Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	**12b** Code	**12b** Code
14 Other (see instructions)	**14** Other (see instructions)	**12c** Code	**12c** Code
		12d Code	**12d** Code

State Correction Information

Previously reported	Correct information	Previously reported	Correct information
15 State	**15** State	**15** State	**15** State
Employer's state ID number	Employer's state ID number	Employer's state ID number	Employer's state ID number
16 State wages, tips, etc.: 9650.00	**16** State wages, tips, etc.: 9850.00	**16** State wages, tips, etc.	**16** State wages, tips, etc.
17 State income tax: 252.00	**17** State income tax: 262.00	**17** State income tax	**17** State income tax

Locality Correction Information

Previously reported	Correct information	Previously reported	Correct information
18 Local wages, tips, etc.	**18** Local wages, tips, etc.	**18** Local wages, tips, etc.	**18** Local wages, tips, etc.
19 Local income tax	**19** Local income tax	**19** Local income tax	**19** Local income tax
20 Locality name	**20** Locality name	**20** Locality name	**20** Locality name

Copy 1—For State, City, or Local Tax Department

Form **W-2c** (Rev. 8-2023) **Corrected Wage and Tax Statement** Department of the Treasury Internal Revenue Service

EXHIBIT 7-N

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DO NOT CUT, FOLD, OR STAPLE

55555	a Tax year/Form corrected: 20XX / W- 3	For Official Use Only: OMB No. 1545-0008

b Employer's name, address, and ZIP code
FIRST LUTHERAN CHURCH
2743 CONCORDIA DRIVE
ST LOUIS MO 63122

c **Kind of Payer** (Check one): 941/941-SS [X] Military [ ] 943 [ ] 944 [ ] CT-1 [ ] Hshld. emp. [ ] Medicare govt. emp. [ ]

Kind of Employer (Check one): None apply [ ] 501c non-govt. [X] State/local non-501c [ ] State/local 501c [ ] Federal govt. [ ]

Third-party sick pay [ ] (Check if applicable)

d Total number of Forms W-2c: 1	e Employer identification number (EIN): 43-8912055	f Establishment number	g Employer's state ID number: 800-0484-6
Complete boxes h, i, or j only if incorrect on last form filed.	h Employer's **originally reported** EIN	i **Incorrect** establishment number	j Employer's **incorrect** state ID number
Total of amounts previously reported as shown on enclosed Forms W-2c.	**Total of corrected amounts as shown on enclosed Forms W-2c.**	**Total of amounts previously reported as shown on enclosed Forms W-2c.**	**Total of corrected amounts as shown on enclosed Forms W-2c.**
1 Wages, tips, other compensation: 9650.00	1 Wages, tips, other compensation: 9850.00	2 Federal income tax withheld: 720.00	2 Federal income tax withheld: 745.00
3 Social security wages: 9650.00	3 Social security wages: 9850.00	4 Social security tax withheld: 598.30	4 Social security tax withheld: 610.70
5 Medicare wages and tips: 9650.00	5 Medicare wages and tips: 9850.00	6 Medicare tax withheld: 139.93	6 Medicare tax withheld: 142.83
7 Social security tips	7 Social security tips	8 Allocated tips	8 Allocated tips
9	9	10 Dependent care benefits	10 Dependent care benefits
11 Nonqualified plans	11 Nonqualified plans	12a Deferred compensation	12a Deferred compensation
14 Inc. tax w/h by third-party sick pay payer	14 Inc. tax w/h by third-party sick pay payer	12b	12b
16 State wages, tips, etc.: 9650.00	16 State wages, tips, etc.: 9850.00	17 State income tax: 252.00	17 State income tax: 262.00
18 Local wages, tips, etc.	18 Local wages, tips, etc.	19 Local income tax	19 Local income tax

Explain decreases here:

Has an adjustment been made on an employment tax return filed with the Internal Revenue Service? [X] Yes [ ] No

If "Yes," give date the return was filed: 4-10-XX

Under penalties of perjury, I declare that I have examined this return, including accompanying documents, and, to the best of my knowledge and belief, it is true, correct, and complete.

Signature: Eunice Kramer Title: Treasurer Date: 4-10-XX

Employer's contact person: EUNICE KRAMER	Employer's telephone number: 314 667-8215	For Official Use Only
Employer's fax number: KFRAMER@ABC.NET	Employer's email address: 314 667-8217	

Form **W-3c** (Rev. 8-2023) **Transmittal of Corrected Wage and Tax Statements** Department of the Treasury Internal Revenue Service

Purpose of Form

Complete a Form W-3c transmittal only when filing paper Copy A of the most recent version of **Form(s) W-2c**, Corrected Wage and Tax Statement. Make a copy of Form W-3c and keep it with Copy D (For Employer) of Forms W-2c for your records. File Form W-3c even if only one Form W-2c is being filed or if those Forms W-2c are being filed only to correct an employee's name and social security number (SSN) or the employer identification number (EIN). See the General Instructions for Forms W-2 and W-3 for information on completing this form.

E-Filing

The SSA strongly suggests employers report Form W-3c and Forms W-2c Copy A electronically instead of on paper. The SSA provides two free e-filing options on its Business Services Online (BSO) website:

- **W-2c Online.** Use fill-in forms to create, save, print, and submit up to 25 Forms W-2c at a time to the SSA.
- **File Upload.** Upload wage files to the SSA you have created using payroll or tax software that formats the files according to the SSA's *Specifications for Filing Forms W-2c Electronically (EFW2C)*.

For more information, go to *www.SSA.gov/employer*. First-time filers, select "*Register*"; returning filers, select "*Log In*."

When To File

File this form and Copy A of Form(s) W-2c with the Social Security Administration as soon as possible after you discover an error on Forms W-2, W-2AS, W-2GU, W-2CM, W-2VI, or W-2c. Provide Copies B, C, and 2 of Form W-2c to your employees as soon as possible.

Where To File Paper Forms

Send this entire page with Copy A of Form W-2c to:

Social Security Administration
Direct Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18767-3333

Note: If you use "Certified Mail" or an IRS-approved private delivery service to file, add "Attn: W-2c Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See Pub. 15 (Circular E), Employer's Tax Guide, for a list of IRS-approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 10164R

EXHIBIT 7-O

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7.400: Other Information Returns

7.464: Backup Withholding

If the congregation pays an individual or business entity for services rendered and that person is not an employee, then the congregation must determine whether to withhold taxes. In general, it must withhold 24 percent of all taxable payments made to a non-employee (except corporations, exempt organizations, or payees who have established foreign status) who does not provide a TIN for income tax reporting purposes.

Report backup withholding on Form 945, Annual Return of Withheld Federal Income Tax. For more information, including the deposit requirements for Form 945, see its instructions or IRS Publication 15 (Circular E), Employer's Tax Guide.

7.465: Payments for Services of At Least $600 (Form 1099-NEC and Form W-9)

If the congregation (the service recipient) pays remuneration to any person (includes honoraria) or unincorporated organization for services performed by that person of at least $600 and that person is not an employee of the congregation, then the congregation must file a return reporting the aggregate amount of such payments, the name and address of the recipient of the payments and the social security number. The exemption from reporting payments to corporations does not apply to payments for legal services. Payments totaling $600 or more made to an attorney, a law firm or other provider of legal services must also be reported to the IRS. (See 7.467.)

The return to file is Form 1099-NEC (Exhibit 7-P). This form must be given to the recipient by January 31 of the following year. The congregation must report the social security number or Employer Identification Number of the individual or organization on the form.

For practical purposes, require the person to complete and return a Form W-9 before paying him or her. The form is useful for collecting in advance the personal and tax information needed later to complete the Form 1099-NEC. The Internal Revenue Service does not require the reporting of disbursements made payable to corporations on Form 1099-NEC. However, if the incorporated payee's name does not indicate its type of legal entity (i.e., a designation of Inc. or Corp.), consider requesting the corporation to complete an IRS Form W-9 (Exhibit 7-Q). This form will support why a Form 1099 was not reported by the congregation.

To avoid certain reporting penalties, Form 1099s must contain the telephone number of a person to contact concerning the information reported on the return.

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. FIRST LUTHERAN CHURCH 2743 CONCORDIA DRIVE ST LOUIS MO 63122 314-667-8215		OMB No. 1545-0116 Form **1099-NEC** (Rev. January 2024) For calendar year _____	**Nonemployee Compensation**
PAYER'S TIN 43-8912055	RECIPIENT'S TIN 530-76-4000	**1** Nonemployee compensation $ 3800.00	**Copy 1** **For State Tax Department**
RECIPIENT'S name CONRAD WILSON		**2** Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale ☐	
Street address (including apt. no.) 123 HIGHLAND		**3**	
City or town, state or province, country, and ZIP or foreign postal code ST LOUIS MO 63122		**4** Federal income tax withheld $	
Account number (see instructions)		**5** State tax withheld $ $	**6** State/Payer's state no.
			7 State income $ $

Form **1099-NEC** (Rev. 1-2024) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

EXHIBIT 7-P

FORM 1099–NEC

First Lutheran Church paid Conrad Wilson $3,800 to repair the roof at the church. Mr. Wilson is a sole proprietor, not an incorporated business. As the compensation to him for services and supplies exceeded $600, the church must provide Mr. Wilson with a Form 1099–NEC.

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7.466:
Payments to Volunteers for Travel Expenses

There are three methods that a congregation can use to reimburse a volunteer (including director and officer) for his or her travel expenses without including the amount in his or her income. The two most commonly used methods are either payments based on the charitable standard mileage rate of 14 cents per mile, or payments for the volunteer's actual travel expenses (documented). However, the standard business mileage rate may be the basis for payments if a volunteer employee follows the same accountable plan rules otherwise required of paid employees (Treasury Regulation 1.132-5[r][1]). Refer to Chapter 6 for the details of such plans. Amounts reimbursed in excess of these limits must be reported on IRS Form 1099-NEC if their sum total paid during the year is $600 or more.

7.467:
Payments to Attorneys

Payments of $600 or more made to lawyers must be reported on Form 1099-NEC. To facilitate the completion of this information return, the lawyer must promptly provide the filer with their TIN. Failing to do so, the payor must consider backup withholding on the reportable income. Payments to law firms are considered payments to lawyers, and therefore are not exempt from this reporting requirement.

Form **W-9**
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

► **Go to *www.irs.gov/FormW9* for instructions and the latest information.**

Give Form to the requester. Do not send to the IRS.

Print or type. See **Specific Instructions** on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.
CONRAD WILSON

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☒ Individual/sole proprietor or single-member LLC ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► _____

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ►

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.
123 HIGHLAND

Requester's name and address (optional)

6 City, state, and ZIP code
ST LOUIS MO 63122

7 List account number(s) here (optional)

Part I **Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN,* later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number
5 3 0 - 7 6 - 4 0 0 0

or

Employer identification number
_ _ - _ _ _ _ _ _ _

Part II **Certification**

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here Signature of U.S. person ► Conrad Wilson Date ► 6-30-xx

EXHIBIT 7-Q

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7.470:
Aid and Education Grants/Scholarship

Student Aid Grants — Any amount given as a qualified scholarship to someone who is a candidate for a degree at a qualified educational institution should not be considered part of the recipient's gross income, and a Form 1099 should not be issued as long as the amount is for qualified tuition and related expenses such as fees, books, supplies and equipment required for instruction. Recipients of grants and scholarships should seek professional tax advice regarding their own tax and reporting requirements.

7.475:
Form 1096, Annual Summary and Transmittal of U.S. information Returns

By January 31, the congregation must complete Form 1096, "Annual Summary and Transmittal of U.S. Information Returns," (Exhibit 7-R) and submit it and Copy A of all Form 1099-NECs to the Internal Revenue Service Center noted on Form 1096.

Do Not Staple 6969

Form **1096** Department of the Treasury Internal Revenue Service	**Annual Summary and Transmittal of U.S. Information Returns**	OMB No. 1545-0108 **2023**

FILER'S name
FIRST LUTHERAN CHURCH

Street address (including room or suite number)
2743 CONCORDIA DRIVE

City or town, state or province, country, and ZIP or foreign postal code
ST LOUIS MO 63122

For Official Use Only

Name of person to contact	Telephone number
EUNICE KRAMER	314 667-8215
Email address	**Fax number** 314 667-8217

1 Employer identification number	2 Social security number	3 Total number of forms	4 Federal income tax withheld	5 Total amount reported with this Form 1096
43-8912055		1	$	$ 3800.00

6 Enter an "X" in only one box below to indicate the type of form being filed.

W-2G 32	1097-BTC 50	1098 81	1098-C 78	1098-E 84	1098-F 03	1098-Q 74	1098-T 83	1099-A 80	1099-B 79	1099-C 85	1099-CAP 73		1099-DIV 91	1099-G 86	1099-INT 92	1099-K 10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐		☐	☐	☐	☐
1099-LS 16	1099-LTC 93	1099-MISC 95	1099-NEC 71	1099-OID 96	1099-PATR 97	1099-Q 31	1099-QA 1A	1099-R 98	1099-S 75	1099-SA 94	1099-SB 43	3921 25	3922 26	5498 28	5498-ESA 72	5498-QA 2A
☐	☐	X	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
5498-SA 27																
☐																

Return this entire page to the Internal Revenue Service. Photocopies are not acceptable.
Send this form, with the copies of the form checked in box 6, to the IRS in a flat mailer (not folded).

Under penalties of perjury, I declare that I have examined this return and accompanying documents and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature *Eunice Kramer* **Title** Treasurer **Date** 1-31-xx

EXHIBIT 7-R

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7.600: Employer-Provided Automobile

The following sections describe the IRS-approved methods in reporting the value of the personal use of an automobile. An employer is generally free to use any of these methods for any vehicle, provided all the requirements are met for the particular method. Once the method is chosen for a specific automobile and person, this method must be consistently followed. An important resource for information about this matter is IRS Publication 15-B, Employers Tax Guide to Fringe Benefits. It should also be emphasized that the use of most of these methods require a certain amount of record keeping.

7.601
Annual Lease Valuation (ALV)

This method is the least restrictive of all methods and is an option that is available whenever any of the other methods are either not available or simply costlier to the employee. This method may NOT be used unless it was chosen when the car was first made available to the particular employee for personal use. Once this method is adopted, it must be used for all subsequent periods; except when the Commuting Valuation method is used or on the first day the auto no longer qualifies for the vehicle cents per mile rule described later. (See 7-602 and 7.605.)

The Annual Lease Value Table (7.606) is used to determine a value that is used for each year of the first four years the vehicle is used. Thereafter, the automobile may be revalued every four years, as well as whenever it will be used for a different employee. It is important that due consideration be given in determining the proper Fair Market Value (FMV) of the automobile when applying this table. The FMV of an automobile is the amount a person would pay a third party in the area in which the vehicle is purchased or leased. The employer's actual cost for either purchasing or leasing the automobile **does not** determine its FMV. The ALV method assumes maintenance and insurance are included in the ALV. The Annual Lease Value **MAY NOT** be reduced for any such services not provided by the employer. The ALV method **DOES NOT** include the value of employer-provided fuel. If provided, it must be included **in addition to** the ALV either in an amount equal to the FMV of the fuel, or at a rate of 5.5 cents per mile. A car's fair market value does not include the FMV of any telephone, fax, or specialized equipment added to or carried in the car if the presence of that equipment is required by and attributable to the business needs of the employer. To figure the annual lease value of an automobile to use under the ALV method, one of the following "safe harbor" values can be used.

1) When the automobile is bought in an arm's-length purchase by the employer, the fair market value is the cost, including sales tax, title fees and other purchase expenses.
2) When leased, it's
   (a) the suggested retail price less 8 percent,
   (b) the retail value as reported in a nationally recognized publication, or
   (c) the manufacturer's invoice price plus 4 percent

A copy of the ALV table is provided in paragraph 7.606. You simply find the dollar range in column (1) of the table the amount corresponding to the FMV of the automobile. The corresponding amount in column (2) is the auto's annual lease value. Finally, multiply the corresponding value by the percent of personal use. The resulting amount should be included in the employee's taxable wages.

If the fuel cost for personal use is reimbursed by or charged to the employer, the additional inclusion is the amount reimbursed or charged. Any other services provided by the employer must be added to the ALV in determining the FMV of the benefit provided.

7.602
Vehicle Cents Per Mile

To qualify for the Vehicle Cents Per Mile method, 1) the fair market value of an automobile including a truck or van when first provided to the employee (for 2024) must not exceed $62,0000, **AND** 2) it must have been regularly used throughout the year **OR** it must satisfy the mileage rule. The benefit provided to the employee is valued by using the standard mileage rate multiplied by the total miles driven by the employee for personal use.

In order to use this method, one of the following two criteria must be met:

Whether or not a vehicle is regularly used in an employer's trade or business is determined based on all the facts and circumstances. A vehicle is considered to be regularly used in a trade or business if it meets **ONE** of the following conditions:

1. At least 50 percent of the vehicle's total annual mileage is for that trade or business, OR
2. The vehicle is generally used each workday to drive at least three employees to and from work in an employer-sponsored commuting pool.

The standard mileage rate is applied only to the personal miles. Business miles are disregarded. Personal use is any use of the automobile other than use in the employee's trade or business.

An automobile satisfies the mileage rule for a calendar year if:

1. It is actually driven at least 10,000 miles in that year, AND
2. It is used during the year primarily by employees.

The vehicle is considered used primarily by employees if they use it consistently for commuting. For example, if only one employee uses an automobile during the year and that employee drives the vehicle at least 10,000 miles in that calendar year, the vehicle meets the mileage rule even if all miles driven are personal. Use of the vehicle by an individual *(other than the employee)* whose use would

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be taxed to the employee **IS NOT** considered used by the employee. If the employee owns or leases the vehicle only part of the year, the 10,000-mile requirement is reduced proportionately.

Maintenance and insurance are included in the standard mileage rate. No reduction is allowed, however, if an employer does not provide these services. The rate also includes the FMV of employer-provided fuel. If fuel is not provided by the employer, the rate **MAY BE REDUCED** by up to 5.5 cents.

7.603
Prorated Annual Lease Value

When the amount of time the vehicle is available is **at least** 30 days but less than a year, then the value to use is a prorated ALV. This is calculated by multiplying the applicable ALV by a fraction, the numerator of which is the number of days of availability and the denominator is 365.

7.604
Daily Lease Valuation

This method is available only for those instances in which the use is less than 30 days. This method is calculated by multiplying the applicable ALV by a fraction, the numerator of which is four times the number of days of availability and the denominator is 365. An election may also be made to treat the period of availability as if it had been 30 days *(and not multiply it by four)*, if doing so would result in a lower valuation than the Daily Lease Value.

7.605
Commuting Valuation Method

This is a special valuation rule whereby only the value of the commuting is treated as income to the employee. This method is only available when **ALL** of the following criteria are met:

1) The vehicle is owned or leased by the employer and is provided to one or more employees for use in connection with the employer's business and is used as such.
2) The employer requires the employee to commute to and/or from work in this vehicle for bona fide noncompensatory business reasons.
3) The employer establishes a written policy stating that such vehicles cannot be used for personal use either by the employee or any other individual whose use would be taxable to the employee.
4) Except for de minimis personal use, the employee does not use the vehicle for any other personal use than commuting.
5) The employer may not provide such vehicle to an employee in 2022 earning $130,000 or more annually in 2021. (See IRS Pub. 15-B.)

Under this method, the value assigned to commuting is $1.50 per one-way trip. Thus, the amount includable for a round-trip would be $3.00 per employee. This applies to each employee using the vehicle when it is used for carrying more than one employee.

7.606
Annual Lease Value Table

Automobile Fair Market Value (1)	Annual Lease Value (2)
0 to 999	600
1,000 to 1,999	850
2,000 to 2,999	1,100
3,000 to 3,999	1,350
4,000 to 4,999	1,600
5,000 to 5,999	1,850
6,000 to 6,999	2,100
7,000 to 7,999	2,350
8,000 to 8,999	2,600
9,000 to 9,999	2,850
10,000 to 10,999	3,100
11,000 to 11,999	3,350
12,000 to 12,999	3,600
13,000 to 13,999	3,850
14,000 to 14,999	4,100
15,000 to 15,999	4,350
16,000 to 16,999	4,600
17,000 to 17,999	4,850
18,000 to 18,999	5,100
19,000 to 19,999	5,350
20,000 to 20,999	5,600
21,000 to 21,999	5,850
22,000 to 22,999	6,100
23,000 to 23,999	6,350
24,000 to 24,999	6,600
25,000 to 25,999	6,850
26,000 to 27,999	7,250
28,000 to 29,999	7,750
30,000 to 31,999	8,250
32,000 to 33,999	8,750
34,000 to 35,999	9,250
36,000 to 37,999	9,750
38,000 to 39,999	10,250
40,000 to 41,999	10,750
42,000 to 43,999	11,250
44,000 to 45,999	11,750
46,000 to 47,999	12,250
48,000 to 49,999	12,750
50,000 to 51,999	13,250
52,000 to 53,999	13,750
54,000 to 55,999	14,250
56,000 to 57,999	14,750
58,000 to 59,999	15,250

For vehicles having a fair market value in excess of $59,999, the Annual Lease Value is equal to: *(.25 x the fair market value of the automobile)* + $500.

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Section 2
Federal and State Tax Matters

Chapter 8: Tax-Exempt Status

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IRS RULINGS 400
Federal Tax Exemption 405
Group Tax-Exempt Ruling 410

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8.100: Introduction

The IRS considers member congregations, the schools they operate, as well as most other organizations affiliated with the Synod, as tax-exempt entities because they are organizations described in the Synod's group tax-exemption ruling under code section 501(c)(3) of the Internal Revenue Code. A copy of the IRS's letter describing which organizations are included in this ruling is in Section 8.410. Other Synod-related entities not described in this ruling must apply for their own separate tax-exempt status by electronically filing Form 1023.

Once your organization is tax-exempt, it's important to know what activities can put it in danger of losing its exemption or incurring costly sanctions or penalties. The law prohibits three types of activities by religious, nonprofit organizations. They include private benefit (inurement), substantial lobbying and political campaigning. Until just recently the only recourse the IRS had for these violations was to revoke the entities' tax-exempt status. Because that was such a drastic step, the IRS tended to do that only in the most extreme cases.

However, since the enactment of the Taxpayer Bill of Rights 2 in 1996, if an exempt organization engages in an "Excess Benefit Transaction," the IRS can now impose intermediate sanctions, i.e., penalty taxes in lieu of (or in addition to) revoking the entity's tax-exempt status. This tax can be imposed on any "disqualified person" who profits from an excess benefit transaction and the organization's managers who knowingly participate in the transaction.

A disqualified person is anyone who is in a position to exercise substantial influence over the affairs of the organization. Excess Benefit Transactions are ones in which a certain disqualified person receives an economic benefit of greater value than the value of the consideration given. Examples include unreasonable compensation and bargain sales.

A disqualified person is penalized more severely than the organizational managers. He or she must pay an excise tax of 25 percent of the excess benefit amount, where the managers must pay an excise tax (in aggregate) that equals 10 percent of the excess benefit (to a maximum of $20,000). The following are steps that have been recommended to all non-profit organizations to avoid these taxes:

1. Review existing compensation agreements.
2. Establish an independent review committee to examine new compensation agreements.
3. Review all property transactions with "disqualified persons."
4. Review family relationships of disqualified persons to identify any potential excess benefit transactions.
5. Do not formulate compensation arrangements based on the organization's net revenues or net income.
6. When an excess benefit transaction is discovered, take immediate corrective action to avoid additional penalties.

See online training videos at *stayexempt.irs.gov*, found under the "Existing Organization" tab.

8.101: Political Campaign Prohibition

The IRS has begun an aggressive educational and enforcement campaign to make charities aware of the statutory rules against engaging in political activities. Accordingly, the Synod's Accounting Department is also reminding all synodical entities that their efforts, if any, to educate voters, must comply with tax code requirements concerning political campaign activities. The code absolutely prohibits churches and other religious organizations from endorsing or opposing any candidate for public office.

Whether a particular activity, action, or expenditure constitutes the conduct of prohibited political activity depends on all the facts and circumstances in each case. For example, organizations may sponsor debates or forums to educate voters. However, if the debate or forum shows a preference for or against a certain candidate, it becomes a prohibited activity.

The political activity prohibition does not restrict free expression by leaders of synodical entities who are speaking for themselves. However, ministers and others who commonly speak or write on behalf of a synodical entity must clearly indicate, at the time they do so, that their public comments in connection with political campaigns are strictly personal and not on behalf of the Synod or organization they represent. Partisan comments by employees or representatives of synodical organizations aimed at political candidates must never be made in official organization publications or at official church functions.

The entity could lose its tax-exempt status and/or be assessed an excise tax if the IRS finds it violating this prohibition. Also, contributions to organizations that lose their tax-exempt status are not deductible by the donors for federal income tax purposes.

The IRS discusses in greater detail the political prohibition in its fact sheet, FS-2006-17; Publication 1828, Tax Guide for Churches and Religious Organizations and also Revenue Ruling 2007-41. These publications and other information about the political campaign prohibition are available at *irs.gov.*

8.105: Congregations

Congregations listed in "The Lutheran Annual" are included in a blanket tax-determination letter from the IRS, updated June 3, 1992 (see 8.410). The listing of congregations is updated annually. ***Based on this letter, all listed congregations including those in the formative stages are exempt from income taxes as organizations described in Section 501(c)(3) of the Internal Revenue Code.***

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8.110:
Lutheran Schools

All schools (elementary and secondary) that are operated as an agency of an LCMS member congregation and are not separately incorporated are included in the blanket tax-determination letter from the IRS, updated June 3, 1992 (see 8.410). All schools separately incorporated but controlled by one or more LCMS member congregations may either request to be covered under Synod's blanket tax determination or obtain their own separate determination from the IRS that they are tax-exempt.

Without exception, each newly formed school must contact its district office so that it can be listed among the other schools published in "The Lutheran Annual." Upon contact, the district's educational executive will submit a "New School" form to the LCMS Statistical Department. For separately incorporated schools, this communication must occur before it may request to be included in Synod's blanket determination.

For the separately incorporated school to be covered by the Synod's group exemption, the following elements must be present in its articles of incorporation and bylaws:

1. Legal control by one or more LCMS member congregations.
2. Language that adequately contains all relevant references to items required by IRS Code Section 501(c)(3).

These references include but are not limited to the following:

- A clause limiting its purpose to one or more of the exempt purposes specified in IRS Code Section 501(c)(3).
- A clause limiting its activities to those fostering its exempt purposes.
- An article specifying that upon dissolution, its assets will be distributed to the Synod, or one of its member organizations.
- A clause that prohibits private advantage.
- A clause that properly restricts its political and lobbying activity.
- A clause pertaining to private foundation status and activity limitations.
- A clause providing that control of the organization is effected by the controlling congregation having the authority to appoint and remove either all or a majority of the directors of this organization.

It's extremely important that your legal counsel has reviewed the organizational documents for coverage of all the above elements to ensure the school qualifies for inclusion.

Before the 16th month after the school's incorporation date, a qualified school must submit a written request for participation under the Synod's group exemption. Use the form available in the Forms section of this manual titled, "Request and Authorization for Inclusion in the LCMS Group Tax Exemption." Upon completion, send it to:

LCMS Statistical Department
1333 S. Kirkwood Road
St. Louis, MO 63122-7295

A timely submission ensures the school's exemption on a group basis from the date of its incorporation. A request mailed to the Synod after the 15-month deadline can only be recognized as exempt from the date that the school submits the formal request for inclusion (evidenced by postmark).

Schools operated by more than one congregation may also be identified as Recognized Service Organizations of the LCMS by submitting the required exhibits and the official "Letter of Agreement" provided by the LCMS. *(Find more RSO information on the LCMS website: lcms.org/how-we-serve/mercy/recognized-service-organizations.)*

8.115:
Early Childhood Centers

If your early childhood center is part of the congregation's ministry, and not separately incorporated, then it may rely on the congregation's tax-exempt status.

However, if an early childhood center is separately incorporated, it has two options as to how it can become a tax-exempt entity. One option is to separately file (IRS Form 1023) and request its own tax-exempt status.

The other option is to request participation in the Synod's group ruling, ***if the early childhood center qualifies***. To qualify, it must be controlled by one or more LCMS congregations. This control must be authorized and evidenced in the center's articles of incorporation and bylaws. The control must also specifically provide that the authority to appoint and remove all or a majority of the directors of the center is vested in the voters' assembly or other official board or committee of the congregation(s). The center must also obtain and file with the Synod's Statistics Department a "Request and Authorization for Inclusion in the LCMS Group Tax Exemption" form. (A copy is available in the Forms section of this manual.) On this form, the center certifies that it is controlled by an LCMS congregation and that its articles and bylaws are in accordance with all the provisions of Internal Revenue Code Section 501(c)(3).

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8.120:
Other Organizations

Organizations associated with congregations that are not schools or early childhood centers may NOT be included in the Synod's Group Tax-Exempt Ruling. Those organizations must obtain their own separate tax-exempt status by filing IRS Form 1023 directly with the IRS.

8.130:
Exemption from Filing Form 990 or Form 990-N

Section 6033 of the Internal Revenue Code excuses certain organizations from filing Form 990, the information return generally required to be filed by tax-exempt organizations. Member congregations of the Synod are excused as churches by this section of the law, and this includes the school operated by the congregation under its own structure, that is, not separately incorporated or otherwise operated so as to be distinguishable from the congregation. All elementary and secondary schools are excused from filing Form 990, even if they are incorporated separately from the congregation or operated by two or more congregations. Neither of these entities are required to file the new Form 990-N, Electronic Notice (e-Postcard).

If a congregation receives a request from the IRS to complete and return a Form 990 or Form 990-N, the congregation should return the form to the appropriate IRS office and attach a letter stating that the congregation is exempt from filing Form 990 under Internal Revenue Code Section 6033, which specifically exempts churches, or under the Regulations to Section 6033, which exempt elementary and secondary schools.

8.140:
Synod's Employer Identification Number (EIN)

Upon application, the IRS assigns each congregation and *(if separately incorporated)* school with their own Employer Identification Number (EIN) (see paragraph 7.310). It is used for all of the applicant's IRS filing and reporting requirements (e.g., payroll returns, unrelated business income, IRS Form 1099s, Form 5578). If the assigned EIN is reported incorrectly on such returns, processing can be delayed because the legal name of the organization and its EIN do not match according to the IRS's records.

However, other reporting situations may require the disclosure of Synod's EIN in addition to the church's or school's. The EIN number assigned to The Lutheran Church—Missouri Synod is **43-0658188**. Some common examples of when that number is needed includes: satisfying certain grant requirements, a pastor's filing of Forms 4361 or 2031, a congregational member's desire to bequeath to Synod or to designate it as a beneficiary of their trust assets. Using Synod's EIN for any inappropriate purposes is prohibited. If you're in doubt whether it's correct to report your organization's EIN or Synod's EIN, contact your district office.

8.150:
Public Disclosure Requirements—Application for Tax Exemption

Section 6104(d) of the Internal Revenue Code requires every tax-exempt organization to allow public inspection of its application for recognition of tax exemption and last three (3) years of its Form 990 (including Form 990-T), if the organization is required to file that form. In the Synod, few entities are required to file Form 990. However, some may need to file Form 990-T, but only if any unrelated income exceeds $1,000 (see 11.110).

Because of the bulk of the documents related to Synod's Application for Recognition of Tax Exemption they may be requested. Congregations are not required to have these documents on file if they can be made available within a reasonable time from the district office. Also, they have been widely made available at *lcms.org*.

The IRS can assess penalties on any person failing to comply with this congressional mandate ("person" means any officer, director, trustee, employee or other individual whose duty it is to provide the requested documents). The penalty assessment can be $20 for each day such failure continues without limitation, and an additional $5,000 if the failure is found to be willful.

Should an individual request to see your tax-exempt application, you must be able to acquire a copy of the application for group exemption and make it available for public inspection.

The IRS broadly defines your application to include the following: the Synod's initial request for group exemption; any supporting documents filed by, or on behalf of, the Synod in connection with the request (including relevant legal briefs); any relevant IRS responses; and the page in the Synod's membership directory that lists your congregation by name.

Should an individual request to see the Synod's application for tax exemption or its Form 990-T, please refer them to the Synod's website or the Synod's Accounting Department — Tax & Compliance.

See *lcms.org/giving/transparency*.

8.155
Synod's Group Exemption Number (GEN)

The group exemption number (GEN) is a number assigned by the IRS to the central/parent organization of a group that has a group exemption letter. The Synod has received such a letter from the IRS (see Sec. 8.410) and the GEN assigned to this group is **1709**. **Only subordinate units referenced by category in Synod's group exemption letter are tax-exempt under GEN 1709.**

8.160
Verifying Tax Exempt Status

Included under Synod's group tax-exempt ruling are LCMS member congregations, the schools they operate and are not separately incorporated, as well as those that are separately incorporated and have consented in writing to

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be included. Occasionally, these entities need evidence of their "501(c)(3)" tax-exempt status. A request of this nature may be satisfied by providing a copy of the IRS tax-exempt group ruling acquired by the LCMS and reproduced in Section 8.410; and, also a copy of the page found inside "The Lutheran Annual" which lists your congregation or school as a member of the LCMS. Alternatively, anyone may contact the LCMS Accounting Department directly for verification. Either verification method may be used and are described in IRS Publication 4573. An LCMS congregation or a school it operates need not be listed on the Exempt Organization Business Master File maintained by IRS and posted on the internet at *irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf*. Donors, grantors or other interested persons may rely on LCMS verification in this respect.

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8.400:
IRS Rulings

8.405:
Federal Tax Exemption

Internal Revenue Service — Department of the Treasury

District Director

230 South Dearborn Street
Chicago, IL 60604

The Lutheran Church-Missouri Synod
Attn: George Horensky
1333 South Kirkwood Road
St. Louis, Missouri 63122

Date: JUN 0 3 1992

5

Re: 43-0608188

Gentlemen:

By means of a letter dated July 23, 1941, issued to you under your name at the time (Evangelical Lutheran Synod of Missouri, Ohio and Other States), you were determined to be organized and operated so as to be entitled to be exempt from federal income tax, and to be entitled to receive gifts for which the donors could claim deductions for federal income , gift and estate tax purposes. By means of a letter dated January 8, 1965, certain "subordinate" units were included in a group ruling, excluding, however, your commissions, committees, councils and your radio station, KFUO, all of which were observed to be merely activities of yours and not separate entities.

The purposes of this letter is to assure you that the Synod, including its boards, commissions, committees and councils, and any radio and television broadcast licenses owned by it and not structured as a corporation separate from the Synod, is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, is not required to file federal income tax returns, and contributions to which are deductible by donors as provided in Section 170, 2055, 2106, and 2522 of the Code.

Finally, you may refer to this letter by its date in referring to our determination that you are an exempt organization.

Sincerely yours,

R. S. Wintrode, Jr.

R. S. Wintrode, Jr.
District Director

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Internal Revenue Service — Department of the Treasury

District Director — 230 South Dearborn Street, Chicago, IL 60604

Lutheran Church-Missouri Synod
Attn: George Horensky
1333 South Kirkwood Road
St. Louis, Missouri 63122

Date: JUN 0 3 1992

5

Re: 43-0608188

Gentlemen:

In a letter dated January 8, 1965 your organization was issued a group ruling under Code Section 501(c)(3) of the Internal Revenue Code to cover your subordinate units. Based on the information recently submitted it is held that the subordinate units referenced below by category are those to be covered by the group ruling:

1. Your fund-raising and fund-administering entities, presently consisting of The Lutheran Church-Missouri Synod Foundation.

2. Your archives, presently consisting of Concordia Historical Institute.

3. The districts of the Synod existing within the United States, including the circuits within those districts.

4. The incorporated church extension, funds of the Synod and its districts, presently consisting of (i) Lutheran Church Extension Fund-Missouri Synod, (ii) Ohio District Lutheran Church Extension Fund, Inc., (iii) The Church Extension Board of the Michigan District of the Lutheran Church-Missouri Synod, and (iv) The Southeastern District-Lutheran Church Missouri Synod Church Extension Fund, Inc.

5. The institutions of higher education of the Synod.

6. The member congregations of the Synod, including those in the formative stages of membership.

7. The elementary schools, middle schools and junior high schools, and high schools (a) that are operated by member congregations of the Synod and are not separately incorporated, (b) as well as those that are either separately incorporated or are otherwise identified as entities separate from congregations and which have consented in writing to be included in this group ruling.

Donors may deduct contributions to these organization as provided in Section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of Code Sections 2055, 2106, and 2522.

(Continued on next page.)

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Because this letter could help resolve any questions about subordinates which are covered by this ruling, you should keep it in your permanent records.

Sincerely yours,

R. S. Wintrode, Jr.
District Director

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Chapter 9: Lutheran Schools and Early Childhood Centers

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9.100: Employee Tuition Reduction

9.110: Qualified Tuition Reduction

This is a tax-free benefit available to all employees of "qualified educational organizations" whereby "qualified recipients" may receive tuition reductions of any amount up to 100 percent. A qualified educational organization must:

1. Maintain a regular faculty,
2. Maintain a curriculum, and
3. Have regularly enrolled students.

The IRS has recognized that even preschools can meet these requirements if they have a "professional" faculty and maintain and follow a curriculum.

Qualified recipients include:

1. Current employees
2. Former employees who retired or left on disability
3. Widow or widower of an individual who died while an employee
4. A dependent child or spouse of any person listed above

If you decide to offer this benefit, the tuition reduction plan should be in writing. Please note that to be excludable, the IRS requires "the reductions must be made available on substantially the same basis to each member of a group of employees, defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees." According to the IRS, highly compensated employees are those earning compensation in 2024 in excess of $155,000 per year (indexed annually for inflation). Salary scales of Lutheran schools generally do not reach that level, therefore any reasonable and fair classification would not be considered discriminatory by IRS's definition. The IRS also states that in order to receive a tuition reduction on a tax-free basis, the employee must already be receiving reasonable compensation for his/her services. For example, if you are paying other similarly qualified teachers the reasonable compensation of $40,000, you could not pay another one $30,000 and a tuition reduction without the reduction amount being considered taxable income.

Tuition reductions can be made available not only at the employee's school but also at another LCMS school, if the appropriate provisions are made. These provisions would include an agreement between the two schools that would provide for a tuition reduction program for employees of both schools and that such reductions could be applied to either school's tuition.

Although this benefit is available for any school employee (including commissioned teachers) regardless of position, some recognized experts in the field of church and clergy tax law agree that this tuition reduction would not apply to employees (e.g., the pastor) of a church that operates a private school. That being the case, pastors must treat the reduced tuition amount as income subject to income tax and self-employment tax. While there is some argument that the pastor's magnitude of involvement in the school might make him eligible for the tax-free savings, there is no guarantee that the IRS would share that idea and refrain from considering his duties to be more religious than educational. A call document that lists sufficient responsibilities for the school would strengthen the pastor's eligibility for this benefit.

9.200: Funding

9.204: Organizational Form

Schools operated by one congregation are encouraged not to incorporate separately but to operate fiscally as an agency of the congregation.

However, some Lutheran schools or early childhood centers are separately incorporated because of their special nature or relationship with the congregation or congregations operating them. An attorney can explain both the advantages and disadvantages that come with a separate corporation.

Whether the school operates as an agency of the congregation or organizes as a separate legal entity, its organizational documents must contain certain provisions for recognition of federal income tax exemption. Refer to Chapter 8 for more details.

9.205: Contributions Versus Tuition

The IRS in Revenue Ruling 83-104 provides guidance in determining when payments to private schools must be regarded as tuition payments and when they may be treated as deductible charitable contributions.

LCMS congregations with schools as well as those that contract with another Lutheran school and pay a portion or all of the education costs of its members are subject to this ruling. Thus, whether or not either type can treat payments received from its members attending school as contributions according to the IRS regulations discussed in Chapter 10, depends on whether its method of funding meets the criteria of this Revenue Ruling.

In the first part of the ruling, the IRS describes six situations. Based on their facts, the Service differentiates between payments treated as tuition and those eligible as charitable contributions. Each of these situations and the IRS's holdings should improve your understanding of how the IRS may view your members' payments to operate a school. See 9.206.

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The second part of the ruling stipulates certain criteria that, in addition to those referenced in the examples, must also be followed to ensure the deductibility of contributions by parents who have children in parochial schools at the preschool, elementary and secondary levels and in child care agencies.

9.206: Explanation of Revenue Ruling 83-104

The following are the six examples cited in the IRS's ruling and their holdings.

Facts—General
In each of the situations described next, the donee organization operates a private school and is an organization described in Section 170(c) of the Internal Revenue Code. In each situation, a taxpayer who is a parent of a child who attends the school makes a payment to the organization. In each situation, the cost of educating a child in the school is not less than the payments made by the parent to the school.

Facts—Situation 1
Organization "S," which operates a private school, requests the taxpayer to contribute $400 for each child enrolled in the school. Parents who do not make the $400 contribution are required to pay $400 tuition for each child enrolled in the school. Parents who neither make the contribution nor pay tuition cannot enroll their children in the school. The taxpayer paid $400 to "S."

Holding—Situation 1
The taxpayer is not entitled to a charitable contribution deduction for the payment to organization "S." Because the taxpayer must either make the contribution or pay the tuition charge in order for his/her child to attend "S's" school, admission is contingent upon making a payment of $400. The taxpayer's payment is not voluntary, and no deduction is allowed.

Facts—Situation 2
Organization "T," which operates a private school, solicits contributions from parents of applicants for admission to the school during the period of the school's solicitation for enrollment of students or while the applications are pending. The solicitation materials are part of the application materials or are presented in a form indicating that parents of applicants have been singled out as a class for solicitation. With the exception of a few parents, every parent who is financially able makes contributions or pledges to make a contribution to "T." No tuition is charged. The taxpayer paid $400 to "T," which was the amount suggested by "T."

Holding—Situation 2
The taxpayer is not entitled to a charitable contribution deduction for payment to organization "T." Because of the time and manner of the solicitation of contributions by "T," and the fact that no tuition is charged, it is not reasonable to expect that a parent can obtain the admission of his/her child to "T's" school without making the suggested payments. Under these circumstances, the payments made by the taxpayer are in the nature of tuition, not voluntary contributions.

Facts—Situation 3
Organization "U," which operates a private school, admits or readmits a significantly larger percentage of applicants whose parents have made contributions to "U" than applicants whose parents have not made contributions. The taxpayer paid $400 to "U."

Holding—Situation 3
The taxpayer is not entitled to a charitable contribution deduction for contributions to organization "U." The IRS will ordinarily conclude that the parents of applicants are aware of the preference given to applicants whose parents have made contributions. The IRS will therefore ordinarily conclude that the parents could not reasonably expect to obtain the admission of their child to the school without making the transfer, regardless of the manner or timing of the solicitation by "U." The IRS will not so conclude, however, if the preference given to children of contributors is principally due to some other reason.

Facts—Situation 4
Organization "V," a society for religious instruction, has as its sole function the operation of a private school providing secular and religious education to the children of its members. No tuition is charged for attending the school, which is funded through "V's" general account.

Contributions to the account are solicited from all society members, as well as from local churches and nonmembers. Persons other than parents of children attending the school do not contribute a significant portion of the school's support. Funds normally come to "V" from parents on a regular, established schedule. At times, parents are personally solicited by the school treasurer to contribute funds according to their financial ability. No student is refused admittance to the school because of the failure of his/her parents to contribute to the school. The taxpayer paid $400 to "V."

Holding—Situation 4
Under these circumstances, the IRS will generally conclude that the payment to organization "V" is nondeductible. Unless contributions from sources other than parents are of such magnitude that "V's" school is not economically dependent on parent's contributions, parents would ordinarily not be certain that "V's" school could provide educational benefits without their payments. This conclusion is further evidenced by the fact that parents contribute on a regular, established schedule. In addition, the pressure placed on parents through the personal solicitation of contributions by "V's" school treasurer further indicates that their payments were not voluntary.

Facts—Situation 5
Organization "W" operates a private school that charges a tuition of $300 per student. In addition, it solicits contributions from parents of students during periods other

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than that period of the school's solicitation for student enrollment or the period when applications to the school are pending. Solicitation materials indicate that parents of students have been singled out as a class for solicitation and the solicitation materials include a report of "W's" cost per student to operate the school. Suggested amounts of contributions based on an individual's ability to pay are provided. No unusual pressure to contribute is placed upon individuals with children in the school, and many parents do not contribute. In addition, "W" receives contributions from many former students, parents of former students, and other individuals. The taxpayer paid $100 to "W" in addition to the tuition payment.

Holding—Situation 5
Under these circumstances, the IRS will generally conclude that the taxpayer is entitled to claim a charitable contribution deduction of $100 to organization "W." Because a charitable organization normally solicits contributions from those known to have the greatest interest in the organization, the fact that parents are singled out for a solicitation will not in itself create an inference that admissions or any other benefit depend on a contribution from the parent.

Facts—Situation 6
Church "X" operates a school providing secular and religious education that is attended both by children of parents who are members of "X" and by children of nonmembers. "X" receives contributions from all its members. These contributions are placed in "X's" general operating fund and are expended when needed to support all church activities. A substantial portion of the other activities are unrelated to the school. Most members of "X" do not have children in the school, and a major portion of "X's" expenses are attributable to its non-school functions. The methods of soliciting contributions to "X" from church members with children in the school are the same as the methods of soliciting contributions from members without children in the school. "X" has full control over the use of the contributions it receives. Members who have children enrolled in the school are not required to pay tuition for their children, but tuition is shared for the children of nonmembers. Taxpayer, a member of "X" and whose child attends "X's" school, contributed $200 to "X" during the year for "X's" general purposes.

Holding—Situation 6
The IRS will ordinarily conclude that the taxpayer is allowed a charitable contribution deduction of $200 to organization "X." Because the facts indicate that "X's" school is supported by the church, that most contributors to the church are not parents of children enrolled in the school, and that contributions from parent members are solicited in the same manner as contributions from other members, the taxpayer's contributions will be considered charitable contributions and not payments of tuition, unless there is a showing that the contributions by members with children in "X's" school are significantly larger than those of other members. The absence of a tuition charge is not determinative in view of these facts.

Each of the above examples highlights relevant issues that the IRS uses in determining whether payments will be considered tuition or deductible charitable contributions. In Situation 6, the IRS noted several conditions, two of which appeared very instrumental in its holding that the payments were deductible charitable contributions. The first was that most contributors to the church were not parents of children enrolled in the school. The second was the absence of the fact that contributions to the church by members with children in the school were significantly larger than those of other members.

Revenue Ruling 83-104 lists certain propositions that, in the opinion of the IRS, are accepted rules of tax law. Tuition, registration and fee payments are not deductible. Payments to a church that operates a school, earmarked for the education of a certain child, are not tax deductions but are really tuition payments under another name.

The test of deductibility is whether or not the admission of a child is contingent upon someone making a contribution or in some way converting defined tuition payments into contributions for tax-deduction purposes. The ruling states that a contribution deduction will be disallowed unless, under all the circumstances, the payment is a voluntary contribution made with no expectation of obtaining a benefit.

Revenue Ruling 83-104 states that any one of the following factors will result in a denial of a tax deduction of dollars paid by the parent to the school or organization operating a school. Each church or separate corporation operating the school must avoid all of the Group 1 factors to ensure parent tax deductions.

GROUP 1
1. The existence of a contract with a provision that guarantees a child's admission if the parent makes a contribution. The provision may be written or unwritten.
2. A plan allowing parents either to pay tuition or to make contributions in exchange for schooling.
3. A contribution earmarked for the benefit of a particular student.
4. Denying a child's admission to a school if parents are able but do not contribute.

Revenue Ruling 83-104 states that if any combination of two or more of the following factors is in evidence a presumption of nondeductibility arises:

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GROUP 2

1. No significant tuition for any student is charged by the organization operating the school.
2. Pressure to contribute is applied to parents of children attending the school.
3. Contribution appeals are part of the admission or enrollment process.
4. Apart from parent contributions, there is no other source of school operating revenue.
5 Some evidence suggests a contribution policy exists in order to avoid tuition payments.

If a combination of the foregoing factors is not present, normally the voluntary contributions by a parent will be considered tax deductible. Each church or separate corporation operating a school must avoid a combination of two or more Group 2 factors to ensure parent tax deductions.

In structuring a parochial school's method of funding, any procedures or techniques that would lead to any of the factors in Group 1 or any two or more of the factors in Group 2 must be avoided in order to safeguard the deductibility of contributions made by a parent in excess of any tuition charges to a parent. The following will assist in structuring a school or its soliciting of contributions.

1. All factors identified in Group 1 must be avoided. The church or organization operating the school should have a policy stating that contributions either equal to or in excess of tuition are not necessary to gain a child's admission to the school.
2. The policy should further state that if the school cannot accept all qualified applicants for admission, no parental contribution will create an admission preference.
3. All books and record-keeping procedures are to indicate that no contributions are earmarked for a specific child's education.
4. Whenever an applicant is denied admission, a permanent written record exists that verifies that there is no pattern for denying admission on the basis of parental ability or inability to make a contribution.

The most important task is to make certain that the school, church or other organization operating the school adopts policies and practices that evidence a prevention of Group 1 and any combination of Group 2 factors. If such policies are not established, contributions of parents are placed in jeopardy and may be found to be nondeductible by the IRS if an IRS audit is conducted.

9.215: Sample Policy Statements

In order to protect the deductibility of contributions made to a congregation or organization operating a school, written policies are necessary. They should be designed to prevent practices that will lead to nondeductibility of contributions.

The following sample policy statements are given by way of suggestion only. Their applicability to any congregation operating a school will depend on each situation. In both examples, policies were carefully writttten to avoid the presence of Group 1 factors as stated in Revenue Ruling 83-104, as well as, any combination of Group 2 factors. These options are merely suggestions for a congregation developing a set of working policies to operate a Lutheran school.

OPTION 1:

(Designed for a church-operated school that is supported through contributions to the general budget of the church. Reduced or zero tuition is charged for children of congregation members.)

1. Admissions and enrollment

Admission and enrollment of a child of any member of the congregation will not be denied because of a failure of that member to financially contribute to the congregation in excess of the tuition charged for admission of that child to the school. Admission policies and preferences will be based on such factors as membership in the operating congregation, payment of tuition and other fees charged to the student, academic qualification, prior disciplinary record or history of the child, and the school's ability to provide an appropriate educational program for the child.

2. Solicitation of contributions

All solicitations of contributions for the benefit of the school shall be made generally to the entire church membership and not, at any time, solely to those members who are parents of children enrolled in the school. No solicitation of contributions to the congregation shall accompany recruitment, admissions or enrollment materials or shall be made at the time of admission or enrollment of students to the school.

3. Tuition

Tuition shall be charged to students enrolled in school in accordance with an established criterion. Under no circumstances will tuition be waived under a verbal, written or otherwise implied agreement with any parent or other contributor who offers to contribute financially to the congregation or school in place of paying a tuition charge. Contributions by the parents of a student to the congregation or school in no case affect the amount of tuition due and payable.

OPTION 2:

(Designed primarily for a church-operated school that charges significant tuition similarly to children of members and nonmembers.)

1. Admissions and enrollment

Admission and enrollment of a child of any member of the congregation will not be denied because of a failure of that

member to financially contribute to the congregation in excess of the tuition charged for admission of that child to the school. Admission policies and preferences will be based on such factors as membership in the operating congregation, payment of tuition and other fees charged to the student, academic qualification, prior disciplinary record or history of the child and the school's ability to provide an appropriate educational program for the child.

2. Solicitation of contributions
Solicitation of parents of students in the school for contributions to the school (in excess of tuition charged) shall be made only during periods other than the school's recruitment, enrollment and admissions periods. No unusual pressure shall be placed upon any parent who fails to contribute.

3. Tuition
Tuition shall be charged to students enrolled in school in accordance with an established criterion. Under no circumstances will tuition be waived under a verbal, written or otherwise implied agreement with any parent or other contributor who offers to contribute financially to the congregation or school in place of paying a tuition charge. Contributions by the parents of a student to the school or congregation in no case affect the amount of tuition due and payable.

9.216:
Scholarship Funds

Scholarship funds for the purpose of paying a student's tuition to a parochial school will not jeopardize tax deductions when they are established by a church and are not used as a means to replace what would otherwise be characterized as tuition. The operation of any scholarship fund should be carefully documented to clarify that contributions to the fund are controlled and expended solely by the governing board or another appropriate agency of the church or organization operating the school. Scholarship funds, in themselves, are not harmful to the deductibility of contributions to the church or fund if properly structured and administered.

Proper structure includes defining beneficiaries based on nondiscriminatory criteria. The congregation must use great care if its grants or awards are provided for students who are employees or related to employees of the congregation. Any award or grant that is provided for the benefit of an employee or the relative of an employee (regardless if the award or grant is taxable or not to the employee) should be part of a regular congregational program available to all congregational employees. Any type of special arrangement for one particular employee must be avoided. Administration is done improperly if any contributions to the fund are allowed to be earmarked for certain individuals.

9.217:
Student Aid Grants

Any amount given by a church as a qualified scholarship to someone who is a candidate for a degree at a qualified educational organization should not be considered part of the recipient's gross income as long as the amount is used for qualified tuition and related expenses, such as fees, books, supplies and equipment required for instruction. If the recipient of the gift has met the requirements, no Form 1099 is required.

9.218:
Continuing Education Grants

The recipient of a grant for continuing education need not receive a Form 1099 from the grantor and does not need to consider the grant income if the recipient is required to participate in the educational program to maintain his current job status.

9.220:
Parents Volunteering for Tuition Credit and Youth Fundraising

The IRS has broadly interpreted a worker's "compensation" to also include the amount of free or reduced tuition that is given to a parent in consideration for his or her service to the school or church. A worker is no longer considered to be "volunteering" if he or she receives something of value "in kind" for his or her service. In the situation of a working parent whose child is enrolled in the school, it is the student's waived tuition amount normally charged to nonworking parents that will constitute the worker's taxable wage amount. In a school or church's youth program, it might be the amount earned by each youth (or parent) accounted for and set aside in individual accounts to help subsidize camp expenses. Receiving personal benefits in each of these examples are forms of compensation.

Based on that determination, the employer must report and withhold this worker's taxes (income, FICA and state, if any) and pay the employer's share of the FICA. To serve this purpose, the employer can do one of the following: 1) require the parents to reimburse their share of this tax liability, 2) equitably record a reduction to the tuition credit, or 3) "gross-up" their taxable compensation for any taxes the employer decides to pay on the parents' behalf. If you need guidance concerning how to "gross-up" (increase) an employee's taxable wages for the employer's payment of employee's taxes, see Publication 15-A.

Also, the payment of compensation in this manner may in some situations subject the church or school to unrelated business income tax (UBIT). Some money raising activities are tax exempt only because substantially all the work is done by volunteers (see CTM Sec. 11.117). However, when the same activity is done with the use of compensated workers (including youth), it may become taxable.

To avoid tax, the parents or youth can be working, earning or fundraising to offset expenses for a particular

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ministry event, but the monies should be pooled and no pressure imposed on "slackers" to work their "fair share." The idea is for volunteers to be working to promote the ministry of the church, not to benefit themselves directly.

See IRS Publication 3079 for an example of when reduction of tuition is considered compensation to the parents.

9.300: Other

9.305: Certification of Racial Nondiscrimination

Because Form 990 ordinarily would be used by non-church private schools to satisfy requirements for the certification of racial nondiscrimination, which must be made annually by all schools *(elementary, secondary, early childhood and child care centers)*, **Form 5578 must be filed annually by congregations that operate schools to comply with federal tax law. Schools include early childhood, elementary, secondary and child care agencies.**

You can download and print this form free from the IRS at *irs.gov*. In addition to the certification, there are publication and record-keeping requirements. Each church operating a school or each separately incorporated school must satisfy the requirements annually in order to preserve its tax-exempt status. **The deadline is May 15 for schools that have a fiscal year that follows the calendar year (Jan. 1—Dec. 31). A school that has a different fiscal year must submit Form 5578 by the 15th day in the fifth month following the end of the fiscal year.** For example, the deadline is November 15 for a school that uses a fiscal year end of June 30. A summary of these requirements follows:

A. The governing body of each school must pass a policy of racial nondiscrimination. Any brochures, handbooks or catalogs dealing with student admissions, programs and scholarships must include a statement of this policy.

B. If a school issues written advertising other than catalogs, handbooks and brochures as a means of informing prospective students of its programs, the written advertising should contain the following statement: "***(Name of school)*** admits students of any race, color, and national or ethnic origin."

C. The school may display a notice of its racially nondiscriminatory policy on its primary publicly accessible internet homepage at all times during its taxable year (excluding temporary outages due to website maintenance of technical problems) in a manner reasonably expected to be noticed by visitors to the homepage. The notice wording as stated in (B) above is acceptable. A publicly accessible homepage is one that does not require a visitor to input information, such as an email address or a user name and password, to access the homepage. Factors to be considered in determining whether the notice is reasonably expected to be noticed by visitors to the homepage include the size, color and graphic treatment of the notice in relation to other parts of the homepage, whether the notice is unavoidable, whether other parts of the homepage distract attention from the notice, and whether the notice is visible without a visitor having to do anything other than simple scrolling on the homepage. A link on the homepage to another page where the notice appears, or a notice that appears in a carousel or only by selecting a drop down or by hovering (mouse over) is not acceptable. If a school does not have its own website, but it has web pages contained in a website (such as an owner/operator congregation), the school must display a notice of its racially nondiscriminatory policy on its primary landing page within the website in a manner that satisfies all other requirements of this subsection (C) to use this publication method.

- If a subsection school has (C) to no use website this or publication prefers not method. to use the website method to meet this publicity expectation, the following options become necessary:
  - o If the school has drawn at least 75 percent of its students for the past three years from its own and/or other Lutheran congregations, including other Lutheran denominations, the school may publish during its registration period its notice of racial nondiscrimination in the bulletin(s) of the sponsoring congregation(s), if the bulletin of each congregation is distributed at Sunday services and is mailed to all members of the congregation.
    - o If the school does not meet the 75 percent test, the notice must either be published in a newspaper of general circulation that serves all racial segments of the community, or the school may use the broadcast media to publicize its racially nondiscriminatory policy if this use makes such nondiscriminatory policy known to all segments of the general community the school serves. If this latter method is chosen, the school must provide documentation that the means by which this policy was communicated to all segments of the general community was reasonably expected to be effective. In this case, appropriate documentation would include copies of the tapes or script used and records showing that there was an adequate number of announcements, that they were made during hours when the announcements were likely to be communicated to all segments of the general community, that they were of sufficient duration to convey the message clearly, and that they were broadcast on radio or television stations likely to be listened to by substantial numbers of members

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of all racial segments of the general community. Again, announcements must be made during the period of the school's solicitation for students or, in the absence of a solicitation program, during the school's registration period.

D. All schools must maintain certain records for inspection, when requested, by the IRS.

E. Every year, each school must file a Form 5578 with the IRS by the appropriate deadline. A copy of this form is available in the forms section of this manual. In filling out Form 5578, on line 2a: show "Lutheran Church—Missouri Synod, 1333 S. Kirkwood Road, St. Louis, MO 63122"; 2b: "43-0658188"; 2c: "1709."

9.310:
Federal Excise Tax Exemptions

Sales to "nonprofit educational organizations" are not subject to certain manufacturer's excise taxes and the federal tax on communication services. Synod's colleges and seminaries and schools of member congregations qualify as "nonprofit educational organizations" within the meaning of that term.

9.315:
Manufacturer's Excise Tax

Nonprofit educational organizations are exempt from this federal tax as it applies to sport fishing equipment, archery equipment, certain firearms, tires, gasoline and diesel fuel (for use in school buses only).

When a nonprofit educational organization buys the items, an IRS Form 637, "Application for Registration," must be shown, and the tax will be deducted directly from the price. Form 637 can be obtained or downloaded and printed from the IRS at *irs.gov* and must be completed by the educational organization (or the operating congregation if the school is not separately incorporated), then filed with and validated by the director of the IRS district office.

If tax is paid on the retail sale of gasoline or diesel fuel used in school buses, a nonprofit educational organization, with a validated Application for Registration, may apply for a refund of the excise tax by filing an IRS Form 8849. See IRS Publication 510 for additional information.

9.320:
Tax on Communication Services

This federal tax applies to local telephone service. ***Only communication services furnished to a nonprofit educational organization are exempt from this tax.*** In order to claim the exemption, the school must furnish to the organization supplying the services a proper exemption certificate. The form of the certificate for use by or on behalf of a school operated as an activity of a church is reproduced in paragraph 9.321 and may be completed and signed by any officer of the church or school.

9.321:
Communication Exemption Certificate

(For educational organizations only)

(Date)

EXEMPTION CERTIFICATE

The undersigned hereby certifies that ***(he/she)*** is ***(title or capacity)*** of ***(school or church)***; that ***(he/she)*** is authorized to execute this certificate; and that the communication services or facilities furnished or to be furnished to the institution by (telephone company) will be paid for from the funds of the institution and are for the exclusive use of the school.

The school, operated as an activity of the church, normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

The undersigned understands that the fraudulent use of this certificate for the purpose of securing this exemption will subject ***(him/her)*** and all guilty parties to a fine of not more than $100,000 ($500,000 for corporations), or to imprisonment for not more than five years, or both, together with costs of prosecution (IRC Section 7201).

(Signature of authorized individual)
(Address)

9.322:
Discounts on Telecommunications

The Federal Communications Commission discounts certain telecommunication services provided to schools — the "E-Rate Program." The discount ranges between 20 and 90 percent. The discounted services include everything from basic telephone service, computer network wiring, internet service provider fees, to highly advanced videoconferencing services. The level of discount is related to the number of enrolled students who are eligible for the Federal School Lunch Program. For more information, visit the Schools and Libraries Division website at *fcc.gov/general/e-rate-schools-libraries-usf-program* or call toll-free at 888-203-8100.

9.400: Compensation

9.410:
Elections to Defer Salary

Some schools pay their salaried employees ratably over the 10-month school year or spread their pay over 12 months. Others allow their employees a choice in that regard. Those institutions offering this election to its employees must follow these rules to avoid adverse tax consequences:

- The employee's election must be in writing.

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- The election must be made before the beginning of the first day of school for which the employee is paid (in some cases it may be before the first day students arrive for class) — this is the deadline date.
- The election must be irrevocable, so that it can't be changed after the work period begins (e.g., not in the middle of the school year).
- The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year).
- No particular form is necessary for the election and it does not have to be filed with the IRS.
- If the employee fails to submit the election by the deadline date, the employee must be paid in the same way as other employees who do not make an election.

These election rules do not have to be detailed in any specific type of plan document. They can be provided in any other applicable document, such as an employee handbook or school board rules and regulations.

The elections, once made, do not have to be made every year. They can remain in effect indefinitely until the employee changes his or her election. However, any change must be made before the beginning of the school year to which the change applies and can only apply prospectively to that future school year.

For more information on this topic, refer to IRS's news release IR-2007-142 which can be found at *irs.gov/pub/irs-news/ir-07-142.pdf*.

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Chapter 10: Contributions by Donors

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10.100: Introduction

Since the 19th century, the United States has been recognized as a nation in which private individuals, rather than the government, provide charities with the necessary funds to perform social and religious functions and services for the benefit of the general public. In recognition of this fact, the federal tax laws allow income, estate and gift tax deductions for contributions made to charities.

This chapter will touch briefly on the tax aspects of charitable giving to churches and parochial schools. It is not intended by any means to be an authority for contributions, but it is an outline of general information for congregational treasurers and financial officers. The chapter addresses only contributions to churches or parochial schools. In cases where additional information is needed, it is suggested that an accountant, attorney or the district or synodical office be consulted.

The Lutheran Church—Missouri Synod's (LCMS) Stewardship Ministry helps congregations grow in their understanding and implementation of a life of faithful, Christian stewardship. Stewardship Ministry produces and freely distributes Bible studies, research, newsletter articles, bulletin sentences, prayers and many other stewardship resources. It also plans education opportunities and provides ongoing support for pastors and lay leaders as they implement Christ-centered stewardship plans in their congregations. *lcms.org/how-we-serve/national/stewardship-ministry*

10.200: What Is a Contribution?

10.205: Definition

To be deductible, a contribution must satisfy all requirements below:

1. It must be a gift of cash or other property.
2. It must be made before the close of the tax year for which the contributor is claiming a deduction.
3. It must be unconditional and without material personal benefit to the contributor.
4. It must be made to or for the use of a qualified organization.
5. It must not be in excess of the amount allowed by law.
6. It must be properly substantiated.

10.210: Volunteer Services

The value of services, including professional services (accounting, legal, janitorial, etc.), rendered to a charity does not qualify as a charitable contribution deduction.

For Example: A church member who donates his/her labor in helping to construct a church is not entitled to deduct the value of his/her labor.

10.215: Unreimbursed Out-of-Pocket Expenses of Donors from Volunteer Service

Although a deduction is not allowed to charitable donors for the contribution of services, the unreimbursed out-of-pocket expenses incurred while performing volunteer services may qualify for a charitable-contributions deduction. Such expenses must be attributable solely to the rendition of gratuitous services and must not be primarily for the personal benefit of the taxpayer.

For example, the tax court has ruled that the costs of traveling to and from church to participate in practices and to sing with the choir during services does not qualify as a contribution since participation in the choir is deemed a form of worship that primarily benefits the member and only indirectly benefits the church.

Out-of-pocket expenses of $250 or more must be substantiated. Substantiation requires the following:

1. You must have adequate records to prove the amount of the expenses.
2. You must get an acknowledgment from the qualified organization that contains:
   a. A description of the services you provided,
   b. A statement of whether or not the organization provided you any goods or services to reimburse you for the expenses you incurred,
   c. A description and a good faith estimate of the value of any goods or services (other than intangible religious benefits) provided to reimburse you, and
   d. A statement that the only benefit you received was an intangible religious benefit, if that was the case.

10.220: Travel Expenses

Unreimbursed travel expenses incurred by a church member in serving the church are deductible as charitable contributions. Travel expenses include reasonable amounts spent on food and lodging if spent while en route or away from home overnight. The basis for automobile expenses can be the IRS standard mileage rate of 14 cents per mile or actual receipts for gas and oil when using a personal car for business on behalf of the church. However, expenses for general repair, maintenance, depreciation, registration fees or the costs of tires and insurance are not deductible.

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10.225:
Convention Delegates

Individuals sent as delegates to a church convention may deduct unreimbursed costs of attending such conventions. However, the individual must attend the convention as a delegate or representative of the church, not merely as an individual member of the church attending on his or her own.

10.230:
Child Care

Expenses incurred by individuals in caring for their children while performing gratuitous services for a church or school do not qualify as charitable contributions.

10.240:
Benefit-to-Donor Rule

To be deductible by the donor, the contribution must be unconditional, that is, the donor must irrevocably divest himself/herself of title and control over the gift, and the donor must not receive a benefit for the contribution. Contributions that are earmarked or restricted by the donor are deductible and can be accepted by the church as long as the contribution is for the tax-exempt purpose of the church and the church has full control of the donated funds and the discretion as to their use (see 10.700).

In the case where the church offers books, tickets, admission to events or other promotional material to donors as a means of soliciting contributions, the donor may deduct as a charitable contribution only the amount by which the contribution exceeds the fair market value of the merchandise he or she receives in return for his or her contribution. Churches offering promotional gifts to donors should be careful not to imply that such contributions are "fully deductible" (see 10.520 and 10.525).

Another situation in which the benefits-to-donor rule applies is to tuition paid on behalf of children attending parochial or church-sponsored schools. Such tuition payments are not deductible (see 9.205).

Also, the cost to purchase a raffle ticket is not deductible.

10.300:
Timing of the Contribution

A charitable contribution deduction by an individual is allowed only in the year in which the contribution is actually paid or the gift is given, regardless of whether the donation is on a cash or accrual basis and regardless of when the cash contribution was pledged. IRS Regulations clarify that a charitable contribution of cash or money includes a "transfer of a gift card redeemable for cash, and a payment made by credit card, debit card, electronic funds transfer (as described in section 5061(e)(2), an online payment service, or payroll deduction. However, the amount of a contribution to a qualified donee made by a charge to a bank credit card is deemed paid at the time the amount is charged, regardless of when the bank is repaid.

If payment of the contribution is made by check, the contribution is deemed made on the date the check is mailed or delivered to the donee, provided the check subsequently clears the bank. However, if the check is subsequently dishonored upon presentation to the bank, there is no payment and a contribution deduction will be allowed only in the year in which the check is actually paid or sufficient funds are deposited to cover the check. Similarly, if the donee agrees not to cash the check until the year following delivery, the check will be considered paid in the later year.

10.400:
Qualified Organizations

Only contributions to qualified organizations or their authorized agents are deductible, and the Internal Revenue Code defines qualified organizations to include, among others, a corporation, trust or fund:

1. Created or organized in the United States or in any United States possession;
2. Organized and operated exclusively for religious, educational, or other charitable purposes;
3. No part of the net earnings of which inures to the benefit of any private individual;
4. Not disqualified for tax exemption under Section 501(c)(3) by reason of attempting to influence legislation, and which does not participate or intervene in any political campaign on behalf of any candidate for public office.

Requirements of state law determine whether a lawful agency relationship exists between a qualified charitable organization and a for-profit entity engaged to solicit donations, accept, process or liquidate donated assets, and provide each donor with substantiation of his or her gift.

All synodical congregations and their auxiliary organizations and schools are exempt as Section 501(c)(3) organizations and are included in the Synod's blanket tax exemption, GEN 1709, (see 8.410) and thus are qualified organizations.

A list of eligible organization's and an organization's tax-exempt status may be confirmed by calling 877-829- 5500 or by using the link to "Exempt Organization Search" found on the internet at *irs.gov/charities-non-profits/tax-exempt-organization-search* (direct link: *apps.irs.gov/app/eos*) and also searching in the Exempt Organizations Business Master File Extract (EO BMF). Since the exemption is under Synod's federal ID, individual church exemptions will not be found on the exemption organization search. If a congregation needs proof of exemption status, please contact your district office.

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10.405:
Contributions Earmarked for Foreign Charitable Organizations

Generally speaking, contributions earmarked for a foreign charitable organization (nonqualified) are nondeductible. If a synodical congregation and their auxiliary organizations and schools receive contributions for this specific purpose, a receipt should be given to the donor stating that the contribution is nondeductible.

On the other hand, a qualified organization that transmits some of its general funds to a nonqualified charitable organization can do so without jeopardizing the deductibility of its members' contributions. The deduction is preserved because the use of such funds is subject to control by the church. The church, however, must not have entered into an agreement with the nonqualified organization to conduct a solicitation campaign that represents to prospective contributors that the raised funds will go to the nonqualified organization. Refer to Revenue Ruling 63-252, for more detailed information.

An exception is made for a domestic organization and its own tightly controlled foreign subsidiary. In this case, contributions solicited by the domestic organization for the specific purpose of carrying out its charitable activities in the foreign country are deductible.

10.500: Reporting Contributions

10.505:
Introduction

All charities, including congregations and other synodical organizations, provide certain information to donors for certain types of donations. Cash and noncash contributions of $250 or more may no longer be substantiated by the donor's canceled checks or other records. Rather, the IRS now requires that they be substantiated by statements or receipts prepared by the organization and maintained by the individual. The IRS also requires that these statements or receipts contain certain prescribed information. An organization that knowingly provides false written substantiation to a donor may be subject to the penalties for aiding and abetting an understatement of tax liability under Section 6701 of the Code. Substantiation requirements are applicable to one-time contributions of $250 or more when made through payroll deduction, bank debit, credit card, or text-to-give the same as if made by cash or check.

In addition, new requirements now exist for certain "Quid-Pro-Quo" *(something for something exchange)* contributions. The IRS defines a quid-pro-quo contribution as a payment made partly as a contribution and partly for goods or services provided. Cash and non-cash quid-pro-quo contributions of more than $75 now require the organization to provide the donor certain disclosure information. The only exceptions to this are when the goods or services provided to the donor are intangible religious benefits or when they are considered insubstantial in value or insignificant in cost according to IRS guidelines. For more information about what the IRS considers to be of insubstantial value and insignificant cost, see Section 10.525. If an organization is required to make these disclosures and does not, it is subject to IRS penalty. The penalty is $10 per contribution with a maximum of $5,000 per fundraising event or mailing. The charity can avoid the penalty if it can show that the failure was due to reasonable cause.

Of course, these new requirements must be met in combination with existing ones. A summary of the current substantiation requirements for each type of contribution is provided on the following page. In addition, each type of contribution is discussed in a separate section with examples of various types of receipts and statements.

10.510:
Cash Contributions Less Than $250

Cash donations less than $250 may still be substantiated by the individual's canceled checks or bank records. Also acceptable as substantiation would be a receipt or statement from the organization. Donors cannot claim a deduction for cash donations without proper substantiation.

10.515:
Cash/Noncash Contributions of $250 or More

Donors must obtain substantiation from the charity, i.e. all congregations or other synodical organizations, for any donations of $250 or more to be deductible. This substantiation must meet the following requirements.

1. It must be in writing. (Can be computer generated, even email — need not be signed.)
2. It must identify the donor by name.
3. For contributions of noncash property valued by the donor at $250 or more, it must describe the property. No value should be stated.
4. It must show separately each individual contribution of cash or noncash of $250 or more.
5. It must state whether or not the church provided any goods or services to the donor in exchange for a contribution or, if the only goods or services the church provided were "intangible religious benefits," it must contain a statement to that effect.
6. It must be received by the donor on or before the earlier of the a) date the donor files a tax return claiming a deduction or b) the due date (including extensions) for filing the return.

Exhibit 10-A is an example of a quarterly detailed statement, meeting IRS requirements by inserting certain

(Go to Page 10-8)

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IRS Required Substantiation for Contributions

Contribution Type and Amount	Required Substantiation	Prepared/Maintained by Congregation	Donor
Cash less than $250	Substantiation receipt/statement	Prepared/Courtesy	Maintained
	Canceled checks/bank record	No	Maintained
Cash/noncash of $250 or more	Substantiation receipt/statement	Prepared	Maintained
	Property records	No	Prepared Maintained
Cash/noncash quid-pro-quo of $75 or less	Substantiation receipt/statement	No	Maintained
	Canceled checks	No	Maintained
	Property records	No	Prepared Maintained
Cash/noncash quid-pro-quo of more than $75	Disclosure receipt/statement	Prepared	Maintained
	Property records	No	Prepared Maintained
Noncash less than $250, not quid-pro-quo	Receipt	Prepared	Maintained
	Property records	No	Prepared Maintained
Noncash less than $500 **BUT** $250 or more	Disclosure receipt/statement	Prepared	Maintained
	Property records	No	Prepared Maintained
Noncash $5,000 or less **BUT** more than $500	Disclosure receipt/statement	Prepared	Maintained
	Property records	No	Prepared Maintained
	Individual's IRS Form 8283	No Signed-No	Prepared Signed-Yes
Noncash more than $5,000	Disclosure receipt/statement	Prepared	Maintained
	Property records	No	Prepared
	Individual's IRS Form 8283	No Signed-Yes	Filed Prepared Signed-Yes
	Congregation's IRS Form 8282	Signed-Yes if disposal within three yrs.	No Signed-No
Out-of-Pocket expenses of $250 or more	Acknowledgement describing services related to volunteer	Prepared	Maintained
	Property records/receipts	No	Maintained

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Statement of contributions
4/01/20XX to 6/30/20XX

First Lutheran Church
2743 Concordia Drive
St. Louis, MO 63122

Envelope Number: 130
Statement Date: 07/01/20XX
Total for 20XX 2,825.00

Dick Jones
Shirley Jones
4566 Sunny Lane
St. Louis, MO 63146

CR 67 No goods or services were provided to the donor other than intangible religious benefits.

Week of	General Fund	Sunday School	Youth Fund	Smith Memorial	Organ Fund
4/01/XX	25.00	10.00			35.00
4/03/XX	257.00	25.00	10.00		
4/10/XX	50.00	10.00			
4/17/XX	259.00	12.00		45.00	
4/24/XX	315.00	25.00		10.00	20.00
5/01/XX	75.00	10.00			
5/08/XX	279.00	12.00	15.00		
5/15/XX	75.00				
5/22/XX	255.00	15.00		25.00	
5/29/XX	55.00		15.00		
6/05/XX	254.00		15.00		25.00
6/12/XX	80.00		35.00		
6/19/XX	267.00			25.00	
6/26/XX	75.00			10.00	
Period	2,321.00	119.00	90.00	115.00	80.00

Other Contributions

4/17/XX	Technology Fund	20.00	5/08/XX	Jones Memorial	20.00
5/29/XX	Jones Memorial	10.00	6/12/XX	Technology Fund	50.00

Total Contributions for Period (all funds): 2,825.00

Pledged Status

Fund	Effective Dates	Pledged to date	Given to date	Ahead/ (behind)
General Fund	1/01/XX - 12/31/XX	3,000.00	2,321.00	(679.00)
		3,000.00	2,321.00	(679.00)

Exhibit 10-A

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Example of Statement with Noncash and Quid-Pro-Quo Contributions

St. John Lutheran Church
345 First Street
St. Louis, MO

John Smith
456 Country Lane
St. Louis, MO

DATE	GROSS CONTRIBUTION	VALUE OF GOODS OR SERVICES	NET CONTRIBUTION
1/13/XX	$ 50.00		$50.00
2/5/XX	400.00		400.00
3/12/XX	100.00	25.00(A)	75.00
"	75.00		75.00
"	525.00		525.00
"	215.00		215.00
12/20/XX	325.00	15.00(B)	310.00

Noncash Property Received:
50 shares of General Motors received on June 14, 20XX.
2004 four-door Impala, 52,350 miles, VIN 1GBN4P685DS725

Value of Goods or Services Provided:
The following items were provided to you in consideration for certain cash donations referenced above:

(A) Value of meal provided at Annual Endowment Dinner $25.00
(B) Value of Christmas music CD's $15.00

All other goods or services provided to you were either intangible religious benefits or those defined by the IRS to be of insubstantial value or insignificant cost.

The amount of your contribution, which is deductible for federal income tax purposes, is limited to the excess of any money *(and the value of any property other than money)* contributed by you over the value of goods or services provided to you.

Exhibit 10-B

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wording in the message block of the statement. This message appears to the right of the donor's name and address. As required, it indicates that nothing of value was provided to the donor other than intangible religious benefits and items defined by the IRS to be of insignificant or insubstantial value. If other types of donations are made, such as noncash or quid-pro-quo, it would be necessary to provide the donor additional information by issuing separate receipts.

It is possible to develop and use a statement that includes the noncash and quid-pro-quo contributions. Exhibit 10-B is an example of such a statement.

10.520: Cash/Noncash Quid-Pro-Quo Contributions of $75 or Less

As previously stated, the IRS defines quid-pro-quo contributions as payments made partly as contributions and partly for goods or services. For such cash donations of $75 or less, there is no required disclosure to be made by the charity to the donor. The individual should maintain his/her own documentation to substantiate such a deduction. The basic rule for quid-pro-quo donations of any size is that donor deductions are allowed only to the extent that the payment exceeds the fair market value of the goods or services received.

For a cash contribution, the donor maintains a canceled check and other information from the organization, including the donation amount and the value of the item(s) received by the donor. For a noncash contribution, the organization should provide its name and location, the date of the contribution, and a reasonable description of the property donated to it.

10.525: Cash/Noncash Quid-Pro-Quo Contributions of More Than $75

As previously stated in Section 10.505, the IRS requires all charitable organizations that receive such contributions of more than $75 to provide the donor a certain written disclosure or they will be subject to a penalty. The only exceptions to this requirement are when the goods or services are considered intangible religious benefits or of insubstantial value or insignificant cost as determined by the IRS.

The IRS generally considers the goods or services to be insubstantial when the value is the lesser of $50 or 2 percent of the contribution amount. Items are considered insignificant if they qualify as token items and their aggregate cost does not exceed a designated amount. To qualify as a token item, it is required that the item bear the name or logo of the organization. Examples include bookmarks, calendars, key chains, mugs, posters, T-shirts, etc. The designated amount that cannot be exceeded for token items was $13.60 for 2025.

When the disclosure is required, it must inform the donor that the amount of the donation that is deductible is limited to the contribution less the fair market value of the goods or services received by the donor. The disclosure must also contain the value of the nondeductible portion of the contribution. The disclosure may be provided either in conjunction with the solicitation or at the time of receipt. Examples of receipts for both a cash and noncash contribution follow.

Cash Contribution

January 15, 20XX
First Lutheran Church
2743 Concordia Drive
St. Louis, MO 63122

(Cash Contribution)
John Smith
456 Country Lane
St. Louis, MO

Received on March 12, 20XX, $100 for which you received a dinner at the Annual Endowment Dinner that had a fair value of $25. Therefore, the amount of your contribution that is deductible for federal income tax purposes is $75, which is the excess of the money donated over the value of goods and services provided to you.

Noncash Contribution

January 15, 20XX
First Lutheran Church
2743 Concordia Drive
St. Louis, MO 63122

(Noncash Contribution)
John Smith
456 Country Lane
St. Louis, MO

The amount of your contribution that is deductible for federal income tax purposes is limited to the value of the item you donated less the value of the item you received. Received on July 7, 20XX, a two-year-old 10-speed Schwinn bicycle, model S398752 for our annual auction in exchange for which you received a Bible Concordance that has a fair retail value of $8.95.

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10:530: Taxpayer's Required Records for Noncash Contributions

The individual taxpayer is required to keep reliable written records for each item of donated property. A summary of these records is provided below.

1. Name and address of the organization to which you contributed.
2. Date and location of the contribution.
3. A description of the property in reasonable detail. For a security, keep the name of the issuer, the type of security, and whether it is regularly traded on a stock or over-the-counter market.
4. The fair market value of the property at the time of the contribution and how you figured the fair mar-ket value. If determined by appraisal, a signed copy should be kept.
5. The cost or other basis of the property.
6. The amount you claim as a deduction for the tax year.
7. For noncash contributions of $5,000 or more, you must maintain all the above records plus you must generally obtain a qualified appraisal by a qualified appraiser (not required for qualified vehicles with a contemporaneous written acknowledgment, certain inventory, publicly traded securities and certain intellectual property). The cost of such appraisal is not deductible as a charitable contribution.

For contributions less than $5,000 but over $500, the following additional records are required.

1. How the property was obtained, i.e., purchase, gift, bequest, inheritance or exchange.
2. The approximate date you received the property or, if created, produced or manufactured by or for you, the approximate date the property was substantially completed.
3. The cost or other basis, and any adjustments to the basis of property held less than 12 months and, if available, the cost or other basis of property held 12 months or more. This requirement does not apply to publicly traded securities.

For noncash contributions of $5,000 or more, you must maintain all of the above records plus you must generally obtain a qualified appraisal by a qualified appraiser. The cost of such appraisal is not deductible as a charitable contribution.

For more information about these record-keeping requirements, refer to *IRS Publication 526, Charitable Contributions*. For more information about determining the value of donated property and how to obtain a qualified appraisal, refer to *IRS Publication 561, Determining the Value of Donated Property*.

10.535: Noncash Contributions Less Than $250

Noncash contributions valued by the donor at less than $250 that are not quid-pro-quo are substantiated by the person obtaining a written receipt from the organization and maintaining the individual records previously discussed. A sample of such a receipt is provided below.

Noncash Contribution

January 15, 20XX
First Lutheran Church
2743 Concordia Drive
St. Louis, MO 63122

(Noncash Contribution)
John Smith
456 Country Lane
St. Louis, MO

Received from John Smith on March 22, 20XX, a two-year-old Dell personal computer, model 1525, serial #RT4567987.

10.540: Noncash Contributions of $5,000 and Less But More Than $500

As mentioned in Section 10.515, all noncash contributions of $250 or more are required to be documented on a receipt or statement prepared by the organization in conformity with requirements established by the IRS.

The individual must also maintain the records described in Section 10.530. In addition, if the person's total deduction for all noncash contributions for the year is more than $500, he/she must complete Section A of Form 8283. Failure to complete this form can cause the IRS to disallow a deduction. A blank IRS Form 8283 is provided in the forms section of this manual. You may wish to duplicate it and make these forms available to such donors.

10.545: Noncash Contributions of More Than $5,000

If a person is claiming a deduction for more than $5,000 for a contribution of one item of noncash property or a group of similar items, he/she must:

1. Obtain the appropriate substantiation receipt or statement.
2. Maintain all the records described in Section 10.530, including obtaining an appraisal from a qualified appraiser.
3. Complete and sign Section B of Form 8283.

The organization receiving the property also must complete and sign Part V of Section B of Form 8283. In addition, if within three years after the date of receipt of the noncash contribution, the organization sells, exchanges, transfers, or otherwise disposes of the property, the organization must complete an information

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return, Form 8282, "Donee Information Return," and send a copy to the donee and file a copy with the IRS. A copy of Form 8282 is provided in the forms section of this manual.

10.546: Clothing and Household Items

A donor may not claim a tax deduction for clothing and household items given to a qualified charitable organization unless they are in good used condition or better. However, an exception to this rule applies to any item of this type that has been appraised for more than $500. Regardless of its condition, the appraised value may be deducted if the qualified appraisal is included with the donor's individual income tax return. Also, the donor must complete a Form 8283 because the item is a noncash contribution of more than $500 (see previous 10.540).

10.550: Donated Vehicles

A donor may not claim a tax deduction for a vehicle given to a charity and valued in excess of $500 unless a receipt of the transaction containing all the information prescribed by IRS is attached to his or her tax return (IRS Form 1098-C, Copy B). **Furthermore, it is now the responsibility of the charity to provide this receipt in a complete and timely manner to the donor and IRS (IRS Form 1098-C, Copy A) or be subject to possible penalties.** You may order IRS forms by going to *irs.gov/form1098c*.

Each receipt must contain at least the name and taxpayer identification number of the donor (social security number or Employer Identification Number), the vehicle identification number (VIN) and the date of contribution. It must also state whether or not the church provided any goods or services to the donor in exchange for the automobile or, if the only goods or services the church provided were "intangible religious benefits," it must contain a statement to that effect. To be considered timely, it must be given to the donor within 30 days of either receiving the vehicle or disposing of it. The additional information required on the receipt depends on how the charity uses or disposes of the vehicle. The three scenarios and their unique handling are as follows:

If the donated vehicle is sold without significantly using it to further a religious, educational or charitable purpose or without adding any material improvements to it, then the receipt must also include the sale date, gross proceeds of the sale, certification that it was sold in an arm's length transaction between unrelated parties and a statement to the donor that the deductible amount is limited to the gross proceeds from the sale.

If the charity intends to significantly use the vehicle itself or make material improvements to it before turning it over for sale, the receipt must certify and detail the intended use or improvement. It must also certify that the vehicle will not be sold anytime before completion of such usage or improvement.

Finally, special language must be included on a receipt relative to any vehicle that a charity intends to sell to a needy individual at significantly below fair market value or gratuitously transfer to a person. It must certify that "[the charity] will make a transfer or sale of the vehicle in direct furtherance of its charitable purpose of relieving the poor and distressed or the underprivileged who are in need of a means of transportation."

The only instance in which the receipt will contain a dollar amount is when the vehicle is sold in an arm's length transaction without a significant intervening use or material improvement. The donor's deductible claim in this case is limited to the proceeds of the sale reported by the charity on the receipt. In the other situations, the donor is limited to claiming the vehicle's fair market value at the contribution date. However, the donor must be able to substantiate his or her claim. If the vehicle's value is over $5,000, a qualified appraisal is needed for proper substantiation. Otherwise, the measure of a vehicle's fair market value is limited to the price listed in a used vehicle pricing guide for private party sales or similar vehicles.

For a contribution of a qualified vehicle with a claimed value of at least $250 but not more than $500, do not use Form 1098-C. Instead, prepare a receipt to give the donor following the rules under 10.515. For more details, refer to IRS Publication 4302, "A Charity's Guide to Donations" and IRS Publication 4303, "A Donor's Guide to Vehicle Donations."

10.551: Qualified Charitable Distributions

A qualified charitable distribution (QCD) is a distribution made directly by the trustee of your individual retirement arrangement (IRA), other than an SEP or SIMPLE IRA, to certain qualified organizations. You must be at least age 70½ when the distribution's made. Your total QCDs for the year can't be more than $100,000. If all the requirements are met, a QCD is nontaxable to the donor. The donor also cannot claim a charitable contribution deduction for a QCD. See Pub. 590-B, Distributions from Individual Retirement Arrangements (IRAs), for more information about QCDs.

10.600: Gifts of Securities

Gifts of securities, i.e., stocks or bonds, pose some unique issues for the congregation and its treasurer. Generally, if the donor would simply sell the security and donate the proceeds, he/she would have to pay income taxes on any increase in value. However, by donating the security itself, the donor is able to avoid paying such taxes and is also generally eligible to deduct the full value of the security at the date of donation. Because this can be a source of significant giving, the following section was developed to provide you with guidance in this area. If you have any questions about any aspect of this type of gift, simply

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contact your local District Gift Planning Counselor (see Chapter 18) or call the Synod's Gift Planning Services toll-free, 800-325-7912.

If a congregation accepts publicly traded stocks or bonds and desires to sell these assets, it may do so on its own, perhaps with the help of a broker who is a member of the congregation. Another alternative is for the congregation to contact the LCMS Foundation. The Foundation would be happy to assist the congregation in this area for the appropriate transaction charge.

> A congregation should exercise extreme caution before accepting securities of a closely held company or any company that is not publicly traded.
>
> There may be few, if any, persons willing to purchase such securities. A number of adverse consequences may arise simply from holding such assets. You should address these issues with the congregation's legal counsel before accepting such a donation.

Generally speaking, the donor's deduction is based on the date the security is donated and the corresponding value at that time. Publicly traded stocks and bonds are relatively easy to value. If a congregation member delivers without any conditions a properly endorsed stock certificate to the congregation, the date of the gift is the date of delivery. If it is mailed and received through the regular mail, the date of the gift is the date of the mailing. However, if the individual requests that the corporation transfer the shares or the bonds to the congregation, then the date of the gift is the date that they are transferred on the books of the corporation.

Once the date of the gift is determined then the value of the stocks or bonds on the date of the gift may be determined based on the average of the highest and lowest quoted selling prices on the valuation date. For more information regarding valuation, see *IRS Publication 561, Determining the Value of Donated Property.*

10.700: Benevolence Funds

Many churches have established benevolence programs to help individuals in need. Since a contribution must be "to or for the use of" a tax-exempt charitable organization, contributions to individuals, no matter how needy, are not tax deductible by the donor. Benevolence applies to Disaster Relief contributions, also.

The general rule is that contributions to a church benevolence fund are deductible by donors who do not designate a recipient or beneficiary of their contributions.

To assure the deductibility of the contributions to such a fund and avoid confusion for the congregation, the congregation should have a clearly established benevolence fund and policy. The congregation's articles of incorporation and constitution should also clearly state that the church's statement of purpose includes "charitable" as well as "religious" purposes. Some precedent suggests that benevolence activities are more properly characterized, for tax purposes, as charitable rather than religious.

■ **Undesignated contributions**

If the church establishes a benevolence fund and allows only undesignated contributions, the contribution ordinarily will be deductible. Donors, as well as any other church members, are free to make anonymous recommendations (in writing) to the church board regarding desired recipients. The board could appoint a committee to receive written or oral recommendations from the church membership regarding benevolence fund candidates and to make recommendations to the church board. If the committee is not apprised of the identity of donors to the fund and all church members are free to make recommendations to the committee regarding recipients of the fund, then donor contributions may be deductible.

■ **Designated contributions**

A contribution to a benevolence fund that designates a desired recipient will not be deductible since the intent of the donor is to make a transfer of funds directly to a particular individual rather than to a charitable organization.

However, IRS revenue rulings and private letter rulings suggest that contributions to a benevolence fund can be deductible even if the donor mentions a beneficiary, if the facts demonstrate the following:

1. The donor's recommendation is advisory only.
2. The church retains full control of the donated funds and discretion as to their use.
3. The donor understands that his or her recommendation is advisory only and the church retains full control over the donated funds, including the authority to accept or reject the donor's recommendation.

10.705: Benevolence Fund Policy

To eliminate confusion and establish facts that benevolence fund contributions, whether designated or undesignated, are deductible, the congregation should establish a benevolence fund policy. The policy should be available to all persons wanting to make a contribution, especially a designated one, to the fund.

The sample policy in the next paragraph addresses both designated and undesignated contributions. The congregation may want to delete any language that permits designated contributions if the congregation agrees by policy not to accept them.

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10.710:
Sample Benevolence Fund Policy

First Lutheran Church, in the exercise of its religious and charitable purposes, has established a benevolence fund to assist persons in financial need. The church welcomes contributions to the fund. Donors may feel free to suggest beneficiaries of the fund or of their contributions to the fund. However, such suggestions shall be advisory rather than mandatory in nature. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the church council. The church council may consider suggested designations, but in no event is it bound in any way to honor them, since they are accepted only on the condition that they are mere suggestions or recommendations. Donors wishing to make contributions to the benevolence fund subject to these conditions may be able to deduct their contributions. Checks should be made payable to First Lutheran Church, with a notation that the funds are to be placed in the benevolence fund.

The Church Council
First Lutheran Church

Note: Major portions of 10.700-10.710 were taken from the article "Benevolence Funds," March/April 1988 edition of *Church Law and Tax Report*, Christian Ministry Resources, Matthews, N.C.

10.715:
Reporting

A question commonly raised is whether benevolent payments are reportable to IRS on Form 1099-MISC. These are considered tax-free gifts to the recipients (not employed) and are therefore not reportable for tax purposes regardless of the aggregate amount paid. However, such payments provided to an employee must be reported by the employer as taxable on the employee's Form W-2 and subject to tax withholding (if applicable).

10.800:
Receipting Contributions for Other Entities ("A Caution")

Occasionally, congregations receive certain donations that are earmarked for certain purposes. When these purposes involve another organization that is not tax-exempt, great care must be exercised by the congregation. For example, consider a congregation that has, as part of its ministry, an outreach to the homeless through various programs, including donating a portion of its general funds to certain homeless shelters. It appears that the congregation could certainly make donations from its general funds to any homeless shelter, whether or not it was tax-exempt.

But, what if its members and other people make contributions to the congregation which are earmarked for a homeless shelter that is not tax-exempt? The IRS could determine that this is an improper function of the congregation, i.e., acting as a conduit in moving tax- deductible donated funds from a tax-exempt organization to one that is not a tax-exempt organization and as such this action could jeopardize the congregation's tax-exempt status.

10.900:
Gifts from Persons Who Later Declared Bankruptcy

The Religious Freedom and Charitable Donation Protection Act of 1998 allows churches and other charitable organizations to keep donations made in good faith by persons who later declared bankruptcy. It shields personal contributions of up to 15 percent of the debtor's gross income made in the year before the declaration. Contributions larger than this percentage will also be protected as long as they are consistent with the person's past giving patterns. Bankruptcy attorneys who attempt to recover contributions from religious or secular organizations that are tax-exempt under sections 170(c)(1) or (c)(2) of the Internal Revenue Code can now be fought in court. The law addresses a growing problem in bankruptcy cases in which attorneys have, in recent years, attempted to recover donations from churches for as long as 10 years prior to the giver's bankruptcy.

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Chapter 11: Unrelated Business Income

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11.100: Introduction

Even though a church is recognized as tax-exempt, certain sources of income can create a tax liability for the congregation. If a congregation has income that has "little or no relationship to its exempt purpose except to provide funds to carry out those purposes," the congregation has unrelated business income.

What are the ramifications of having unrelated business income? The organization may be required to file an annual income tax return, Form 990-T and pay income tax due on this unrelated business income. See video about unrelated business income at *stayexempt.irs.gov*, found under the "Existing Organizations" tab.

11.105: Definition

Three factors must exist for an activity to be defined as a source of "unrelated business income." These are:

1. The activity must be engaged in as a trade or business,
2. The trade or business must be regularly carried on, and
3. The trade or business must be substantially unrelated to the organization's exempt purpose or function.

11.110: Filing Requirements

A Form 990-T is required to be filed whenever unrelated gross income exceeds $1,000. Income tax may be due if net income from the activity exists. In addition, one $1,000 deduction is allowed before the income tax liability is computed.

The net income from an activity is the gross receipts less all expenses directly related to the production of this income. Salaries, supplies, depreciation, etc., are deducted in determining net income.

The income and related losses from individual business activities will need to be reported separately and losses from one may not be used to offset income from other business activities. This means that it is important to carefully track the expenses involved in producing the unrelated business income (UBI), so that those expenses can be used to offset any gains from that activity. However, losses that exceed gains from any single activity can be carried forward indefinitely to reduce gains realized in future years.

The unrelated business income tax (UBIT) rate is 21%. Estimated tax payments are due quarterly if tax is expected to be $500 or more. IRS Form 990W Worksheet should be used to figure estimated tax. These are paid using the Electronic Federal Tax Payment System (EFTPS). See Sec 7.346 for guidelines on enrolling in EFTPS.

11.111: Public Disclosure of Form 990-T

The most recent three years of Forms 990-T are subject to the same public disclosure requirements as an exempt organization's application for exemptions (see 8.150). Posting these on the internet alleviates the burden of providing copies on an individual basis to those who write or call for them. The posted files must be exact replicas (as filed with the IRS), accessible at no charge and accompanied with instructions for downloading without special software or hardware.

11.115: Examples of Unrelated Business Activities

It is important that congregations properly determine which activities the IRS considers to be unrelated. The preceding two tables present examples of activities that ARE and ARE NOT considered unrelated.

Activities Which ARE Unrelated

1. Soliciting, selling and publishing commercial advertising in an exempt organization periodical (see 11.118).
2. Operating a commercial parking lot, even if one day each week.
3. Operating a concession stand on a seasonal basis.
4. Selling greeting cards on a regular basis that do not contribute importantly to achieving the organization's exempt purpose.
5. Rental of member lists to commercial firms (see 11.116).
6. Rental of real estate that is debt-financed (see 11.120).
7. Raffles, bingo and other games of chance (see 11.130).
8. Conducting travel tours similar to commercial ones (see 11.119).
9. Certain employee fringe benefits for which a deduction is disallowed under IRC Sec 274 and has not been treated as taxable compensation (qualified transportation and commuting benefits; parking facility used in connection with qualified parking).

Activities Which ARE NOT Unrelated

1. Rental of member lists to other charitable and religious organizations.
2. Selling Christian books on a regular basis, solely for the convenience of members where the product contributes importantly to the organization's exempt purpose.
3. Tickets sold to an annual soup supper, dance or musical endeavor.
4. A thrift shop that consists of selling merchandise, substantially all of which has been received by the organization as gifts or contributions.

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5. Gain or loss on the sale of real property.
6. Rental of real estate that is not debt-financed (see 11.120).
7. A fellowship event at which attendance prizes are drawn and awarded (see 11.138).
8. Travel tours substantially related to the organization's exempt purpose (see 11.119).

11.116: Royalties and Licensing Fees Versus Partnership Agreements

Royalty income from mailing list rentals, affinity credit cards or other fundraising programs (e.g., tower rental agreements with mobile telecommunication companies) can be kept free from unrelated business income tax as long as your congregation takes only a passive role. Activities typically subject to unrelated business income tax include the following: a partnership or joint venture between the congregation and for-profit that shares in the activity's management, profits and losses; any arrangement that gives the congregation sufficient control over the for-profit (e.g., developing, monitoring, or controlling the for-profit's promotional and marketing activities); or an agreement providing endorsements or services that are important to the for-profit's success.

General Guidance on How to Protect Licensing Fees from Unrelated Business Income Tax

1. Mailing lists should only be made available for rental on a selective basis.
2. Devote minimal staff time and cost to maintain and market the mailing list.
3. Do not provide specific services such as advertising, promotion or endorsement. Specifically state this in the agreement, allowing the for-profit to design its own materials and do all soliciting.

If the organization is involved in any of the above activities, or similar ones, carefully examine your specific situation to assure compliance with all tax laws or consult your legal or financial adviser.

For a more comprehensive discussion of unrelated business income for churches or schools, obtain IRS Publication 598, *"Tax on Unrelated Business Income of Exempt Organizations."*

11.117: Excluded Trade or Business Activities

Any activity (either related or unrelated) in which substantially all the work is done by volunteers is not considered an unrelated business activity. Thus, the income from it is not taxable. Conversely, an unrelated activity done with the use of compensated workers (including youth) paid in cash or "in kind" may subject the organization to unrelated business income tax. (See school and church youth group example in CTM Section 9.220.)

11.118: Advertising Versus Qualified Sponsorship Payments

Soliciting and receiving qualified sponsorship payments is not an unrelated trade or business activity and the payments are not subject to unrelated business income tax. A "qualified sponsorship payment" is any payment made by a business to support the exempt organization's activities for which it will receive nothing in return other than the use or acknowledgement of the business' name, logo or product lines in connection with the organization's activities. However, the payment is treated as advertising, if in return for it, this same information is published in a periodical (e.g., a monthly newspaper) as opposed to material directly related to the sponsored event (e.g., a program or brochure distributed at the event).

Payments for advertising are treated different from sponsorship payments. In addition to the above exception, advertising includes messages containing qualitative or comparative language, price information, or other indications of savings or value; endorsements; and inducements to purchase, sell or use the products or services. Payments for advertising are subject to unrelated business income tax.

11.119: Travel Tours

While conducting a travel tour is not in and of itself an exempt activity, its income is not necessarily taxable. Typically, a church-sponsored tour includes the following attributes: significant time spent in organized study, destinations related to religion or education, planning or leadership by clergy or appropriately trained lay persons, and mandatory participation in the tour's central activities. Structured in this manner, the tour is nontaxable because it is importantly connected to the church's exempt purpose.

However, a tour that is structured more like a commercial one *(even if its purpose is to raise funds for use in other religious activities)* is considered an unrelated activity — subject to income tax. When gross receipts exceed $1,000, all of its financial transactions must be reported to IRS on Form 990-T.

11.120: Debt-Financed Property

"Debt-financed" property means any income-producing property on which the church owes money, such as a mortgage. For example, rent from an apartment house is not taxable unless the church owed debts it would not have except for the property.

Under certain circumstances, property acquired by a church for its use for exempt purposes in the future is not treated as "debt-financed." If the church's use of the property for its exempt purposes will begin within 15 years from

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the date the property is acquired, income from the property is not treated as income from "debt-financed" property. An example of this is a church purchasing land by mortgage for a new church building and renting that land while collecting a building fund.

As long as the exempt use of property begins within 15 years, any rental income from the property falls within the exception and is not taxable.

However, the church must establish to the satisfaction of the IRS within the first five years that the use of the acquired land for exempt purposes is reasonably certain before the 15-year period expires.

Also, if substantially all (85 percent or more) of a property is used for the church's exempt purpose, the property is not treated as "debt-financed" property.

11.130:
Raffles, Bingo and Other Games of Chance

Although federal law does not regulate non-profit gaming activities, it may impose certain tax burdens for the winner and the congregation operating the activity. For the winner, the value of prizes received is includable in his or her gross income. For the congregation, the unrelated business activity may be subject to income tax or a wagering excise tax. Regardless of the tax consequences, the congregation has certain IRS prescribed reporting and withholding responsibilities *(see IRS Publication 3079, Gaming Publication for Tax-Exempt Organizations)*. With respect to state regulations, refer to Chapter 12.800.

11.132:
Designing the Game to Avoid UBIT

Clearly, the congregation may avoid unrelated business income tax consequences under any of the following circumstances: 1) the activity is not regularly carried on; 2) volunteers perform substantially all the work; or 3) the activity is restricted to the "traditional" form of bingo.

11.134:
Wagering Excise Tax

This is a special tax imposed on all wagers—0.25 percent if the wagers are authorized under state laws; 2.0 percent if unauthorized under state laws.

A "wager" includes a bet placed in a lottery conducted for profit.

However, the IRS does not include within this definition wagering or drawings conducted by an exempt organization if no part of the net proceeds from such wagering or drawing inures to the benefit of any private individual. Thus, a congregation may avoid the wagering excise tax under certain circumstances. To qualify under this exception, someone must not conduct the activity other than the congregation itself. Merely "sponsoring" a lottery conducted by a third party does not exempt the wagers from the excise tax.

11.136:
Withholding and Reporting Requirements

Awards of any single prize having a value of $600 or more but not more than $5,000 requires the filing of Form W-2G with the IRS. If the winner does not provide a social security number (SSN), 24 percent backup withholding is required on any award of $600 or more.

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PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code	1 Reportable winnings $	2 Date won	OMB No. 1545-0238 **Form W-2G Certain Gambling Winnings** (Rev. December 2023) For calendar year 20 ____
	3 Type of wager	4 Federal income tax withheld $	
	5 Transaction	6 Race	
	7 Winnings from identical wagers $	8 Cashier	
PAYER'S TIN / PAYER'S telephone no.	9 WINNER'S TIN	10 Window	
WINNER'S name	11 First identification no.	12 Second identification no.	For Privacy Act and Paperwork Reduction Act Notice, see the **current General Instructions for Certain Information Returns.**
Street address (including apt. no.)	13 State/Payer's state identification no.	14 State winnings $	
City or town, state or province, country, and ZIP or foreign postal code	15 State income tax withheld $	16 Local winnings $	**File with Form 1096**
	17 Local income tax withheld $	18 Name of locality	**Copy A For Internal Revenue Service Center**

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.

Signature: **Date:**

Form W-2G (Rev. 12-2023) Cat. No. 10138V www.irs.gov/FormW2G Department of the Treasury - Internal Revenue Service

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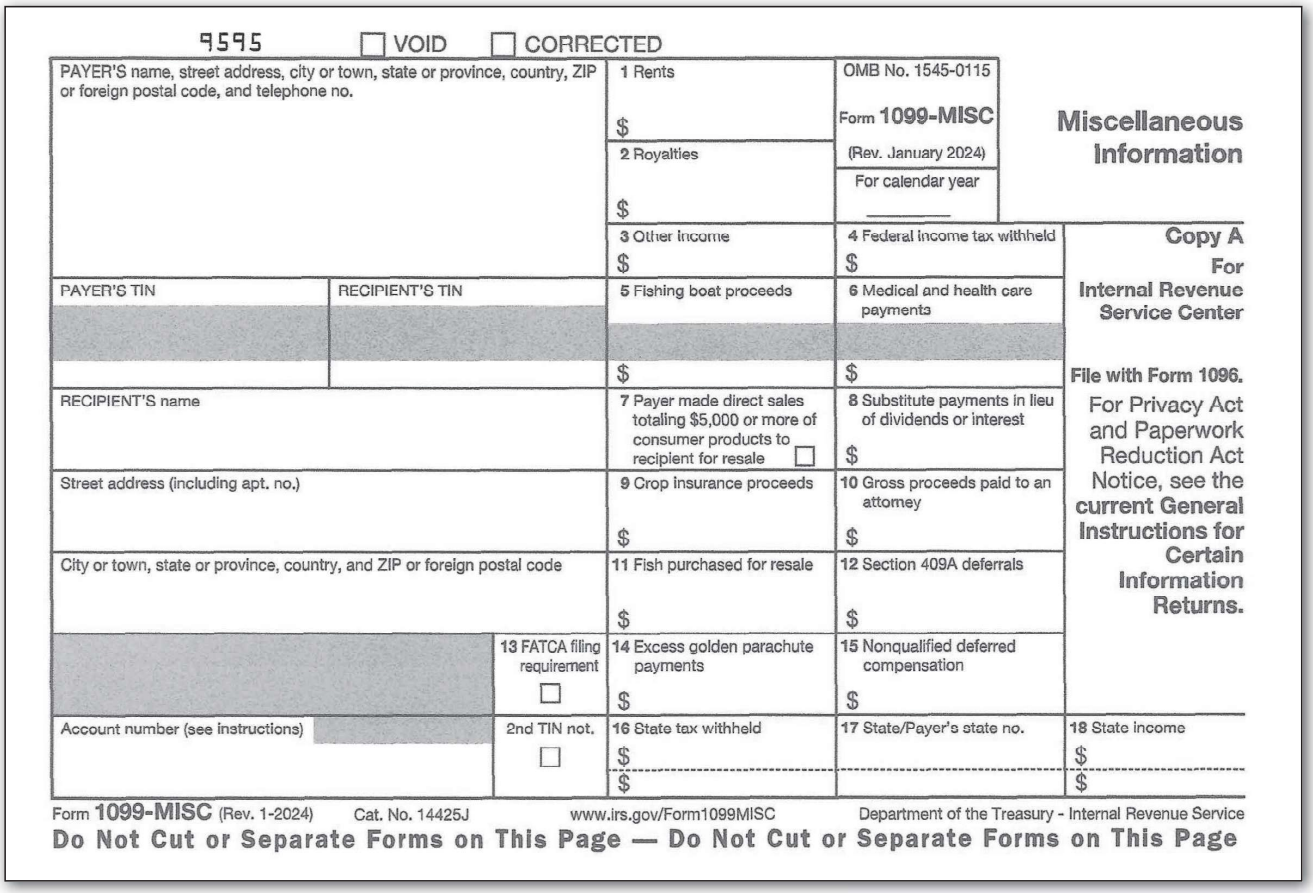

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	1 Rents $	OMB No. 1545-0115 Form 1099-MISC (Rev. January 2024) For calendar year	Miscellaneous Information
	2 Royalties $		
	3 Other income $	4 Federal income tax withheld $	Copy A For Internal Revenue Service Center
PAYER'S TIN / RECIPIENT'S TIN	5 Fishing boat proceeds $	6 Medical and health care payments $	File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
RECIPIENT'S name	7 Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale ☐	8 Substitute payments in lieu of dividends or interest $	
Street address (including apt. no.)	9 Crop insurance proceeds $	10 Gross proceeds paid to an attorney $	
City or town, state or province, country, and ZIP or foreign postal code	11 Fish purchased for resale $	12 Section 409A deferrals $	
13 FATCA filing requirement ☐	14 Excess golden parachute payments $	15 Nonqualified deferred compensation $	
Account number (see instructions) / 2nd TIN not. ☐	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form 1099-MISC (Rev. 1-2024) Cat. No. 14425J www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

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If a single prize exceeds $5,000, and the amount of the winnings is 300 times the amount wagered, then a Form W-2G must be filed and 24 percent gambling withholding is required. For example, a $100 chance to win $30,000 or more is subject to 24 percent gambling withholding.

With respect to non-cash prizes over $5,000 (e.g., a raffle of a new car or house) the congregation has two options to meet the gambling withholding requirement. First, the winner could pay the amount of the 24 percent withholding to the congregation, which would report and pay to IRS. Second, the congregation could pay the withholding due on behalf of the winner, grossing up his or her Form W-2G by the amount of the payment. The increase in the winner's income for your payment is also subject to tax, thus increasing the amount of additional taxes you must pay. To calculate the reportable prize amount, you divide the prize value by a factor of .76 (for example, value divided by .76). Next, multiply that result by 24 percent to figure the total withholding taxes you must pay.

If the winner does not cooperate regarding the taxes, the congregation can withhold the prize.

If the withheld income tax is $2,500 or greater, you must deposit those taxes using the Electronic Federal Tax Payment System (EFTPS) separate from payroll taxes, if any. For more information about the EFTPS, visit *eftps. gov*. Any lesser tax liability on gambling winnings may be reported on *Form 945, Annual Return of Withheld Federal Income Tax*.

11.138:
Attendance Prizes (No Wagers)

Games of chance consist of three parts: 1) a prize; 2) the element of chance; and 3) consideration, or payment for the right to participate. Where there is no wager required, then usually the event will not be considered a game of chance and therefore not subject to the same gaming regulations described in *paragraph 11.136*.

If an attendance prize is $600 or more, Form 1099-MISC, Box 3, should be used to report the prize, but no withholding is required unless the individual fails to provide his or her social security number. In that case, 24 percent backup withholding applies. Income tax withheld on these types of prizes must be reported on Form 945, Annual Return of Withheld Federal Income Tax. For more information, including the deposit requirements for backup withholding, refer to *IRS Publication 15*.

11.140:
Reporting Cash Receipts Over $10,000

In a 12-month period, if you receive trade or business cash receipts (other than contributions) from a single transaction exceeding $10,000, it must be reported to IRS on Form 8300. For more information about your filing requirements, refer to *IRS Publication 1544*.

Form **945**

Department of the Treasury
Internal Revenue Service

Annual Return of Withheld Federal Income Tax

For withholding reported on Forms 1099 and W-2G.
For more information on income tax withholding, see Pub. 15 and Pub. 15-A.
Go to *www.irs.gov/Form945* for instructions and the latest information.

OMB No. 1545-0029

2024

Type or Print

Name (as distinguished from trade name) | Employer identification number (EIN) –

Trade name, if any

Address (number and street)

City or town, state or province, country, and ZIP or foreign postal code

If address is different from prior return, check here. ☐

A If you don't have to file returns in the future, check here ☐ and enter date final payments made. _____

1	Federal income tax withheld from pensions, annuities, IRAs, gambling winnings, etc.	1	
2	Backup withholding	2	
3	**Total taxes.** If $2,500 or more, this must equal line 7M below or Form 945-A, line M	3	
4	Total deposits for 2024, including overpayment applied from a prior year and overpayment applied from Form 945-X	4	
5	**Balance due.** If line 3 is more than line 4, enter the difference and see the separate instructions	5	
6	**Overpayment.** If line 4 is more than line 3, enter the difference . . . $ _____		

Check one: ☐ Apply to next return. ☐ Send a refund.

- **All filers:** If line 3 is less than $2,500, **don't** complete line 7 or Form 945-A.
- **Semiweekly schedule depositors:** Complete Form 945-A and check here ☐
- **Monthly schedule depositors:** Complete line 7, entries A through M, and check here ☐

7 Monthly Summary of Federal Tax Liability. (**Don't** complete if you were a semiweekly schedule depositor.)

	Tax liability for month		Tax liability for month		Tax liability for month
A January		**F** June		**K** November	
B February		**G** July		**L** December	
C March		**H** August		**M** Total liability for year (add lines **A** through **L**)	
D April		**I** September			
E May		**J** October			

Third-Party Designee

Do you want to allow another person to discuss this return with the IRS? See separate instructions. ☐ Yes. Complete the following. ☐ No.

Designee's name | **Phone no.** | **Personal identification number (PIN)**

Sign Here

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

Signature | **Print your name and title** | **Date**

Paid Preparer Use Only

Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN

Firm's name | Firm's EIN

Firm's address | Phone no.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 14584B Form **945** (2024)

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Chapter 12: Tax and Compliance Matters Unique to States

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12.100: Introduction

Each state has unique laws for various taxes imposed by the state or local municipality. The first part of this chapter is a brief explanation of the most common taxes imposed by these local governments. The church and school are exempt from most of these taxes, but, in some cases, they must pay taxes like any other organization. In some cases, the church may be exempt from payroll tax as a religious institution but the school may not be because it is treated as an educational institution.

The second part of this chapter is material prepared by and available from your district office. It provides information and forms for compliance with the laws in your state. Contact your district business office for your state tax information.

12.200: Annual Reporting

In some states, nonprofit corporations are required to file reports with the secretary of state's office annually or biennially. (Contact the secretary of state's office in your state to determine your filing requirements.) The report generally is brief and requires, among other things, the purpose of the organization, the names and addresses of the board of directors or governing body, and the name of the registered agent. A nominal fee sometimes accompanies the report.

Failure to file the annual or biennial report imposes penalties that differ by state. Some states impose only a nominal fine, but others may call for cancellation of a corporation's certificate of incorporation, which has the effect of terminating the existence of the corporation.

12.300: State/Municipal Taxes

12.305: State Income Tax

All churches and schools are exempt from paying corporate state income tax because of the federal exemption under IRC Section 501(c)(3).

However, the organization's employees are not exempt from paying state income tax. In those states with an income tax, the church or school may be required to withhold state income tax from its employees' payroll checks as it does for the federal income tax, and in some states the tax may be withheld from the "minister of the Gospel."

12.310: Property Taxes

Real and personal property taxes may be imposed by the state, county or city where the church or school is located. In most cases churches and schools are exempt from these taxes, but the exemption laws vary by taxing authority within some states. In some states the church and school may retain their exemption as long as they use the property for their tax-exempt purpose. In other states, the organization may be required to file a periodic exemption form.

The amount of the exemption allowed for the church building, school building, church or school grounds, parsonage, undeveloped land or personal property and any nonexempt manner in which they are used, varies from state to state.

Usually, churches are required to pay special assessment taxes for streets, sewers and similar improvements.

12.315: Sales and Use Tax Payments

In some states, not-for-profit organizations are exempt from the state- or county-imposed sales tax for goods **purchased by** the organization. In other states schools may be exempt from sales tax payments while churches are required to pay this tax. See Table 12-1 for information regarding your state or call your district office for information.

Where sales taxes are imposed on purchases by not-for-profit organizations, states may also collect a Compensating Use Tax for goods purchased in another state. Although generally it is the seller's responsibility to collect this tax, the end user has the responsibility of reporting such purchases and remitting any additional tax (if applicable) to the state in which they do business. Accordingly, you may have a use tax liability on the goods that you received from out-of-state. If you're not certain whether such transactions are subject to use tax in your state, we recommend contacting your Department of Revenue for a determination. Churches located near state borders where purchases are made in both states may need to be aware of this compensating use tax. Purchases made online may be subject to use tax.

12.318: Process of Acquiring an Exemption from Sales Tax Payments

Among those states that exempt purchases by churches and schools from sales taxes (refer to Table 12-1), some require the organizations to apply to the state's Department of Revenue for the exemption. Once the application has been processed, the state will respond by returning either a letter or certificate of exemption. A copy of the document should be made available to each vendor upon request. Other states simply require the exempt entity to provide the vendor directly with a certification of its exemption.

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Sales Tax Exemptions for Purchases by Churches/Schools (some states require registration)				
State	Type of organization: Churches	Schools	Register for exempt certificate? Y=yes N=no N/A=not applicable	*The information in this table must not be relied on for accuracy or completeness. Instead, contact your state's Department of Revenue to find out whether your organization qualifies for exemption and under what conditions.* Comments:
Alabama		✓	Y	Must renew annually
Alaska	Does not impose sales tax			Some local municipalities impose sales tax
Arizona		*	N	*limited to food purchases by child care centers; must apply annually for letter of exemption
Arkansas	Not exempt		Y	Exemption certificate must be renewed annually
California	Not exempt		N/A	
Colorado	✓	✓	Y	Certificate valid for 5 years
Connecticut	✓	✓	Y	Must have 501(c)(3) designation from IRS, renewed every 5 years
Delaware	Does not impose sales tax			
DC	✓	✓	Y	Certificate valid until expiration date on certificate
Florida	✓	✓	Y	Must renew annually
Georgia	Not exempt		Y	Must renew annually
Hawaii	Not exempt		Y	Must renew annually
Idaho	*	✓	Y	Must renew annually
Illinois	✓	✓	Y	Must renew annually
Indiana	✓	✓	Y	Must renew annually
Iowa		✓	Y	Claim provided directly to vendor
Kansas	✓	✓	Y	Must renew every 5 years
Kentucky	✓	✓	Y	Certificate valid indefinitely
Louisiana	Not exempt		N/A	
Maine	✓	✓	Y	Certificate valid indefinitely
Maryland	✓	✓	Y	Must be located in Maryland or surrounding states to qualify; must renew every 5 years
Massachusetts	✓	✓	Y	Must renew every 10 years
Michigan	✓	✓	N	Certificate valid indefinitely
Minnesota	✓	✓	Y	Certificate valid indefinitely
Mississippi	*	✓	Y	Certificate valid indefinitely; *limited to church utilities
Missouri	✓	✓	Y	Certificate valid indefinitely
Montana	Does not impose sales tax			
Nebraska	✓	✓	Y	Certificate valid indefinitely
Nevada	✓	✓	Y	Must renew every 5 years
New Hampshire	Does not impose sales tax			
New Jersey	✓	✓	Y	Certificate valid indefinitely
New Mexico	✓	✓	Y	Certificate valid indefinitely
New York	✓	✓	Y	Certificate valid indefinitely
North Carolina		✓	Y	Must renew annually
North Dakota		✓	Y	Certificate valid indefinitely
Ohio	✓	✓	N	Claim provided directly to vendor
Oklahoma	✓	✓	Y	Renew certificate every 3 years; *school exemptions are severely restricted
Oregon	Does not impose sales tax			
Pennsylvania	✓	✓	Y	Certificate valid indefinitely
Rhode Island	✓	✓	Y	Must renew every 4 years
South Carolina		✓	Y	Limited to textbooks, library media; Certificate valid indefinitely
South Dakota		✓	Y	Certificate valid indefinitely
Tennessee	✓	✓	Y	Certificate valid indefinitely
Texas	✓	✓	Y	Certificate valid indefinitely
Utah	✓	✓	Y	Certificate valid indefinitely
Virginia	✓	✓	Y	Certificate valid indefinitely
Vermont	✓	✓	Y	Certificate valid indefinitely
Washington	Not exempt		N/A	
West Virginia	✓	✓	Y	Must renew with renewal of business registration
Wisconsin	✓	✓	Y	Certificate valid indefinitely
Wyoming	✓	✓	Y	Certificate valid indefinitely

TABLE 12-1

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12.320:
Sales Tax Collections

Some churches and schools may have sales of tangible personal property (e.g., books) that are subject to the collection of sales tax. States may also impose such taxes on dinners, bake sales, garage sales, auctions, etc. The organization may be required to collect the tax and forward it to the state.

In most cases, the organization will be able to obtain an exemption. In other cases, the dinners, etc., are considered incidental sales and, unless conducted regularly, the state does not enforce the tax.

Different sales tax liabilities may also apply to incidental sales based on whether the goods sold are donated or purchased for resale.

12.325:
Franchise or Business Tax

Unless the church or school has unrelated business income (see Chapter 11), the organization will be exempt from business taxes. However, an unrelated business activity may require the church to file income tax returns, as well as franchise or business tax reports. In some states a franchise fee or business tax is also required. These taxes are not to be confused with the periodic nonprofit report that also may be required by the state. (See 13.400 for more information on corporate reporting.)

12.400:
Unemployment Tax

The church and school are exempt from federal unemployment tax because they are IRC Section 501(c)(3) exempt organizations.

However, unemployment tax is primarily a state responsibility, and, in some states, the laws are different for churches and schools. In most cases, all church and school employees are not eligible for coverage under the state unemployment laws because the organization is exempt from the tax or has elected not to participate. If the organization does not participate in the tax, the organization's employee handbook should state that its employees are not eligible for an unemployment claim should they decide to leave the employment of the church or school.

SAMPLE STATEMENT:

The Synod and its entities, as a church or church-operated school, are exempt from the Unemployment Compensation Act. This means that any employee who terminates or is terminated and is unable to find new employment is not eligible to collect federal unemployment insurance benefits.

However, some states allow "self-insurance" funds for a claim by a former employee if the employer agrees to reimburse the state fund.

12.500:
Workers' Compensation

Workers' Compensation is a statutory insurance provided by the employer for the benefit of employees injured on the job. Very few states allow an exemption to a church or school for this insurance. In most states, the church and school are required to pay a premium for the "minister of the Gospel" and for any other employee. (See 26.245 for more information on Workers' Compensation.) Some states may permit grouping of employers for workers' compensation insurance. Since there is usually a basic fee for this insurance, there may be savings by grouping a number of churches. This could be done across denominations.

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12.600: Listing of State Withholding Tax Offices/ Departments of Revenue

Alabama
revenue.alabama.gov
Department of Revenue
Withholding Tax Section
50 N. Ripley St.
Montgomery, AL 36132-7480
(334) 242-1170

Alaska
dor.alaska.gov
No income tax

Arizona
azdor.gov
Department of Revenue
Withholding Division
1600 W. Monroe
Phoenix, AZ 85007
(602) 255-3381

Arkansas
dfa.arkansas.gov
Department of Finance and Administration
Withholding Tax Branch
1509 W. 7th St.
Little Rock, AR 72201
(501) 682-7290

California
edd.ca.gov
Employment Development Department
Taxpayer Assistance Center
PO Box 826880
Sacramento, CA 94280-001
(888) 745-3886

Colorado
colorado.gov/revenue
Department of Revenue
1375 Sherman St.
Denver, CO 80261-0009
(303) 238-7378

Connecticut
ct.gov/drs
Department of Revenue Services
450 Columbus Blvd. Ste. 1
Hartford, CT 06103
(860) 297-5962

Delaware
revenue.delaware.gov
Division of Revenue
Carvel State Building
820 N. French St.
Wilmington, DE 19801
(302) 577-8779

District of Columbia
otr.cfo.dc.gov
Office of Tax and Revenue
1101 4th St. SW, Suite 270 West
Washington, DC 20024
(202) 727-4829

Florida
floridarevenue.com
No income tax

Georgia
dor.georgia.gov
Department of Revenue
Withholding Tax Unit
1800 Century Blvd.
Atlanta, GA 30345
(877) 423-6711

Hawaii
tax.hawaii.gov
Department of Taxation
Income Tax Division
830 Punchbowl St.
Honolulu, HI 96812-3827
(808) 587-4242

Idaho
tax.idaho.gov
State Tax Commission
11321 W. Chinden Blvd.
Boise, ID 83722-0410
(208) 334-7660

Illinois
tax.illinois.gov
Department of Revenue
101 W. Jefferson St.
Springfield, IL 62794-9447
(800) 732-8866

Indiana
in.gov/dor
Department of Revenue
P.O. Box 7222
Indianapolis, IN 46207-7222
(317) 233-4016

Iowa
tax.iowa.gov
Taxpayer Services
Department of Revenue
PO Box 10465
Des Moines, IA 50306-0465
(515) 281-3114

Kansas
ksrevenue.org
Department of Revenue
PO Box 750680
Topeka, KS 66625-0680
(785) 368-8222

Kentucky
revenue.ky.gov
Kentucky Department of Revenue
501 High Street
Frankfort, KY 40601
(502) 564-4581

Louisiana
revenue.louisiana.gov
Department of Revenue
617 N. 3rd St.
Baton Rouge, LA 70821-0201
(855) 307-3893

Maine
maine.gov
Maine Revenue Services
P.O. Box 1060
Augusta, ME 04332-1060
(207) 626-8475

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Maryland
marylandtaxes.gov
Comptroller of Maryland
Revenue Administration Division
Taxpayer Services Section
110 Carroll St.
Annapolis, MD 21411-0001
(410) 260-7980

Massachusetts
mass.gov
Department of Revenue,
Customer Service Bureau
PO Box 7010
Boston, MA 02204
(617) 887-6367

Michigan
michigan.gov/treasury
Customer Contact Division
Department of Treasury
PO Box 30427
Lansing, MI 48909
(517) 636-6925

Minnesota
revenue.state.mn.us
Department of Revenue
600 N. Robert Street
St. Paul, MN 55146
(651) 282-9999

Mississippi
dor.ms.gov
State Tax Commission
Income Tax Bureau
500 Clinton Ctr. Dr.
Clinton, MS 39056
(601) 923-7700

Missouri
dor.mo.gov
Department of Revenue
Taxation Bureau
PO Box 3375
Jefferson City, MO 65105-3375
(573) 751-8750

Montana
mtrevenue.gov
Department of Revenue
125 N. Roberts St.
PO Box 5835
Helena, MT 59604-5835
(406) 444-6900

Nebraska
revenue.nebraska.gov
Department of Revenue
PO Box 94818
Lincoln, NE 68509-4818
(402) 471-5729

Nevada
tax.nv.gov
No income tax

New Hampshire
revenue.nh.gov
No income tax

New Jersey
nj.gov/treasury/revenue
Department of Treasury
Division of Taxation
50 Barrack St.
Trenton, NJ 08695-0269
(609) 292-6748

New Mexico
tax.newmexico.gov
Taxation and Revenue Department
1100 South St. Francis Dr.
Santa Fe, NM 87505-4147
(505) 827-0700

New York
tax.ny.gov
NYS Tax Department
PO Box 4131
Binghampton, NY 13902-4131
(518) 485-6654

North Carolina
ncdor.gov
Department of Revenue
PO Box 25000
Raleigh, NC 27640-0640
(877) 252-3052

North Dakota
nd.gov/tax/
State Tax Commissioner
State Capitol
600 E. Boulevard Ave.
Bismarck, ND 58505-0599
(701) 328-1248

Ohio
tax.ohio.gov
Department of Taxation
Central Registration Unit
PO Box 182215
Columbus, OH 43218-2215
(888) 405-4089

Oklahoma
tax.ok.gov
Tax Commission
Withholding Tax Division
2501 N. Lincoln Blvd.
Oklahoma City, OK 73194
(405) 521-3160

Oregon
oregon.gov/DOR/
Department of Revenue
955 Center St. Northeast
Salem, OR 97301-2555
(503) 378-4988

Pennsylvania
revenue.pa.gov
PA Department of Revenue
PO Box 280904
Harrisburg, PA 17128-0901
(717) 787-1064

Rhode Island
tax.ri.gov
Division of Taxation
One Capitol Hill
Providence, RI 02908
(401) 574-8829

South Carolina
dor.sc.gov
Department of Revenue
PO Box 125
Columbia, SC 29214-0004
(844) 898-8542

South Dakota
dor.sd.gov
No income tax

Tennessee
tn.gov/revenue
No income tax

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Texas
comptroller.texas.gov
No income tax

Utah
tax.utah.gov
State Tax Commission
210 N. 1950 West
Salt Lake City, UT 84134-3212
(801) 297-2200

Vermont
tax.vermont.gov
Department of Taxes
133 State St.
Montpelier, VT 05633-1401
(802) 828-2551 Option 3

Virginia
tax.virginia.gov
Department of Taxation
Division of Income Tax Withholding
PO Box 1115
Richmond, VA 23218-1115
(804) 367-8037

Washington
dor.wa.gov
No income tax

West Virginia
tax.wv.gov
West Virginia State Tax Department
Taxpayer Services Division
1124 Smith Street
Charleston, WV 25301-3784
(304) 558-3333

Wisconsin
revenue.wi.gov
Department of Revenue
PO Box 8902
Madison, WI 53708-8902
(608) 266-2776

Wyoming
revenue.wyo.gov
No income tax

12.700: New Hire Reporting

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), requires employers to report certain information on their newly-hired employees to a designated state agency. Penalties may be imposed on employers who fail to comply with these rules.

The majority of the information you will be submitting is already being collected when a new employee completes a W-4 form. Each New Hire report must contain the following elements: employee name, employee address and Social Security number, employer's name, employer's address and employer identification number. Some states may require additional data.

Federal law mandates that New Hires be reported within 20 days of the date of hire. However, states are given the option of establishing reporting timeframes that may be shorter than 20 days. You must adhere to the reporting timeframe of the state to which you report.

Because the reporting methods, due dates and data requirements vary from state to state, be sure to check with your state to learn of its requirements. For state-specific filing requirements go to *acf.hhs.gov/css/contact-information/state-new-hire-reporting-websites*. For the "State New Hire Reporting Contacts and Program Requirements matrix" go to *acf.hhs.gov/css/contact-information/state-new-hire-reporting-contacts-and-program-requirements*.

12.800: Raffles, Bingo and Other Games of Chance

In planning a fundraising event, a congregation should consider the application of laws regulating charitable solicitation in each state in which the game of chance is to be conducted. Courts and other legal authorities have consistently defined games of chance under state law as consisting of three parts: 1) a prize; 2) the element of chance; and 3) consideration, or payment for the right to participate. The importance of these three is that if one can be eliminated (typically chance or payment), then usually the event will not be considered a game of chance and therefore not subject to gaming regulations. For information about the taxable consequences of gaming events, refer to Chapter 11.

12.900: Information and Forms for Compliance Locally

Contact your district's business manager or treasurer for your state's specific tax information and other information.

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Section 3

Establishing and Administering the Organization

Chapter 13: Organizing, Incorporating and Closing a Congregation

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13.100: Introduction

It is very important to know what technical steps to take in both organizing and incorporating a congregation. The following sections provide information for both processes, as well as closing a congregation. Organizing and closing is presented in summary form listing the steps, while incorporation is discussed in some detail. A more comprehensive examination of the steps to take in organizing a congregation should be discussed with your district office.

13.110: Organizing Steps Before Charter Sunday

- Request district's affirmation for congregation to organize.
- Appoint temporary officers.
- Select a name.
- File for incorporation in your state.
- Obtain Employer Identification Number (EIN). Complete IRS Form SS-4. See 7.310.
- Open bank account.
- Determine preliminary insurance needs.
- Obtain church seal, if one is desired.
- Make preliminary contact with Concordia Plan Services.
- Hold a special business meeting six to eight weeks before Charter Sunday to vote on the following:
  a) Adopt articles of incorporation, a constitution and bylaws.
  b) Elect a church council and officers.
  c) Authorize the council to make application for reception into the Synod and district.
  d) Authorize the officers to incorporate.
  e) Adopt a motion stating that the resolutions acted on at the business meeting becomes effective on the date of organization.
- Obtain district approval of constitution and bylaws.
- Select a Charter Sunday where those wishing to become members sign the constitution.

13.120: Organizing Steps After Charter Sunday

- Replace temporary officers with permanent officers.
- District sends Form 4 to Synod Dept of Statistics.
- Install the church council.
- Obtain state identification number, if any.
- Prepare a budget.
- Begin the process of calling a pastor.
- Become familiar with district periodic report.
- Check again on all appropriate insurance and bonding.
- Register with state for property tax exemption and state ID for payroll.

13.200: Incorporation

13.210: Why Incorporation?

Incorporation is a method by which individuals unite under a common purpose and thereby acquire certain advantages and protections.

Every congregation of the Synod should be incorporated. The value of corporate status lies in the protection from legal liability it affords for the individuals who belong to the organization. Without this status, the members are individually responsible for acts of the organization that might cause injury to someone or for defaults by the organization such as on loans. However, the officers of the congregation should be aware of the legal responsibility they have as officers to carry out the activities of the congregation in a responsible manner.

If the congregation has a parochial school, the school should normally not be separately incorporated but should be included with the congregation's incorporation. The same is usually true for Congregational Endowment Funds and other controlled organizations. The decision to incorporate these organizations should be based on the nature and relationship of the organization and the advantages and disadvantages that come with a separate corporation.

13.215: How to Incorporate

The act of incorporating is governed by the laws of the state in which the congregation exists and so must conform to the laws of that state. The process for incorporation can be obtained from your Secretary of State's office (or your jurisdiction's equivalent). The congregation may want to engage an attorney to assist in the process or in periodically reviewing the corporate status. The attorney may also act as the congregation's registered agent.

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13.300: Organizational Documents

13.305: Articles of Incorporation

The articles are the principal instrument of incorporation and the legal statements required by the state. State law is very specific about the items required to be contained in the articles and must be reviewed when preparing the articles. However, typically the articles must include the following:

1. The organization's legal name. The name should clearly identify the organization but not be unwieldy. The name chosen must be available for use as determined by the Secretary of State's office.
2. The purpose of the organization.
3. The duration of the corporation. It should be as long as possible and be perpetual if state law permits.
4. A statement that the congregation will have members.
5. A statement as to the type of corporation (e.g. public benefit or mutual benefit), if required by state law.
6. Names and addresses of incorporators (and directors).

For purposes of the federal income tax exemption, the articles of incorporation must specifically provide that the net earnings of the corporation shall not inure to the benefit of any member, director, officer or other individual, and that in the event of dissolution, the corporate assets are to be distributed for one or more exempt purposes, such as to the synodical district in which the congregation exists.

For purposes of the federal income tax exemption, the articles also should contain the statement that the corporation is organized exclusively for charitable, religious and educational purposes and assure that its operation is consistent with these terms, as understood in the light of Section 501(c)(3) of the Internal Revenue Code.

The articles should not contain rules for the internal government of the corporation. State law requires that every amendment to the articles be filed with the state, so the articles should be as brief as possible and be limited to only those matters required.

When completed, duplicated and notarized, copies of the articles must be submitted to the Secretary of State. A filing fee must accompany the copies. If the articles comply with state requirements, the Secretary of State will endorse both copies, file one in his or her office, and return the other to the congregation along with a certificate of incorporation. The congregation should file its endorsed copy and the certificate in a safe location.

13.310: Constitution

The constitution sets forth the fundamental purposes or objectives of the congregation and includes the basic form of organization and the general principles. The constitution is usually short and compact and is the ruling document to the bylaws.

Congregational constitutions minimally set forth the name of the congregation, its mission and its confessional standard, its membership, fundamentals of its call process, the essential features of its leadership and meetings, procedures in case of congregational division, and a procedure for amendment of the constitution and development of bylaws. The details of most of these facets are best left to the bylaws.

Guidelines for congregational constitutions and corresponding bylaws are available from the LCMS Commission on Constitutional matters at *lcms.org/ccm* under "Guidelines and Frequently Noted Concerns." Informational resources to guide church and school administration can be found at *lcms.org/resources/church-and-school-administration*.

13.315: Bylaws

The bylaws contain the organizational details omitted from the articles and constitution and are the rules of internal government adopted by the organization. For example, while meetings and elections may be mentioned in the constitution, the specifics as to time, manner, etc., belong in the bylaws.

At a minimum, the bylaws should cover the following matters: selection of members; time, place and notice of annual business meetings; quorums; voting rights; selection, tenure, responsibilities and removal of officers and directors; filling of vacancies; method of amending bylaws; indemnification of directors and officers; and purchase and conveyance of property.

If ambiguity or contradiction exists between the articles, constitution or bylaws, the articles or constitution takes precedence. Amendments to the constitution should require a larger majority vote than an amendment of the bylaws.

13.316: Approval

The constitution and bylaws, and any future changes to these, must be approved by the district for the congregation to become and remain official members of the Synod.

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13.400: Corporate Reporting

In some states, nonprofit corporations are required to file reports with the Secretary of State's office. (Contact the Secretary of State's office in your state to determine your filing requirements.) The report generally is brief and requires, among other things, the purpose of the organization, the names and addresses of the board of directors or governing body and the name of the registered agent. A nominal filing fee may be required.

Failure to file the report imposes penalties that differ by state. Some states impose only a nominal fine, but others may call for cancellation of a corporation's certificate of incorporation, which has the effect of terminating the existence of the corporation. This extreme measure usually occurs only if the state has notified the organization of such action.

13.500: Fiscal Year

The fiscal year of the congregation is established when the organization files for an Employer Identification Number (see 7.310) or incorporates. The fiscal year should be the period that best fits the organization's activity and operations.

A congregation can change its fiscal year if one becomes more practical than another. The action should be approved by the board of directors or church council. The church is not obligated to report that fiscal year change to the IRS unless it files a Form 990T with the IRS for any reason (especially if the organization has unrelated business income).

13.600: Registered Agent

Each corporation must have a registered resident agent or agent for process of service. A registered agent can be an attorney or member of the organization and is the individual to whom any papers will be delivered if the organization is named in a lawsuit. If the agent's name or address changes, contact the Secretary of State's office and advise them. Sometimes a nominal fee must accompany the revision.

13.700: Closing a Congregation

The following list of closing procedures is provided here as a mere suggestion for congregational leaders to consider and discuss BEFORE closing their church doors after its final worship service.

1. When a congregation is considering dissolution, it should immediately contact the Offices of the District President and the Circuit Counselor to invite them to participate in the discussion on the subject.
2. The congregation should also seek the advice of a competent attorney who is familiar with the state laws governing the dissolution of religious corporations.
3. If a congregation concludes that it should dissolve, this recommendation should be presented to a legally called meeting of the congregation.
4. The congregation should heed close attention to its constitution and bylaws regarding the calling of any meetings for the purpose of deciding on a possible dissolution; in this respect, any quorums and the necessary majority needed to make the vote legal. Notice of all meetings should be clearly announced in advance to each member of the congregation so that they are notified of the date, time, place and purpose of the meeting.
5. Adopt a normal resolution to dissolve; passed by a majority of the voting members as required by the congregation's constitution. To accomplish this task, information should be prepared in advance and circulated to the members to support the reasons for this action. The resolution should include setting the date when the dissolution is to become effective and the date at which a festival closing service will be held.
6. Establish a timeline of all events/actions associated with the dissolution.
7. Secure an appraisal of all property to be sold except for property to be transferred to the district, Synod, or other agency in accordance with the church's bylaws.
8. Following the adoption of a resolution to dissolve, the following supporting resolutions need to be adopted:
    a. Transfer/release the members to neighboring congregations, effective on the date of dissolution.
    b. Authorize the officers of the congregation to sign the necessary documents to finalize all legal matters pertaining to the dissolution.
    c. Where necessary, authorize the transfer/disposal of all church property, including the building, furnishings, title to the cemetery and other properties.
    d. Authorize the transfer or disposition of the remaining funds of the dissolving congregation. Some constitutions state that the funds should revert to the District of which the congregation is a member. *(This is referring to assets which remain after the dissolution date.)*
    e. Transfer the records of the congregation for safekeeping. These include the records of all official acts of the congregation, its financial records, as suggested in Section 23.300 of the CTM, insurance policies and the official minutes of the congregation. It could also include other items of historical value. These are important since they

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not only have historical value, but also information about the members, which will help them when they transfer or desire verification of dates of birth, baptism, confirmation, marriage, death, etc.
If the District Office declines record-keeping responsibility, these records should then be deposited in the Concordia Historical Institute in St. Louis, Mo., so that they are kept safe and accessible for future reference. Discuss this matter with the District Office.
Procedure for dealing with documents and artifacts:

a. Locate
b. Sort
c. Organize in chronological order
d. Search for missing information
e. Determine value
    i. Fiscal—audits, property records and contracts, tax record
    ii. Legal—constitution and bylaws, articles of incorporation
    iii. Administrative—agendas, minutes, ministerial acts
    iv. Historical—stories of people in mission and ministry, pictures, videos

9. Contact the Secretary of State's office to file the form needed to dissolve. This should be after all assets have been distributed and business items have been completed.
10. The dissolving congregation should pay and reserve sufficient funding to pay all outstanding and expected bills.
11. The Minutes of the final business meeting of the congregation should be adopted before adjournment.
12. Copies of the Minutes and all official correspondence should be sent to the Office of the District President.
13. Provide for a final service in the congregation that will be dissolving.
14. Continue to care for members as they transfer to other congregations.

13.800: Additional Information

For additional information on organizing, incorporating and closing a congregation, contact or refer to the following:

1. Your district office for information on church planting.
2. The district's committee on constitutional matters.
3. An attorney.
4. The Secretary of State's office in your state.
5. The Congregational Constitution and Bylaws Guidelines
6. The Congregational Treasurer's Manual
7. The Employment Resources Manual

All are available at *lcms.org/resources/church-and-school-administration* and *lcms.org/resources/lcmsdocumentlibrary*.

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Chapter 14: Responsibilities of Church Financial Officers

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14.100: Introduction

Churches and religious organizations can conduct their temporal and spiritual affairs only through individuals. State laws require that church corporations appoint an initial board of directors. The Model Nonprofit Corporation Act specifies that a corporation shall have a president, one or more vice presidents, a secretary, a treasurer, and such other officers or assistant officers as the corporation deems necessary.

Officers and members of boards of church organizations regularly exercise their judgement on matters concerning the organization. Officers and directors must be legally authorized to act on behalf of their organization. Legal authority can be expressed, implied, inherent or apparent. In addition, a church can ratify the unauthorized actions of its officers and directors, but this is not required.

"Traditionally, the officers and directors of nonprofit corporations performed their duties with little if any risk of personal legal liability. In recent years, a number of lawsuits have attempted to impose personal liability on such officers and directors. In some cases, directors are sued because of statutes that provide limited legal immunity to churches.

As a general rule, directors are not responsible for actions taken by the board prior to their election to the board (unless they vote to ratify a previous action). Similarly, directors ordinarily are not liable for actions taken by the board after their resignation. Again, they will continue to be liable for actions that they took prior to their resignation.

A number of state laws permit nonprofit corporations to amend their bylaws to indemnify directors for any costs incurred in connection with the defense of any lawsuit arising out of their status as directors." *churchlawandtax.com/library/pastor-church-law/chapter-6-organization-and-administration/officers-directors-and-trusteespersonal-liability/* (checked 7/2024) or (Richard Hammar, Pastor, Church & Law Fifth Edition [Matthews, NC: CMR Press, 2000].

This is a "members only" content on the web page.

14.200: Conflict Of Interest

There is potential for "conflict of interest" when a person who is responsible for promoting the best interests of the church has a competing personal interest. In other words, individuals in positions of influence at a church, such as board members and key leaders who are responsible for conducting and overseeing the church's business affairs, may occasionally find their personal interests competing with their duty to make decisions in the best interest of the church. Such situations should be avoided, not only to prevent personal legal liability but also to eliminate the appearance of impropriety, which is especially obvious when it involves church organizations. A conflict-of-interest policy is an official document that outlines the procedures for team members when a conflict occurs between their personal interests and the interests of the organization. The policy sets boundaries around potential employee and board member conflicts that may arise to prevent legal liabilities and discord between a company and its workers. All officers should complete a conflict-of-interest statement annually.

14.300: Job Descriptions

In the job descriptions that follow many of the responsibilities also include suggested functions for internal control. The financial secretary and treasurer should be familiar with suggested financial review questions in Chapter 25. Separation of duties is very important in these two jobs.

14.305: Treasurer

Qualifications: The treasurer shall be a voting member of the congregation. The individual should have experience in bookkeeping and accounting.

Responsibilities:
The treasurer shall serve as the financial officer for the congregation. He/she shall be responsible for the following:

1. Disbursing funds of the congregation in accordance with its resolutions, approved budgets, restricted purposes and as directed by the church council.
2. Filing all the tax forms (federal, state, and city) by the appropriate due dates.
3. Investing all funds as directed by the congregation or church council.
4. Monitoring the cash flow of the operational budget and make prudent decisions in disbursing funds in periods of low receipts.
5. Maintaining the cash journals, general ledger and all subsidiary ledgers.
6. Giving complete financial reports at each church council or voters assembly.
7. Providing other financial information as requested by the church body.
8. Keeping informed as changes occur in requirements for reporting of tax and financial information.
9. Maintaining the treasurer's manual with updates provided by the district office.
10. Maintaining all records for the various designated funds and trusts and administering such monies as set forth by the church council, voters assembly and the desires of the donors.

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Checks and other forms of payment should be prepared by the church's bookkeeper who is often the treasurer. All bills should be approved with signatures of the persons responsible for initiating the bills. Records should be kept. To deter theft, proper internal controls should be in place. For example, a minimum of two signatures should be required for checks—those of the treasurer and president of the congregation.

No one should handle funds alone. Investments, purchases beyond the budget, etc., should be approved by the church council. The Voters Assembly should approve large expenditures. A financial review committee (see Chapter 25) should annually review all receipts and expenditures for approval by the church council. Pastors should be excluded from handling contributions and church funds.

The treasurer often also serves as an advisory member of the finance board and the board of stewardship. If required by the Board of Directors, the Treasurer shall be bonded for the faithful discharge of his/her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

14.310: Financial Secretary

Qualifications: The financial secretary shall be a voting member of the congregation. He/she should have experience in the handling of receipts and the maintenance of orderly records.

Responsibilities:

1. Oversee the counting of all service offerings and deposits to the bank account.
2. Report to the treasurer via the weekly offering form the total breakdown of contributions for the week.
3. Oversee the posting of all contributions to individual member's contribution records and to resolve disputes in posting errors.
4. Report to the church council and congregation monthly and year-to-date total contributions received for various purposes.
5. Notify the pastor of any special contributions that might require a special acknowledgment to the donor.
6. Make sure donors receive proper substantiation for all gifts as noted in 10.515.

The financial secretary oversees the activities of the church's money counters. As a safeguard against church member theft, no one should handle contributions alone. Rather, two or more people who are not closely related (such as family members) should count worship offerings together. Loose cash should be tallied twice by different counters. Offering envelopes should be opened in the presence of all and counted twice by different people. Amounts written on envelopes should be checked to see if they correspond with the contributions within the envelopes. Stamp the back of each check with deposit endorsement. Cash and check totals should be recorded on an Offering Report Form and a copy given to both the church treasurer and the financial secretary.

All cash and checks should be given to the financial secretary for immediate bank deposit. His or her tallied totals should match those on the Offering Report Form prepared by the team of money counters. Individual contributions including those electronically given (credit card, text-to-give, ACH, online bill pay, etc.) should be recorded and then reported to each member at least once a year, preferably in January when taxpayers are collecting information in preparation for their tax returns. Members should report discrepancies to the financial secretary.

14.400: Fiduciary Responsibilities

14.405:

One is acting in a "fiduciary capacity" when the business which he/she transacts, or the money or property which he/she handles, is not his/her own or for his/her benefit, but for the benefit of another person, as to whom he/she stands in a relation implying or necessitating great confidence and trust on the one part and a high degree of good faith on the other part. One is acting in a "fiduciary capacity" when the business which he/she transacts, or the money or property which he/she handles, is not his/her own or for his/her benefit, but for the benefit of another person, as to whom he/she stands in a relation implying or necessitating great confidence and trust on the one part and a high degree of good faith on the other part.

Board Directors are called fiduciaries because they are legally responsible for managing an entity's assets. All officers and managers having the responsibility may be held responsible by law to ensure that the financial activities of the church are carried out correctly. As an example, by willfully not forwarding income and employment tax withholdings on a timely basis, serious penalties and interest charges are incurred. Also, those who knowingly participate in "excessive benefit transactions" are at risk of penalties (see paragraph 8.100). The government can collect (and has done so) the monies due from the appropriate officers' own resources.

14.410: Restricted Funds

Use of restricted funds for purposes other than those designated by the donor should never be allowed. At the same time, it is just as important to release the restricted funds in a timely manner when the designated purpose has been fulfilled.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is a law that governs institutional donations to charitable organizations and nonprofits. UPMIFA is there to see that the interests of donors are protected and to give guidance to boards as to how donor restricted funds can be

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received, how they can be managed and invested, how they can be spent, and what the long-term assumptions should be with respect to those funds in the absence of specific donor instructions. Even in the case of unrestricted funds or quasi-endowment-in other words, operating surpluses or other funds that are voted on by a board.

14.415: Secretary

The secretary should record all minutes in a clear and concise manner. The minutes could be a resource for defending a lawsuit at some future time. In addition, the minutes could be the basis or authority for some action by an individual or group. Every official meeting of the church should have official minutes taken. Properly constructed minutes should include the following:

"Record of Minutes"

Minutes of a *(regular) (special)* meeting of *(name of organization)* held at city, state on date at time pursuant to the *(constitution) (bylaws)*:

The meeting was called to order by the *(title)*. A quorum being present, the *(title)* declared that the meeting was ready to proceed with business.

NOTE: In the event of legal challenge to the action of the organization, the minutes should always state the presence of a quorum.

Minutes of the previous meeting are approved. Approval does not require a vote and may be declared approved by the chairperson provided opportunity for correction is granted.

If a financial report is presented by a treasurer, it should be approved by vote.

Motions

The body of the minutes should contain a separate paragraph for each subject matter, giving, in the case of all important motions, the name of the mover and should show:

a. The wording in which each motion was adopted or otherwise disposed of (with the facts as to whether the motion may have been debated or amended before disposition being mentioned only parenthetically); or

b. Very briefly, if necessary, the information to explain the motion or thought behind the motion.

Actions pertaining to acquisition or disposition of real or highly valued property must always include a legal or detailed description of the property and, unless specified in the constitution or bylaws, the officers authorized to execute documents.

NOTE: Approvals of budgets, actions amending budget and major actions such as borrowing and acquisition or disposition of property are of critical importance to the treasurer for maintenance of financial records and, when necessary, for defense of actions in the event of litigation.

The name of the seconder of a motion should not be entered in the minutes unless ordered by the organization.

The action of the board is primary, the debate or discussion is secondary. The minutes are the official voice of the collective actions taken by board members in a meeting.

When a count has been ordered or the vote is by ballot, the number of votes on each side should be entered; when the voting is by roll call, the names of those voting on each side and those answering "present" should be entered. *("Present," while listed, is not tabulated in the outcome of the vote.)*

Minutes should ordinarily show the time of adjournment.

Minutes should be signed by the secretary and can also be signed, if the board wishes, by the chairperson.

14.420 Sample Resolution Limiting Personal Liability

As a congregation, it may be advantageous to possibly reduce the potential liability by inserting a similar resolution as shown below. This sample of a bylaw could limit the liability of the directors and officers of the congregation in the performance of their volunteer work.

CAUTION: Ensure that this resolution receives adequate legal review by a lawyer who is familiar with your state laws.

SAMPLE RESOLUTION LIMITING PERSONAL LIABILITY

(To be inserted in the appropriate place within the bylaws of the congregation.)

1.1 Those directors *(officers)* duly elected or appointed to the board of directors (church council) who do not receive anything of value from this corporation for serving as a director *(officer)* other than reasonable per diem compensation and/or reimbursement for actual, reasonable and necessary expenses incurred by such director *(officer)* in service of the capacity as a director *(officer)* shall be deemed a "volunteer director" *("officer")* for all purposes hereunder.

1.2 A volunteer director *(officer)* shall not be personally liable to the corporation or its membership and/or members for monetary damages for any breach of the director's *("officer")* fiduciary duty except for liability arising from or relating to:

a. a breach of director's *("officer")* duty of loyalty to the corporation or its members;
b. actual omissions not in good faith or the involvement of intentional misconduct or a knowing violation of law;
c. an act in violation of the provisions of state laws;
d. any transactions from which a director *(officer)* derives improper personal benefit;
e. any act or omission resulting in liability occurring before *(appropriate date)*;
f. any act or omission that is grossly negligent.

1.3 The corporation shall assume all liability to any person

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or entity other than the corporation or its members for all acts or omissions of a volunteer director (officer) occurring on or after (appropriate date).

1.4 The corporation, by adoption of a resolution in accordance with its articles of incorporation and bylaws, and pursuant to the provisions of Public Act (your state), shall have the power to indemnify those persons serving in the position of, or at the request of the corporation as director, officer, trustee, employee or agent against expenses, including attorney fees, judgements, penalties, fines, and amounts paid in settlement actually and reasonably incurred by a person in connection with any actions, suits or proceedings, formal or informal, relating to the service of said individual on behalf of the corporation if such person acted in good faith and in a manner that the person reasonably believed to be in or not opposed to the best interest of the corporation or its members, or with respect to any criminal action or proceeding if the person had no reasonable cause to believe that the conduct engaged in was unlawful. The corporation, through its board of directors *(or other governing group)* shall have such further or other authority to indemnify directors, officers, employees or agents consistent with the provisions of Public Act *(your state)*.

CAUTION: The above is not to be construed to be an acceptable legal document without proper legal review.

As laws vary from state to state, it is critical that this sample resolution is reviewed and, if necessary, modified by your attorney prior to its adoption. Even after the resolution's initial adoption, it would be prudent for you to consider requesting your attorney to periodically review this matter for any subsequent changes in state law that may require further modification of this resolution. In this way, you would be better able to ensure its continued effectiveness in indemnifying your officers and directors.

Could You be Personally Liable for Certain Unpaid Federal Taxes?

If you are an employer, you must withhold federal income, social security (or railroad retirement) and Medicare taxes from your employees' wages or salaries. If you' provide communication or air transportation services, you also may have to collect certain excise taxes from people who paid you for the services. (Get Publication 510 for more Information on excise taxes.) These taxes are called trust fund taxes and must be paid to the Internal Revenue Service through electronic funds transfer or tax deposits or as payments made with the applicable returns.

The Trust Fund Recovery Penalty (IRS Code Section 6672)

If trust fund taxes are not collected, or not truthfully accounted for, or not paid, or are evaded or defeated in any way, we may impose a trust fund recovery penalty. This penalty Is equal to the amount of the trust fund taxes evaded, not collected, not accounted for, or not paid to IRS. We also charge interest on the penalty.

Who Has to pay the penalty?

Any person responsible for collecting; accounting for; and paying trust fund taxes, and who acted willfully in not performing one or more of those responsibilities, can be liable for the trust fund recovery penalty. The IRS can collect the penalty from any responsible person or persons who acted willfully if the IRS can't immediately collect from the employer or business.

''Willfully'' means voluntarily, consciously, and intentionally. A responsible person acts "willfully" if this person knows that the required actions are not taking place for any reason. Paying other business expenses instead of trust fund taxes, including the payment of net payroll, is considered willful behavior.

Any person who had responsibility for certain aspects of the business and financial affairs of the employer (or business) may be a responsible person. A responsible person may be an officer or employee of a corporation, or a partner or employee of a partnership. This category may include accountants, trustees in bankruptcy, members of a board, banks, insurance companies, or sureties. The responsible person can even be another corporation, a volunteer director/trustee, or employee of a sole proprietorship. Responsible persons may include those who direct or have authority to direct the spending of business funds.

If the IRS charges you this penalty, they may take your assets (except exempt assets) to collect the amount owed.

Many employers outsource some or all payroll duties to third-party payroll service providers (PSP). These providers help ensure compliance with the IRS filing and deposit requirements. In the event of default by a third party, the employer remains responsible for the deposit of the federal tax liabilities and timely filing of returns. Depending on the facts and circumstances, and the type of third-party arrangement, an employer who uses a third party to perform Federal employment tax functions on its behalf may remain solely liable for Federal employment taxes or may become jointly and severally liable for such taxes.

Avoid the Penalty

You can avoid the trust fund recovery penalty by making sure that all taxes are collected, accounted for, and paid to IRS when required. Make your tax deposits and payments on time. IRS employees are available to assist you if you need Information on tax deposits and

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payments. You may contact the IRS by phone toll-free at 800-829-4933 Monday through Friday during your local hours of 7 a.m. to 7 p.m. (Alaska and Hawaii follow Pacific Time.) More information is available online at IRS.GOV searching under keywords ‘’Trust fund” or searching under the “Forms & Pubs” tab for **Notice 931**, *Deposit Requirements for Employment Taxes*, **Publication 15**, *Employer’s Tax Guide*, **Publication 3151**, *The ABCS of Federal Tax Deposits*, and **Form 941**, *Employer’s Quarterly Federal Tax Return*.

14.425:
Employment Tax Liability

The above outlines the potential penalties to the church or responsible person for willful failure to withhold, collect or pay taxes. For more information about deposit penalties, see IRS Publication 15 and IRS Notice 784.

14.430:
Copyrighted Materials

A copyright is a type of intellectual property that protects original works of authorship as soon as an author fixes the work in a tangible form of expression. Making copies of copyrighted material should not be done without permission. Serious penalties can be assessed on the church or school or on the personal assets of officers involved.

To help you learn more on the subject and obey copyright laws, visit Concordia Publishing House at its website at *cph.org/t-copyrights.aspx*.

You may also mail your inquiries concerning copyright laws to the U.S. Copyright Office, a part of the Library of Congress, at 101 Independence Ave. S.E., Washington, DC 20559-6000; request information by telephone, calling (202) 707-3000; or download publications from the Web site at *copyright.gov.*

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Chapter 15: Purchasing Agreements

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PREFERRED PRICING AGREEMENT 300

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15.100: Introduction

The LCMS and its related entities strive to negotiate discounts and preferred pricing agreements when possible to benefit all LCMS employers. The sections that follow are a glimpse of some of these goods and services that are part of this program.

15.200: Group Purchasing Agreement

Group Purchasing Agreement, or GPA, is a service offered to all LCMS churches, schools and affiliated organizations. For 20 years, the program has offered substantial discounts on equipment, supplies and services by combining the purchasing power of more than 8,000 LCMS organizations. GPA focuses on products and services most used — office supplies, moving companies, printers/copiers, interactive flat panel displays (whiteboards), and background checks, just to name a few. The churchwide organization develops partnership agreements with preferred providers of high quality products and services in order to save significant dollars. When a contract is negotiated, all LCMS affiliated entities are included. Although price is a priority, quality and customer service are important considerations prior to finalizing the agreement.

Using the program is easy. Visit *lcms.org/gpa* and select a product category. That links you to the direct contact on the national account—a real person who can assist you. In order to receive the LCMS pricing, you may have to mention your LCMS affiliation; some may ask you to complete a form.

Because the contracts depend upon the volume of business generated through GPA, participation is important. Everyone benefits from our strength in numbers.

15.210: Summary of Products and Services

Products and services currently being offered through GPA:

- Moving Companies: Bekins, Stevens and Wheaton
- Office Equipment: Office Depot; Ricoh
- Office Supplies: Office Depot
- Janitorial Supplies: Office Depot
- Background Checks: Protect My Ministry; AAIM
- Office, church, school, dorm furniture: Office Depot Commercial Furniture

For the most current and complete information regarding the LCMS Group Purchasing Agreement, visit ***lcms.org/gpa***. Consider sharing the Quick Reference guide with the church office staff.

Prices, offerings, and vendors are subject to change. Neither The Lutheran Church—Missouri Synod nor the GPA is responsible for the problems that may result from the purchase, lease or use of any of the program vendors.

15.300: Preferred Pricing Agreement

Concordia Plans has negotiated preferential pricing agreements with two nationwide payroll and human resource organizations to help ministries with their payroll and human resource system needs. Both Paycor and Paychex provide multiple solution options to assist with everything from basic payroll and tax services to a full and complete HRIS system and offer their services at a significantly reduced rate (generally 35-50% off). Additional information on the payroll providers can be found at *concordiaplans.org/our-solutions/payroll-services* or by contacting your Account Manager or *ministrysolutions@concordiaplans.org*.

Concordia Plans has obtained access to a nationally recognized human resource consulting service that can provide ministries with information and resources they need to stay compliant and on top of human resource best practice and federal and state employment law changes. HR Services provides ministries with access to an extensive online platform, assistance with handbooks and custom documents, and access to a call center staffed by dedicated certified HR professionals. Additional information on HR Services can be found at *concordiaplans.org/our-solutions/humanresources-services* or by contacting your Account Manager or *ministrysolutions@concordiaplans.org*.

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www.lcms.org/gpa Group Purchasing Agreement

QUICK REFERENCE VENDOR LIST

Stevens Van Lines — moving discounts

Robin Gacek, Client Relations Manager
movecenter@stevensworldwide.com
(800) 248-8313 phone
(989) 755-0511 fax
stevensworldwide.com/lcms

Wheaton Van Lines

mpotter@olympiamoving.com
(617) 231-1207 office
(617) 924-5949 fax
lcmsmove.com

Protect My Ministry — background checks

Ryan Carter, Director of Sales
information@protectmyministy.com
(800) 319-5581 x228 office
(800) 319-5582 fax
protectmyministry.com/lcms

4imprint — promotional items

4care@4imprint.com
(888) 969-5766 phone
(800) 355-5043 fax
USE CODE "TLC10" TO RECEIVE DISCOUNT
4imprint.com/tlc

Bekins Van Lines — moving discounts

shellie.law@crownbekins.com
(317) 331-1014 direct
(800) 248-7960 x338 office
(866) 260-1174 fax
lcmsmove.com

Office Depot — commercial furniture

School, church, business, dorm furniture, design services
Gary Phillips, Major Accounts Manager
gary.phillips@workspaceinteriorsod.com
(816) 506-1275 phone
workspaceinteriorsod.com

AAIM Employers' Association — human resources

Human resources - hire, develop and retain talent
Julie Kappen, Account Executive
Julie.Kappen@aaimea.org
(314) 754-0201 phone
(314) 775-000 fax
aaimea.org

Office Depot — business services

Office/janitorial supplies, a/v equip, copiers/printers
Rebecca Fluchel, Major Account Manager
rebecca.fluchel@officedepot.com
Business Solution Division
(636) 346-6820 phone

GPA is a stewardship program offered to all LCMS churches, schools and affiliated organizations. Prices and vendors subject to change.
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Chapter 16: Computerized Systems (or) Technology

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16.100: Introduction

The church has changed in the last 2,000 years, and so has technology. In the past, information was kept in journals and ledgers. Today, many congregations use computerized applications for things like:

- Member and visitor data
- Gift and offering tracking
- Content creation tools for weekly church bulletins
- Desktop publishing for newsletters and brochures
- Accounting and check printing
- Employee records
- Reporting for boards and organizations
- Calendars for event planning and participation
- E-mail and distribution lists
- Internet presence on the World Wide Web
- Virtualize meetings
- Document retention and sharing

16.200: Analyzing Needs and Wants

When deciding on changing existing manual procedures to a computer system, the congregation should first analyze its needs and wants. There are many options available on the market and choosing the best solution of software and hardware may differ depending on the size of the congregation. Points to consider when evaluating include available technology.

■ **Accessibility and Reliability**

A typical system might only be available during business hours while hosted on a desktop PC. This may suit most congregations for their pastor or office secretary's use; however, other congregation officers may also need access off-hours. There may be a need for network setup with remote or Internet access. Perhaps online informa-tion should be available to the congregation members and inquiring visitors. If so, expectations may require 24/7 access with 99.9 percent uptime.

■ **Security**

Maintaining data access rights and privileges should be flexible as officers change positions or new candidates need access to the system. The data should be safe from corruption and viewing by unauthorized users. In an environment that is always connected to the internet, consider a Proactive Firewall Management with Active Monitoring solution from a local computer company to help keep data safe from hackers. There is usually a monthly fee for this service.

■ **Scalability**

A system that may work well with one user may not perform well with additional users or processes running. Data information may need to be shared among system modules or across a network requiring connectivity to multiple workstations. Consider processing speed, disk memory, disk space and hardware capability, thereby avoiding a "slow system" and providing for future expansion and software upgrades.

■ **Affordability**

Every congregation is restricted to some degree by budgets, so costs will also affect purchasing new systems and optional add-ons. Although greatly appreciated, donated used equipment may eventually cost more to maintain due to age and compatibility. In addition, donated used software may cause issues if not registered properly.

16.300: Software Applications

In searching the market for software, many applications can be found, but they may not all be the "right one" for fulfilling the congregation's needs. There are single user, network or Internet-accessed applications. Factors to consider in choosing the best solution include:

■ **Features**

If the new system does not provide many of the necessary capabilities desired, then it likely will not be used at all. To prevent this, define the application requirements of the processes to be routinely performed. Using these requirements as a checklist will help determine if one application choice may be better suited over another.

■ **Training**

A good application will have a text manual complete with procedural steps giving examples for data entry and processing. A better application may provide an optional training session, for free or at an additional cost. The training is usually beneficial depending on the complexity of the application system. Ideally, the software system intuitively leads the user through the processes with on-line help available at the touch of a button.

■ **Standard Operating Procedures**

There should be documented steps for performing the routine duties of the system user. Best practice for the congregation's policies, standards and guidelines may also include procedures used by the pastor, church officers and office staff. These should be reviewed regularly and modified as processes change.

■ **Technical Help**

The software vendor provides technical support should there be a need for help with the application. Check for extra costs and hours available.

■ **Application Security**

Most congregation information is confidential. Only elected or designated members and staff should be authorized to enter or view this information. The software application should have restricted security access requiring passwords. If different software modules are integrated with the system, verify that unauthorized users cannot obtain financial or personal data. Security access should be reviewed yearly.

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■ **System Backups**

Backups of files and data should be performed routinely for the potential need of data recovery (e.g. fire, theft, hardware failure, ransomware). Backups may be stored on a choice of media such as on multiple rotating flash drives or external disk drives or with a trusted online backup service. If performing local rather than online backups, the backup media must then be stored at another location should a disaster strike. Be sure to test recovery procedures to verify that the data with be retrievable.

■ **Compliancy**

Software licensing compliance is required by law. Purchase the correct type and number of licenses based on the number of computers or number of users. See the software's end user license agreement for details.

■ **Software as a Service (SaaS)**

Software can be cloud-based, allowing you to access your software from most internet-connected devices. This software usually has a monthly fee, but you always have the latest version of the software and it is accessible by nearly any device that has internet access. Microsoft offers a limited version of Office 365 for non-profit organizations for free or, if you need more storage or more options from their software, a small monthly fee may be charged.

16.400: Computer Hardware

The computer systems found in today's congregations may be of any of these configurations:

- A single desktop computer or laptop in a central office location
- The pastor's and office secretary's PC linked together for file sharing (aka peer-to-peer network).
- A network hosting several PCs throughout the church building.
- Applications hosted on the Internet accessible from anywhere there is internet access.

Congregations, large or small, have the capability to use modern technology and effectively manage their church for Christ's ministry to their community or to the world!

Things to consider if purchasing and maintaining computer equipment:

■ **Space Planning:**

Decide where the hardware will be placed and if the environment is suitable. Considerations include available electricity, maintained room temperature, internet access, printer setup, future expansion, etc. Offsite hosting may be a better alternative.

■ **System Security:**

Locate the system in a safe and secure environment that is not readily available to outsiders, and secure the operating system and files from vandalism, hackers and Internet thieves. Software solutions include:

- Anti-virus software to routinely check and treat any system infections
- Spyware protection from Internet thieves
- Content filtering which shields inappropriate websites
- E-mail spam filters to rid junk mail
- Firewall to protect the network from outsiders via the internet or remote access

■ **Patch Management:**

Malware can cause havoc with your computer system and may expose sensitive data to theft. Routinely installing new release updates of operating system applications is essential in warding off these attacks.

■ **Hardware Replacement:**

Eventually, the system hardware becomes obsolete due to age, limitations or damage. Computer equipment is constantly improving. Switching to new equipment may be better than upgrading old, so consider both options. Be wary of donated equipment that is often outdated.Knowledgeable members are a great resource when updating your system.

■ **Network or Internet Hosting:**

A standalone desktop computer or laptop may be a suitable solution for limited work tasks, but is only accessible by one user at a time. Connecting PCs together will allow files to be shared for tasks such as proofreading or gathering items together for newsletters, annual reports, etc. Internet providers allow disk space for hosting websites for sharing information and are identified by a unique domain name for the congregation. There are also certain software applications for congregations that are hosted on the Internet which may reduce the need for expensive equipment.

There are options for storing data in the cloud that reduces or eliminates the need for a network server, and your data is accessible from most devices that are connected to the internet with the proper login credentials. If you choose a cloud-based system, you need to consider security standards, encryption of data across the internet, the cloud service's backup and disaster response policy and non-profit pricing. (Box.com offers non-profit pricing for their cloud service.)

16.500: Non-Profit Pricing

Many software and hardware providers offer proprietary software and equipment with discounts for non-profit organizations. These discounts may or may not be listed in the provider's marketing materials. It is recommended that the purchaser inquire about pricing specifically for non-profit organizations. The non-profit organization may need to provide evidence of their 501(c)(3) status to receive the discounted pricing. Some software and hardware are available for a minimal administrative fee. Some software is available as Free (as in Freedom) Software and Open Source software.

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16.600: CTS Church Management Software

Concordia Technology Solutions (CTS), the church administration division of Concordia Publishing House (CPH), has provided ministry-enhancing software for more than 30 years. CTS provides both PC-based and web-based Church Management Software options that can help track membership, event attendance, contributions and finance.

Shepherd's Staff is a PC-based program that has been used by thousands of churches for 29 years. Church360˚ is a web-based software suite that includes Church360˚ Members, Church360˚ Unite, and Church360˚ Ledger. All three Church360˚ products allow access to your church information from anywhere.

Nearly all denominations are represented in CTS's customer base, even though their products are developed for the purpose of assisting LCMS congregations.

To start a free trial or request a live demo, visit *concordiatechnology.org* or contact CTS Software Sales at 800-325-2399 or *softwaresales@cts.cph.org*.

16.605: Shepherd's Staff

Shepherd's Staff is a complete church management system that contains five modules — Membership, Attendance, Contributions, Finances and Scheduler, as well as technical support and upgrades.

The Membership module provides complete membership management including:

- Tracks contact information, including multiple emails, addresses, and phone numbers
- Stores confidential notes securely
- Generates mail merges, labels, mail barcodes

The Attendance module allows for:

- Entering attendance quickly and accurately
- Identifying absent members in need of a pastoral visit
- Categorizing events and track attendance patterns using lists, graphs and reports
- An optional check-in feature to manage event attendance and visitor information securely

The Contributions module allows you to:

- Create an IRS compliant giving statement with an unlimited number of contributor and offering categories
- Analyze pledges and contributions with reports and graphs

In the Finance module the authorized person can:

- Track an unlimited number of funds, accounts, and vendors
- Set up checks, deposits, and journal entries to process automatically
- Prepare and print checks
- Generate invoices, track payments by multiple payees, and perform additional accounts receivable functions

The Scheduler module is used to:

- Set your church schedule and produce calendars
- Schedule rooms, rentals, services, cleaning and meetings
- Track equipment usage and inventory

To download a working trial or request a live demo, visit *shepherdsstaff.org* or contact CTS Software Sales at 800-325-2399 or *softwaresales@cts.cph.org*.

16.610: Church360°

Church360° is a complete suite of web-based church management software that provides ministry leaders and church administrators with the tools they need and the flexibility they desire to manage their congregational information, website and finances.

Church360° Members is web-based software that helps pastors and ministry leaders get to know their people better and understand the trends of their congregation. With Church360˚ Members, you can build an extensive member directory, record contributions and attendance and track congregational trends.

Church360° Unite is an easy website builder software that helps you build the church website you've always envisioned — regardless of your technical experience. Develop a fully functional and professional-looking website that includes blogs, calendars and user groups. Church members can even log in, update information, join groups, listen to past sermons, and interact with each other.

Church360° Ledger is finance software designed exclusively for churches. It streamlines the accounting process so balancing budgets and managing accounts are simple and intuitive. It allows you to track dollars coming in and out of your church, make and record deposits, pay bills, create custom reports, and share financial statements with church leaders.

These three great web-based applications work together to provide a complete church management solution. To start a free trial or request a live demo of any or all of the Church360° products, please visit us at *church360.org* or contact CTS Software Sales at 800-325-2399 or *softwaresales@cts.cph.org*.

16.615: eGiving

eGiving by Concordia Technology Solutions (CTS) is an online giving solution supported by Vanco Payment Solutions. This is not only a great option for your members' weekly offerings but also for one-time payments to the church or children's ministry tuition and fees.

- **Convenience:** With online giving, contributions are transmitted automatically and deposited directly into the church bank account.

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- **Stronger stewardship commitments:** Scheduled, automated offerings help prevent people from falling behind on financial pledges.
- **More consistent donations:** With automatic giving, it's easy to tithe, even when you are not at church.
- **More secure church office:** Reduce the handling of checks and cash in the church office. With eGiving, all transactions are completed securely online.
- **Better planning:** Avoid seasonal donation slumps, improve financial forecasting, and plan budgets with confidence.
- **Less to process:** As the effort required to process check and cash donations decreases, the efficient use of staff time increases.

For more information, please visit the website: *concordiatechnology.org/egiving* or contact CTS Software Sales at 800-325-2399 or *softwaresales@cts.cph.org*.

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Section 4

Supporting Organizations

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17.100: International Center (Synod Office)

The international office of the Synod is located in St. Louis, Missouri. The church body comprises more than 5,800 individual congregations walking together in a shared mission: vigorously to make known the love of Christ by word and deed within our churches, communities and the world. This singular goal is accomplished by sharing the load. With God's help and blessing we do together what we cannot do alone.

The support received from congregations through the district is used to provide services that are best rendered through a single office, such as mission education; congregational programs for Sunday schools, parochial schools and vacation Bible schools; evangelism; youth programs; training of professional church workers; international information services; national social services; retirement and insurance programs; and pooled-investment services for trusts, annuities and other planned-giving instruments.

17.110: *The Lutheran Annual*

The Lutheran Annual is the official roster of members of The Lutheran Church—Missouri Synod and also includes listings of the agencies of the Synod and other organizations associated with the work of the Synod. The information presented in the Annual contains the latest names, addresses and numbers for churches, educational facilities, and all ordained and commissioned. The *Annual* is published yearly by Concordia Publishing House and can be obtained by calling CPH at 800-325-3040 or visiting *cph.org*.

17.120: *LCMS Handbook*

The *Handbook* contains the Constitution, Bylaws and Articles of Incorporation of The Lutheran Church— Missouri Synod. Revised editions of the Handbook are published triennially by the LCMS Commission on Constitutional Matters following Synod conventions.

The current edition of the *Handbook* can be accessed online at *lcms.org/bod* or you may order a bound copy by contacting Concordia Publishing House at 800-325-3040.

17.130: International Center Budget

The unrestricted budget is developed based on district pledges for the work we do together, and the restricted budget is based on anticipated income given directly for items such as national and international missions, college and seminary support and KFUO radio. Annual Budget Summaries are available at *lcms.org/bod*.

17.140: Communication Services

LCMS Communications serves the Synod's congregations by telling the stories of our working and walking together as Lutherans, conveying the endless opportunities and achievements that are gifts from God.

These efforts involve "partnerships" of many kinds, as we work closely with the Office of the President and the Offices of National and International Mission, Pastoral Education, Church Relations, districts and many other LCMS entities.

We help the Synod — all of us together — get the word out strategically about our ministries using all venues at our disposal, including print, Web, video, photography, public and media relations, social media and blogs.

As a department, we strive to educate, inform, interpret and highlight our Synod's purpose, program and positions to promote increased awareness and understanding of the mission and ministry of our church.

The Lutheran Witness

The Synod's official magazine, *The Lutheran Witness*, features articles that help interpret the contemporary world from a Lutheran perspective. It seeks to teach a biblical and confessional understanding of topics including family, culture, worship and other questions that confront us.

The Lutheran Witness also offers observations from the Synod President, a monthly Bible study and a regular column of observations concerning items in the news. *The Lutheran Witness* is published 11 times a year — monthly, with a combined June/July issue. *The Lutheran Witness* offers additional content online at *witness.lcms.org*.

You may subscribe online, by e-mail, or by phone.

- Subscribe online at *witness.lcms.org*.
- Email *lwsubscriptions@cph.org*.
- Call 800-325-3040 (option 2) to speak to a customer service representative.

Reporter

Reporter is the Synod's official newspaper. It provides news, commentaries and other resources for rostered church workers, ministry and laypersons. To view the newspaper's online version, *Reporter Online*, which provides additional stories and more detailed versions of some print *Reporter* stories, visit *blogs.lcms.org*.

Subscribe to *Reporter* and at *blogs.lcms.org/subscribe-to-reporter*.

Lutherans Engage the World

Lutherans Engage the World is a quarterly publication that shares with its readers the life and work of the LCMS across the globe and in the United States. The articles present both excellent photography and a compelling narrative to present the work of witness and mercy done by the people of the Synod.

The magazine is available online at *engage.lcms.org*, via Apple News app at *engage.lcms.org/apple-news-app*, by print subscription at *engage.lcms.org/subscriptions-individual/*, and bulk subscription (call 888-843-5267).

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Life Together with President Harrison
Through this monthly digital news digest, President Harrison shares highlights from Synod publications and multimedia outlets. It is filled with useful news about ministries and resources that help equip pastors, church workers and laity in their life together.

Subscribe to receive monthly email updates at *mailchi.mp/lcms/life-together-email-subscriptions*.

Journal of Lutheran Mission
This e-publication from the LCMS offices of National and International Mission addresses the newest and oldest trends in missiology. It highlights how the Lord is using His people to share the good news of the Gospel both at home and to the ends of the earth.

You can find it at *lcms.org/news/publications/journal-of-lutheran-mission*.

Additional Ministry Newsletters can be located at *lcms.org/news/newsletters*

Online Presence
The website for The Lutheran Church—Missouri Synod is *lcms.org.*

The purpose of the LCMS website is captured in its mission statement: "To create and maintain a dynamic Internet presence that communicates the saving grace of our Savior, Jesus Christ; provides information for mission and ministry; and interactively links members with Great Commission opportunities."

The site has links to the beliefs and heritage of our church body, mission and outreach resources, devotionals, news and information about the Synod, departmental resources and catalogs, and information on important social issues affecting congregations. Also included are links to our colleges and seminaries, district offices, congregations, church workers and related LCMS entities, auxiliaries and Recognized Service Organizations (RSOs).

Among its features are:

- **How We Serve:**
  This menu includes mission and ministry information about Mercy, National, International, Education, Special Initiatives and *Making Disciples for Life*.
- **News:**
  The latest stories, features, ministry news and resources are available here, including access to printed and online subscription information.
- ***my*LCMS:**
  This website login feature allows users to create an account by which they can subscribe to various eNewsletters, update contact information and view their giving history.
- **Locators:**
  Find LCMS congregations, church workers, schools and district offices easily. Ten-year statistics for individual congregations, including giving levels and baptized and confirmed membership figures are accessible here. Information about the 35 LCMS districts includes links to their websites at *lcms.org/districts*.

Social Media
The LCMS has official pages on Facebook, Twitter, Youtube, Instagram and LinkedIn. These can be found at *facebook.com/TheLCMS* and *twitter.com/TheLCMS*.

For a complete list of LCMS social media accounts, visit *lcms.org/socialmedia*.

LCMS Related Entity Websites

- **Concordia Plan Services**
  Get the latest information on health-care coverage, retirement benefits and more at *concordiaplans.org*.
- **Lutheran Church Extension Fund**
  Find out how your congregation can use the services of LCEF to obtain a loan for construction or capital fundraising, architectural or demographic services. Visit *lcef.org*.
- **LCMS Foundation**
  Through the Foundation's Mission and Ministry Giving Catalog, your congregation can discover how its contributions are making a difference in the lives of many. Visit *lcmsfoundation.org*.
- **LuthEd**
  Schools looking for resources and information from the LCMS School Ministry Office can connect with this site to keep up to date with Lutheran education! Visit *LuthEd.org*.
- **LCMS Information Support Network (LISN) for Church Workers (LCW)**
  Ordained ministers are able to update their contact and other information through the LCW in order to keep their official record current. Pastors may access this site at *LCW.lcms.org*.
- **Church Worker Update (CWU)**
  Commissioned ministers are able to update their rostered information through the CWU in order to keep their official record current. This information also populates the Commissioned Minister Information Form, which is what calling bodies use to search for commissioned workers to fill open, called positions. Learn more at *CWU.lcms.org*.
- **Commissioned Minister Information Form (CMIF)**
  CMIF system allows for the search of information on commissioned ministers to fill called positions. Contact your district office to find out more about how your congregation or school can use this tool to search for commissioned ministers to fill called positions in your ministry. Visit *CMIF.lcms.org*.
- **LCMS Information Support Network (LISN) for Congregations**
  Congregations are able to update their contact information, worship times, lay leaders, annual statistics and more to the Rosters, Statistics, and Research Services office through LISN at *lc.lcms.org*.
- **LCMS Information Support Network (LISN) for Schools**
  Early childhood centers, elementary and high schools are able to update their contact information, current teaching staff, and report annual statistics through *lisn.lcms.org.*

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17.150:
LCMS Church Information Center (CIC)

The CIC links people with questions to people with answers and is just a call or click away. Contact the center by phone at 888-843-5267 (THE-LCMS) or by email at *infocenter@lcms.org*.

LCMS Logo & Brand Center

LCMS logos may be used by the Synod's congregations, districts, schools and certain other entities in conformance with the LCMS Brand Manual. Read the LCMS Branding Reference Guide and request digital logo files at *lcms.org/logos*.

17.200:
Synod Membership

Member congregations of the Synod have the responsibility of keeping informed about what it means to be a member of the Synod. This responsibility is similar to the individual's membership in the congregation.

Congregations and church groups seeking information regarding Synod's national and international work in order to provide designated gifts are encouraged to either contact the staff in LCMS Mission Advancement at 888-930-4438 or *mission.advancement@lcms.org*. To give online go to *lcms.org* and click on *Make a Gift* in the menu bar. Giving opportunities are available for national and international work and missionaries, pastoral formation care, projects and ministries, as well as for special campaigns.

These catalogs give a congregation the ability to select partnership opportunities that most closely match their vision for spreading the Gospel. Opportunities within the catalogs change over time and are kept current by Mission Advancement.

The finances of the national office, including the annual budget summaries for spending designated and undesignated offerings received as well as the annual audited financial statements for the LCMS, are made publicly available at *lcms.org/bod*. This section also includes the minutes of the meetings of the Board of Directors, the Handbook of Synod, and important governance policies.

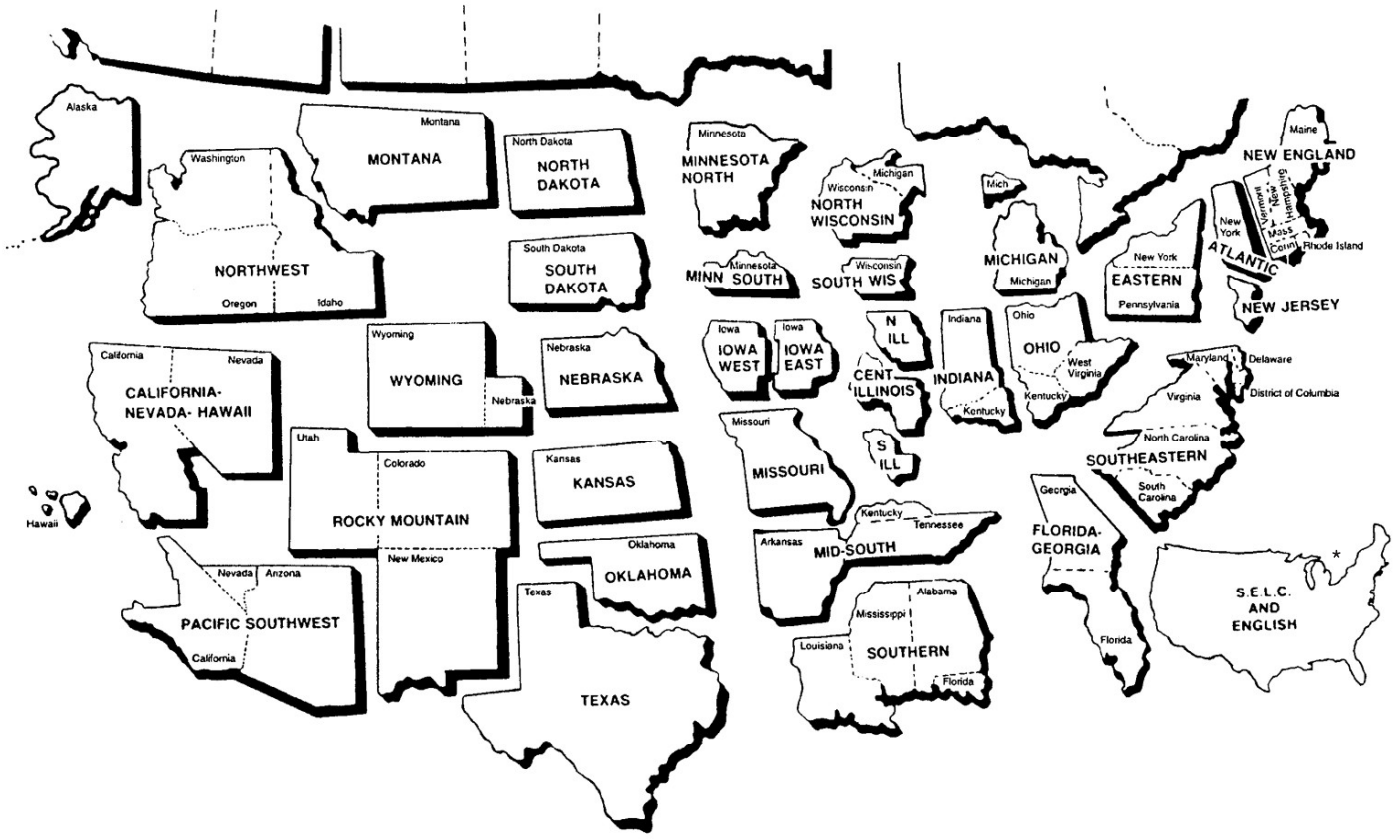
17.210:
Congregation Statistics Report

Each year The Lutheran Church — Missouri Synod asks each congregation to file a Congregation Statistics Report for the preceding year. This report is a vital source of information for planning and oversight of current and future ministry efforts by the Synod and its districts. Timely, accurate submission of data is very important.

Information gained from use of this data is used by Lutheran Church Extension Fund to evaluate loan requests. Concordia Plan Services uses the information in compiling data for the online compensation tools for pastors, church workers and teachers. Districts also use demographic studies that incorporate this data when assisting congregations in planning local ministries.

Because of the value of this data and because it is an expectation of membership (Bylaw 1.3.4), treasurers are encouraged to assist the congregation in submitting this report.

Go to page 17-7



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2024 CONGREGATION STATISTICS REPORT

CONGREGATION STATISTICS REPORT

Instruction Sheet

Due Date: February 28, 2025

INSTRUCTIONS:

Complete numbers **1** through **20** on the following page.

This report is a vital source of information for planning and action by the Synod and its districts. Information gained from use of this data is now being used by the Lutheran Church Extension Fund committee to evaluate loan requests. Districts also use demographic studies which incorporate this data when assisting congregations in planning local ministry.

1. Fill in the total Baptized Membership as of December 31st. This is not a sum of questions **2a** and **2b.** It is the total number of Baptized Members in your congregation, including those who are also confirmed members. **This is a required field.**

2. Enter the number of baptisms that took place during the past year: infants/children on line **a,** and adults on line **b.**

3. Fill in the total Confirmed Membership as of December 31st. This is not a sum of questions **4a** through **4m.** It is the total number of Baptized Members in your congregation that are confirmed **This is a required field.**

4. Enter the number of gains **(4a-4f)** or losses **(4g-4m)** of confirmed members in each category that occurred by the end of the year.

5. Enter the average weekend worship attendance. Do not include Lenten, Advent, or other festival services. Of the number entered in line A, please enter the number of people in attendance in person on a typical Sunday who are NOT members (baptized or confirmed) of your congregation. In addition to visitors, please also include regular attendees who are not yet members and even those who are members of another LCMS congregation. **This is a required field.**

6-7 Enter the amount rounded to the nearest dollar. **If submitting financials both receipts and disbursements are required.**

6a Total Contributions - Enter the total of contributions (weekly offerings) including building funds and other special contributions which include gifts for missions and ministries of the congregation, the District or Synod. This income excludes subsidy, dividends/interest, rent/fees, etc.

6b Total Other Income - Enter the amount of other income the congregation received from subsidy, dividends or interest, rents, fees and other receipts like school tuition (day school or preschool), subscriptions, loans, endowment funds, etc.

7a AT-HOME Expenses - Enter the sum of all funds spent for salaries, benefits, operating expenses, capital expenses, debt service, school/preschool expenses, registrations, subscriptions (including Lutheran Witness), payments for health and pension programs, conference and convention registrations, etc.

7b AT-LARGE District/Synod Contributions - Enter the total amount disbursed to your District for District/Synod budget. Usually this is the amount given to a pledge of support for district and national work of the church. Doesn't include gifts for use of a specific ministry.

7c Other AT-LARGE Contributions - Enter the total amount disbursed for other purposes, i.e.; World Relief, colleges/seminaries, Wheat Ridge, local ministries beyond the congregation, etc.

8-18 Enter the enrollment on the appropriate line for each age or class group. A special class group is for people with physical or developmental disabilities as stated in the Lutheran Annual. This does not include enrollment of pre-schools, elementary, or high schools associated with the congregation.

19. Enter the last Vacation Bible School enrollment figures.

20. For each group listed, please enter the percent of baptized (including confirmed) members of your congregation of that age. If possible, calculate each percentage by counting the total number of members in an age group, and then dividing that by the total number of members in the congregation. If you do not know the exact ages of your members, please estimate as accurately as possible. **Please ensure the total of all numbers entered adds to 100%.**

Return the completed original form by February 28, 2025 to

Exhibit 17-A(I)

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CONGREGATION STATISTICS REPORT

(Use this worksheet to collect the statistics necessary to complete the online form.)

MEMBERSHIP AND ATTENDANCE

BAPTIZED MEMBERSHIP

1. Total Baptized Membership (Required)..... ____
2. Baptized During the Year
   - a. Baptisms of Infants/Children..... ____
   - b. Baptisms of Adults..... ____

CONFIRMED MEMBERSHIP

3. Total Confirmed Membership (Required)..... ____
4. GAINS:
   - a. Adults Confirmed..... ____
   - b. Juniors Confirmed (Parents Members)..... ____
   - c. Juniors Confirmed (Parents Non-Members) ____
   - d. Profession of Faith..... ____
   - e. Transfer from Other LCMS..... ____
   - f. Receive from Other Lutheran..... ____

   LOSSES:
   - g. Deaths..... ____
   - h. Transfer to Other LCMS..... ____
   - i. Release to Other Lutheran..... ____
   - j. Join Non-Lutheran..... ____
   - k. Moved Without Transfer..... ____
   - l. Excommunicated..... ____
   - m. Other..... ____

WEEKLY CHURCH ATTENDANCE

5. a. Average Weekly Church Attendance (Required) ____
   b. On a typical Sunday, how many of the above numbers are not members of your congregation? ____

FINANCIAL INFORMATION

(Both financial sections are required if submitting.)

6. RECEIPTS

(Round to whole dollars)

a. Total Contributions: $ _____.00

b. Total Other Income: $ _____.00

7. DISBURSEMENTS

(Round to whole dollars)

a. At-Home Expenses: $ _____.00

b At-Large District/Synod Contributions: $ _____.00

c Other At-Large Contributions: $ _____.00

CHRISTIAN EDUCATION ENROLLMENT

	Sunday Bible Classes		Weekday Classes		
	a. Members	b. Non-Members	c. Members	d. Non-Members	e. Confirmation Class
8. Cradle/Nursery	____	____	n/a	n/a	n/a
9. 2 yr/Parents	____	____	____	____	n/a
10. Age 2-3	____	____	____	____	n/a
11. Age 4-5	____	____	____	____	n/a
12. Grade 1-2	____	____	____	____	n/a
13. Grade 3-4	____	____	____	____	____
14. Grade 5-6	____	____	____	____	____
15. Grade 7-8	____	____	____	____	____
16. Grade 9-12	____	____	____	____	____
17. Adult	____	____	____	____	____
18. Special Class	____	____	____	____	____

VACATION BIBLE SCHOOL

19. Members ____ Non-Members ____

MEMBERSHIP DEMOGRAPHICS

(Total membership includes all baptized and confirmed members.)

20. Estimate the percentage of your total membership:
    - a. Under 15 ____ %
    - b. 15-18 ____ %
    - c. 19-34 ____ %
    - d. 35-49 ____ %
    - e. 50-64 ____ %
    - f. 65+ ____ %

    = 100%

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Exhibit 17-A(2)

See Exhibit 17-A(1) for instructions for filing this report which is due February 28. Congregation statistics may be entered online at *lc.lcms.org* using login information received from LCMS Rosters and Statistics department in January. Paper versions of the form are available upon request. Please direct questions to *roster.stats@lcms.org* or 888-843-5267.

17.212:
Treasurer's Responsibilities

The congregation treasurer is usually responsible for completing the Financial Information section of this report. A sample of that section of the current report form is attached (see Exhibit 17-A[2]). All figures are to be rounded to the nearest dollar. The following instructions are provided for completion of the financial data. These instructions are for the current form (Exhibit 17-A[2]) and may be revised in succeeding years.

Item 6. Receipts during the last fiscal year

Item 6a, Total Contributions:

Enter the total of contributions (weekly offerings) including building funds and other special contributions. Special contributions include gifts for missions and ministries of the congregation, the district or Synod. The key word is "contributions," that is, this income excludes subsidy, fees, rental, etc.

Item 6b, Total Other Income:

Enter the total other income the congregation received from subsidy, dividends or interest, rents, fees and other receipts. Some examples would include school tuition (day school or preschool), subscriptions, loans, endowment funds, etc.

Item 7. Disbursements during the past fiscal year

Item 7a, Total At-Home Expenses:

Enter total expenditures for work "at home." Amounts expended for salaries, benefits, operating expenses, capital expenditures, debt service, school/preschool expenses, registrations, subscriptions, payments for health and pension programs, conference and convention registrations, etc., are all included in this line item even though the remittance may have been made to the district or the Synod.

Item 7b, At-Large District/Synod Contributions:

This is the amount contributed to a district for the unrestricted work of the district and Synod. Usually this is the amount given to a pledge of support for district and national work of the church. It does not include gifts for use of a specific ministry such as Together in Missions (TIM), Lutheran World Relief and similar gifts.

Item 7c, Other At-Large Contributions:

This is the amount contributed by the congregation to missions and ministries outside of its "work at home". Other than contributions to the general fund of the district, it may include TIM, Lutheran World Relief, social service agencies, Lutheran Braille Workers, local services to disadvantaged or homeless persons, etc. Again, the key word is "contributions." These may include gifts from the budget, special offerings, door offerings, etc.

17.213:
Information Sources

The suggested accounting system included in Chapter 21 provides a ready source for all information required on this report, Exhibit 17-A(2). Most computerized accounting systems will provide this data with a minimum effort.

Treasurers working with a single-entry accounting system may wish to create and keep an informal record of at-large expenditures to facilitate completing the report.

17.300:
District Offices

Every district of the Synod operates a district office and employs staff who provide and assist congregations and schools as they carry out their functions and ministries. The areas of service and the staff person normally responsible to assist the congregation in that area are listed in the chart on the next page.

17.310:
District Budget

The district budget is based on the pledges of the congregations and may include other support and revenue. A summary of your district program is available through the district office.

17.320:
Remittances to District

The treasurer of the congregation shall make a regular payment to the district for various funds the congregation receives. These funds consist of mission funds, gifts designated for a particular entity of the Synod, gifts identified for a particular agency or organization outside the Synod and payments for loans granted by the district Church Extension Fund.

17.330:
Remittance Advice Forms

The district treasurer will supply the church treasurer with remittance forms and instructions for completing them. These forms should accompany each check mailed to the district office.

17.340
Remitting Funds Electronically

Congregations may elect to remit funds electronically to the district through the use of the Lutheran Church Extension Fund (LCEF) StewardAccount® or other electronic transfer tools. This includes setting up recurring donations (payments) to aid in consistency and less postage. More information is available on the LCEF and district website or by calling them.

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Organizational Chart

AREA OF SERVICE	RESPONSIBILITY
Pastoral calling process	District president
Theological matters	District president
Congregational concerns	District president
Pastoral counseling	District president
New congregations—missions	Executive
Social ministry	Executive
Campus ministry	Executive
Principal/teacher calling process	Executive
Principal/teacher counseling	Executive
Christian day schools	Congregational Services Executive
Sunday schools	Congregational Services Executive
Vacation Bible schools	Congregational Services Executive
Adult Bible classes	Congregational Services Executive
Youth ministry	Youth counselor
Scholarship and recruitment	Education Executive
Stewardship awareness	Stewardship Personnel
Evangelism programs	Evangelism/Congregational Services Executive
Elders programs	District president
Musicians	Congregational Services Executive
Worship helps	Congregational Services Executive
Financial & Treasurers information	Business manager
Financial secretary	Stewardship counselor/business manager
Church Extension Fund	LCEF vice-president/CEF director/business manager

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Chapter 18: Planned Giving and Investment Services

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LCMS FOUNDATION ASSOCIATE COUNSELORS 500

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18.100: Introduction to the LCMS Foundation

Linking Christians with Giving Opportunities

Please visit our website at
lcmsfoundation.org
or call 800-325-7912

The LCMS Foundation offers comprehensive charitable expertise and services to help you plan and direct your passion for giving to family and LCMS ministries of the church today, tomorrow and forever.

Since 1958, the LCMS Foundation has helped fellow Christians and LCMS organizations achieve their charitable and ministry goals.

We help Christians create their own lifetime plans for giving. We do this through our experienced gift planning specialists, who help you use your God-given resources to achieve your charitable intentions and preserve more of your estate for people you love and ministries you care about.

No matter what your age or financial circumstance, we can help you support ministry. Every year, we assist thousands of faithful donors like you provide for their families and support hundreds of Lutheran ministries including:

- Congregations
- Lutheran elementary schools and high schools
- LCMS colleges and universities
- LCMS seminaries
- National and international LCMS ministry and outreach efforts

LCMS Entities and Auxiliaries

- Concordia Historical Institute (CHI)
- Concordia Publishing House (CPH)
- Lutheran Church Extension Fund (LCEF)
- LCMS Foundation
- Concordia Plan Services
- Lutheran Hour Ministries
- Lutheran Women's Missionary League

…And other local, district, national and international missions, ministries and organizations.

18.200: LCMS Foundation Services

Providing for Family and the Lord's Work
Each year, our experienced gift planning professionals help thousands of faithful Christian stewards like you support a variety of Lutheran ministries through:

- gift annuities
- direct gifts
- wills
- donor advised funds
- endowment funds
- trusts
- pooled income trust

The gift administration team consists of staff attorneys and trust administrators that provide the management services to support and oversee the reporting, accounting and distribution of current and future gifts.

Equipping Ministry for Giving
Many congregations and ministry organizations participate in our Transfer the Blessings ministry. This is a two-pronged ministry put in place by the leaders of the congregation to help members practice good stewardship of the assets that will be a part of their estate when they are called home to heaven.

Transfer the Blessings will help stewards through the spiritual stewardship process of planning how to distribute your earthly blessings. Transfer the Blessings will also aid the recipients of that generosity, whether family or ministry, to responsibly receive these gifts. For ministry, that means having policies and procedures in place that address the proper receipt, management and distribution of gifts. This gives the faithful giver confidence that the ministry will properly handle their generosity.

Managing the Gifts Given
The LCMS Foundation has many resources and consulting opportunities for ministry organizations. Chartered as a companion to all LCMS ministries and congregations, we have more than sixty years of experience with supporting ministry leaders in their efforts to build up treasures dedicated to the Lord.

Endowment funds and investment funds are professionally managed under the same Foundation program. Organizations may describe their investment fund using different names, such as endowment, memorial, scholarship, etc., to reflect the governance or purpose of the fund. Each fund is governed by policy and managed within a framework to fulfill the intentions of the organization.

The LCMS Foundation staff has developed a rigorous process to establish or review, promote, grow and manage investment funds. The LCMS Foundation works with LCMS entities to design the fund. Promotional materials and resources are available to announce, explain and grow the funds.

18.215: Investment Services

The LCMS Foundation's outside professional investment managers strive for results that approach or exceed their benchmarks, while appropriately diversifying risk and offering clearly defined investment programs.

Gifts under management today include unitrusts, annuity trusts, pooled income funds, gift annuities, donor advised funds, endowments, memorials, custodial funds and other financial instruments. Every account is carefully managed to ensure that the results are in keeping with the wishes of the donor.

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18.225: Planned Giving Seminars and Development Training

The LCMS Foundation is committed to helping congregational leaders, pastors and development professionals utilize Christian stewardship principles to link Christians with giving opportunities.

We have assembled Christian development training materials in two different formats. Resources that address the stewardship of gift development, direct gifting, capital campaigns, annual funds and administrative issues are available online at *lcmsfoundation.org*.

Training in assisting donors with their discovery of the joy of giving through end-of-life or current planned gifts is available in a three-day seminar. This material is covered in a traditional classroom setting and is taught at various times throughout the year in a variety of locations. The schedule of these classes can be found at *lcmsfoundation.org/training*.

18.230: Promotional Resources

The LCMS Foundation offers free Christian gift planning brochures on a variety of subjects. Many are promotions of specific gift instruments that are used to support family and ministry now and in the future. Others offer valuable information about how to communicate stewardship and Christian estate planning.

You may also customize many of the Foundation's online resources, including brochures, newsletters and bulletin inserts. On our website, *lcmsfoundation.org*, click Tools and Resources on the home page to access PDF files. Please contact the Foundation for professional graphic design assistance or production support in customizing these materials.

The LCMS Foundation's marketing and communications department can assist your organization with conducting effective gift planning initiatives that promote awareness, provide resources and help strengthen future ministry. Each year the Foundation conducts initiatives for charitable gift annuities, endowment funds, bequests, and many other types of Christian estate gifts. These initiatives inform, educate and bring opportunities to donors who may wish to support their favorite LCMS ministry in ways beyond the direct gift.

18.235: Congregational Endowments and Investment Accounts

The LCMS Foundation provides assistance for LCMS congregations and other ministries that want to:

- Create an endowment fund, and/or
- Create an investment account

There are several advantages your congregation, school or ministry can receive by establishing an endowment or investment account. You or your endowment committee can easily work with our staff to create the program that suits your congregation or ministry's needs now and into the future. The LCMS Foundation can provide you with sample forms, sample drafts of endowment agreements and the technical assistance to help you easily establish, promote, grow and manage an endowment that best serves your needs.

The Foundation staff has a broad range of experience and expertise helping congregations and ministries design everything from restricted endowments to perpetual accounts with various spending or reinvestment plans. In addition, the Foundation staff can offer assistance to you in approaching specific individuals to ensure that your endowment can get adequate funding to truly further your ministry.

For additional information about how the Foundation can help you and your congregation or ministry, call the Foundation's support team at 800-325-7912, or visit *lcmsfoundation.org*.

18.236 Congregational Endowment Fund Agreements

A set of bylaws should be established for the congregational endowment fund, and the document should include the following:

1. Name of the endowment
2. General purpose
3. Duration
4. Governing board and officers
5. Fiscal year
6. Duties
7. Powers
8. Amendments

Foundation gift planning counselors (see sections 18.400 and 18.500) stand ready to provide all the assistance you may need with setting up one of these.

18.237: Financial Reporting

Within one month after the close of each fund's fiscal year end and/or the frequency requested by the account holder, an itemized, written statement should be prepared. It must accurately reflect the position of the fund's income and corpus accounts as of the date of the statement and should indicate the receipts, disbursements and changes therein since the fund's inception or the previous accounting period end. When the statement is completed, it should be submitted to the church, voters' assembly or church council for their awareness and general oversight.

18.238: Financial Accounting

The congregation should maintain the records of the endowment within the congregational accounting structure.

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18.240:
Charitable Remainder Trusts

The LCMS Foundation provides professional trust management services to individuals within our church body. There are several benefits that a charitable remainder trust provides to both the person who establishes it and to the ministries (which could be your congregation) he or she names to receive the remainder value once the trust terminates.

This type of trust allows a person to transfer cash, securities or other forms of property such as real estate, etc., into a trust that provides an income stream for themselves (or anyone they name) for life or a term of years depending on the goals they want to accomplish. There can be tax advantages to the individual and/or the family of the person who establishes a charitable remainder trust. And, of course, the trust will be a benefit and blessing to the congregation or ministry the individual has named to receive its remainder value once it terminates.

The LCMS Foundation can handle all details involved with establishing a charitable remainder trust including calculating the charitable deduction the individual will receive once it is established and the amount of income the individual can expect to receive. In addition to regular account statements, the LCMS Foundation prepares all related tax documents on the trust as well.

18.245:
Pooled Income Trust Fund

The pooled income trust fund receives gifts from many donors, invests the funds in a diversified portfolio, and distributes the income proportionately among the individual recipients, similar to a mutual fund. However, unlike a mutual fund, when the lifetime payments end, the balance of the gift is used to support the LCMS ministry of your choice. Donors are entitled to claim a charitable income tax deduction for the gift.

18.250:
Gift Annuities

A gift annuity is a method for the donor to receive a fixed payment for life with the net remainder value going to the congregation or ministry chosen by the individual who establishes the annuity. A gift annuity can be established with the LCMS Foundation for as little as $5,000, making this an attractive planned gift. Gift annuities are particularly attractive to older donors because of the income and estate tax benefits. The Foundation provides all information needed to establish a gift annuity, including the exact charitable contribution deduction allowed.

18.255:
Donor Advised Funds

A donor advised fund allows the individual to make a gift in one year and then advise as to how the gift is used. Donor advised funds are good for donors who would like to continue to be involved in the gift and possibly involve their family when advising of the distributions. Tax and estate savings can be obtained when a gift is made in this fashion. Donor advised funds are simple to establish and help individuals and ministries reach their stewardship goals. The minimum initial contribution is $10,000. The Foundation can handle all details needed to establish a donor advised fund, including calculating the exact charitable contribution deduction allowed.

18.260:
Personal Endowment Funds

An endowment fund allows a donor to create a permanent fund to benefit a congregation and/or other ministries by gifting property or money to the LCMS Foundation. Typically, only the earnings from the endowment are distributed to the ministry(ies) to be used for the specific purpose designated by the donor. The principal of the fund remains held in perpetuity and will provide a continuous income stream for the income beneficiaries. The Foundation works directly with the donor(s) to craft the specific terms of the endowment, manages the investments, and ensures that all funds are being distributed for the purpose intended by the donor.

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18.400
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Chapter 19: Church Extension Fund

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19.100: Introduction

The mission of Lutheran Church Extension Fund (LCEF) is to support The Lutheran Church—Missouri Synod by ensuring that financial resources and related services are available now and in the future.

Church Extension Fund programs provide a source of custom loans for congregations and ministries, as well as rostered church workers. These programs are administered through a national network of districts, LCEF or district-specific Church Extension Fund (CEF) offices. Congregations and individual members should consult with their district office, call LCEF at 800-843-5233, or visit *lcef.org* regarding the policies and programs offered.

19.200: Investment Opportunities

The dollars loaned to LCMS organizations are raised through interest-bearing instruments issued to individuals, organizations, congregations and all related entities of the Synod.

Different types of investments are offered by LCEF and CEFs. Interest rates are dependent on the type and term of the investment. Visit *lcef.org* for full investment details. Typically, the investments offered by LCEF are as follows:

1. All Access Account (easy-access investments that build over time with interest earned)
2. Young Investors (Y.I.) StewardAccount (see details below)
3. Fixed-rate term notes (6 and 18 months, one, two, three, four and five years) 5 year jumbo
4. Floating-rate term notes (6, 18, 30 and 60 months)
5. Individual Retirement Accounts (IRA) (fixed and floating rate term notes available)
6. Health Savings Accounts (HSAs) (available to those enrolled in eligible high-deductible health plans)
7. Church Worker StewardAccount (for LCMS rostered and lay church workers)
8. Church Worker Loan Pool - Fixed terms (5, 8, 10 years). These investments will be a dedicated source of funds for church workers and their loan needs. It will help ensure below-market interest rates for all loan products that LCEF offers exclusively to church workers.

If your congregation has an LCEF investment, please contact LCEF at 800-843-5233 when new officers are elected.

Young Investors (Y.I.) Club

Children are never too young to learn that God gives us many blessings to use wisely and share with others. And by sharing, we can help others hear about Jesus!

Sharing and learning can start at birth and continue into the high-school years. The Y.I. Club is meant to help prepare our future leaders to be good stewards of their money and other God-given gifts, while giving them the benefits of investing with LCEF.

Open to LCMS members with children up through age 18, the Y.I. StewardAccount can be opened with an investment of just $25.

19.300: Loans

Church Extension Fund loans are available to all congregations, schools and affiliated organizations (RSOs, etc.) of the Synod. Loans are available for real estate, capital expenditures, lines of credit and residential (for Rostered Church Workers only). Visit *lcef.org* or call 800-843-5233 for details. Congregations who wish to borrow from LCEF or a CEF should contact their district office for loan applications and guidelines under which loans are made. Loan applications are reviewed by the local district board and/or the national LCEF office. All non-congregational borrowers in LCEF districts should contact *national.lending@lcef.org*. Rostered church workers are also eligible to recieve consolidation loans through the Lutheran Federal Credit Union at favorable rates. Visit *lutheranfcu.org/rcw.*

19.400: Ministry Solutions

Lutheran Church Extension Fund helps LCMS ministries define opportunities, design solutions and align resources that propel the Kingdom forward. We discover with you where God is leading and, with your leaders, design creative and relevant solutions for what is ahead.

Processes that undergird, help, and support your ministry include: Ministry Clarity (a focused strategic planning process that involves the entire congregation); Ministry Expansion Campaigns (Capital Campaigns that put ministry first); Consecrated Stewards and StewardPath (processes that thoroughly teach Biblical stewardship); and Mission Driven Development (a process that guides your ministry from visioning through ribbon-cutting).
For more information about LCEF's Ministry Solutions, contact your district vice president. Visit *lcef.org/district-vice-presidents*.

19.500 Real Estate Solutions Program

Real Estate Solutions (RES) assists congregations, schools, districts and Recognized Service Organizations (RSOs) with their real estate strategy to foster ministry by meeting human need and enhancing communities while creating alternative sources of revenue to support ministry.

RES assists congregations, schools, districts and RSOs by:

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- Creating campus planning strategies;
- Growing ministry through excess real estate while creating an alternative source of revenue;
- Creating school and church expansion feasibility studies;
- Providing Owner's Representation and consulting services for construction projects;
- Consulting with highest and best use studies on surplus properties; Assisting in developing a building deferred maintenance plan and; Providing site selection and other real estate brokerage services.

19.600: Stewardship Resources

There are many ways stewardship can be taught and experienced. To support your efforts, LCEF offers resources that can supplement or begin your stewardship education program:

- ***Joyful Response®*:** LCEF offers e-tithing and e-tuition payments through the Joyful Response program, a free stewardship service for LCMS congregations, schools and RSOs.

  Free of charge through LCEF, Joyful Response allows your members to give one-time gifts or recurring tithe on your church website or by a mobile phone app. Or, for a small fee, text giving can be set up (charged to the congregation).
- **Consecrated Stewards:** Consecrated Stewards is a grace-based biblical stewardship program designed to energize members in their services to Jesus and His church. The process is not tied to the church budget but to the need of the giver to give. Most congregations that participate report increases in annual commitments of 15% to 35%. LCEF trained and certified facilitators will guide your members to celebrate congregation ministries using solid Lutheran Bible Study materials, Sunday School lessons and sermon outlines. Individual results vary.
- **Y.I. Stamps:** The Y.I. Stamp Program provides schools and congregations the opportunity to teach stewardship concepts and families can have fun adding to a child's investment, one stamp at a time.
- **Gift Development:** LCEF assists individuals in creating plans that benefit their families and support the ministries they love. At the same time, they assist in developing strategies that can help them minimize taxes and/or provide income today, according to their desires and needs.

19.700: LCEF's Signature Sponsorship Series

This cooperative funding program empowers congregations, schools and other LCMS ministries to more effectively share their story and increase visibility within their communities. Sponsorships are available to help defray the expenses of communication tools such as indoor and outdoor signs, scoreboards, audio-visual equipment, print materials and website design.

For more information, contact your LCEF district vice president. Visit ***lcef.org/dvp***.

LCEF is a nonprofit religious organization; therefore, LCEF investments are not FDIC-insured bank deposit accounts. This is not an offer to sell investments, nor a solicitation to buy. LCEF will offer and sell its securities only in states where authorized. The offer is made solely by LCEF's Offering Circular. Investors should carefully read the Offering Circular, which more fully describes associated risks. StewardAccount products are not available to investors in South Carolina. StewardAccount access features are offered through UMB Bank n.a. The Family Emergency StewardAccount is known as the Family StewardAccount in the State of Ohio. Neither LCEF nor its representatives give legal, accounting or tax advice. Consult your tax advisor as to the applicability of this information to your own situation. UMB Bank n.a. serves as the custodian for the LCEF IRA/HSA programs. While together LCEF and LutheranFCU support the mission and ministry of The Lutheran Church—Missouri Synod, they are independent organizations and not affiliated with each other.

Lutheran Federal Credit Union:
10733 Sunset Office Drive, Suite 406, St. Louis, MO 63127-1020.
Phone number: 314-394-2790. Website: *lutheranfcu.org.* (NMLS# 1301052).

LCEF Residential Loan applications are accepted from: Arizona, California, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, Texas, Washington, Wisconsin. Specific state regulations are applicable in Arizona and Wisconsin. Call 800-853-5233 for details.

All cash-out refinances and straight refinances in excess of 80% loan-to-value are not available in Texas.

(continued on next page)

For those states not listed above, RCW mortgage loans are available through the Lutheran Federal Credit Union (LutheranFCU).

The primary owner on the account must be 18 years or older. *ConnectPLUS is available on a one account per investor basis only to new investors 18 and older who have not had an LCEF investment in the past 24 months. ConnectPLUS is not available to investors in Ohio and Pennsylvania. **PartnerPLUS is available to investors 18 and older. New money only. Lutheran Church Extension Fund – Missouri Synod, 10733 Sunset Office, Ste. 300, St. Louis, MO 63127-1020, 800-843-5233, *lcef.org*.

LCEF may, at any time, discontinue the particular type of loan for which a Special Purpose Note has been issued. If LCEF discontinues the type of loan for which a Special-Purpose Note has been issued, then from and after the date of such discontinuance, such Note will no longer be treated as a Special-Purpose Note and the interest rate on such Note will convert to the then-current interest rate that would otherwise be applicable to such Note if it had not been issued as a Special-Purpose Note.

Lutheran Church Extension Fund-Missouri Synod. 10733 Sunset Office Drive, Suite 300, St. Louis, Mo 63127-1020. 800-843-5233. lcef.org. NMLS# 3444. LCEF Mortgage Loan Originators: Pamela Macinski (NMLS# 16679). Michelle Porter (NMLS# 1675886). Tricia Galczynski (NMLS# 1896183). Tara Appleton (NMLS# 738203). Marissa Strayhorn (NMLS# 2560503). Illinois Residential Mortgage Licensee (MB.0006057). Loans made or arranged pursuant to a California Law License (6037619). Nebraska Mortgage Banker License (540). Texas Complaint/Recovery Fund Notice - Figure: 7 TAC§S80.200(b): "CONSUMERS WISHING TO FILE A COMPLAINT AGAINST A COMPANY OR A RESIDENTIAL MORTGAGE LOAN ORIGINATOR SHOULD COMPLETE AND SEND A COMPLAINT FORM TO THE TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING, 2601 NORTH LAMAR, SUITE 201 , AUSTIN, TEXAS 78705. COMPLAINT FORMS AND INSTRUCTIONS MAY BE OBTAINED FROM THE DEPARTMENT'S WEBSITE AT SML.TEXAS.GOV. A TOLL-FREE CONSUMER HOTLINE IS AVAILABLE AT 1-877-276-5550. THE DEPARTMENT MAINTAINS A RECOVERY FUND TO MAKE PAYMENTS OF CERTAIN ACTUAL OUT OF POCKET DAMAGES SUSTAINED BY BORROWERS CAUSED BY ACTS OF LICENSED RESIDENTIAL MORTGAGE LOAN ORIGINATORS. A WRITTEN APPLICATION FOR REIMBURSEMENT FROM THE RECOVERY FUND MUST BE FILED WITH AND INVESTIGATED BY THE DEPARTMENT PRIOR TO THE PAYMENT OF A CLAIM. FOR MORE INFORMATION ABOUT THE RECOVERY FUND, PLEASE CONSULT THE DEPARTMENT'S WEBSITE AT SML.TEXAS.GOV". For more information on LCEF's lending license go to *lcef.org/state-disclosures/*.

This information is not intended as tax, legal or financial advice. Gift results may vary. Consult your personal financial advisor for information specific to your situation.

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19.800: District Church Extension Fund Contacts

District Name	Church Extension Contact	Numbers
Atlantic	A.J. Sinisgalli	Phone (314) 885-6317 *aj.sinisgalli@lcef.org*
California-Nevada-Hawaii	Matt Molinari 2772 Constitution Drive, Ste. B Livermore, CA 94551-7566	Phone (m)-916-580-5592 *matt.molinari@lcef.org*
Central Illinois	Christine Anderson 1850 N. Grand Ave. W. Springfield, IL 62702-1626	Phone (217) 793-1802 Fax (217) 793-9454 *canderson@cidlcms.org*
Eastern	A.J. Sinisgalli	Phone (314) 885-6317 *aj.sinisgalli@lcef.org*
English	Rev. Daniel Lepley	Phone (317) 402-9401 *daniel.lepley@lcef.org*
Florida-Georgia	Jay Wendland 5850 T.G. Lee Blvd., Suite 500 Orlando, FL 32822	Phone (877) 457-5556, Ext. 4 Fax (407) 857-5665 *jay.wendland@lcef.org*
Indiana	T.J. Mattick 1145 S. Barr St. Fort Wayne, IN 46802	Phone (800) 873-1145 Phone (812) 841-3120 *tj.mattick@lcef.org*
Iowa East	Carole White 409 Kenyon Road, Suite B Fort Dodge, IA 50501	Phone (515) 240-2229 *carole.white@lcef.org*
Iowa West	Carole White 409 Kenyon Road, Suite B Fort Dodge, IA 50501	Phone (515) 240-2229 *carole.white@lcef.org*
Kansas	Jeff Maltz 1000 SW 10th Ave. Topeka, KS 66604	Phone (785) 357-4441, Ext. 118 Fax (785) 357-5071 *jeffrey.maltz@lcef.org*
Michigan	Jim Saalfeld 3773 Geddes Road Ann Arbor, MI 48105	Phone (800) 242-3944 Fax (734) 332-7811 *jim.saalfeld@mi-cef.org*
Mid-South	Scott Roberts	(314) 885-6555 *scott.roberts@lcef.org*
Minnesota North	Kai Larson 14301 Grand Ave. South Burnsville, MN 55306	Phone (952) 223-2163 *kai.larson@lcef.org*

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Minnesota South	Kai Larson 14301 Grand Ave. S. Burnsville, MN 55306	Phone (952) 223-2163 *kai.larson@lcef.org*
Missouri	Mike Wadley 660 Mason Ridge Center Drive Suite 100 St. Louis, MO 63141-8557	Phone (314) 885-6489 *mike.wadley@lcef.org*
Montana	Jeffrey Snyder 2400 Hickory St. Casper, WY 82604	Phone (307) 265-9000 Fax (307) 234-6629 *jeffrey.snyder@lcef.org*
Nebraska	Nate Meier 152 S. Columbia, Box 407 Seward, NE 68434	Phone (402) 643-2961 Fax (402) 643-2990 *nate.meier@lcef.org*
New England	Brenda Bacon 400 Wilbraham Road Springfield, MA 01109	Church (413) 783-0131 District (413) 783-0909 *brenda.bacon@lcef.org*
New Jersey	A.J. Sinisgalli	Phone (314) 885-6317 *aj.sinisgalli@lcef.org*
North Dakota	Tami Ulland 2601 23rd Ave. SW Fargo, ND 58103	Phone (701) 369-1469 Fax (952) 435-2581 *tami.ulland@lcef.org*
North Wisconsin	Bill Jordan 3103 Seymour Lane Wausau, WI 54401	Phone (715) 845-8241 Fax (715) 845-3836 *bill.jordan@lcef.org*
Northern Illinois	Joe Willmann 2301 S. Wolf Rd. Hillside, IL 60162	Phone (219) 619-9683 Fax (708) 449-3026 *joe.willmann@lcef.org*
Northwest	Mike Madison 1700 NE Knott St. Portland, OR 97212	Phone (503) 969-7307 *mike.madison@lcef.org*
Ohio	Lisa Hall P.O. Box 38277 Olmsted Falls, OH 44138	Phone (800) 901-2297 Fax (440) 235-1970 *lisa.hall@lcef.org*
Oklahoma	Jeff Maltz 1000 SW 10th Ave. Topeka, KS 66604	Phone (785) 357-4441, Ext. 118 Fax (785) 357-5071 *jeffrey.maltz@lcef.org*
Pacific Southwest	Tyler Fewins 1540 Concordia E. Irvine, CA 92612-3203	Phone (949) 854-3232, Ext. 217 Fax (949) 854-8140 *tyler.fewins@lcef.org*
Rocky Mountain	Chuck Morse 88 Inverness Cir. E Unit 19-210 Englewood, CO 80112	Phone (314) 885-6319 *chuck.morse@lcef.org*

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SELC	Rev. Daniel Lepley	Phone (317) 402-9401 Fax (303) 695-4047 *daniel.lepley@lcef.org*
South Dakota	Carole White	Phone (515) 240-2229 Fax (605) 361-7959 *carole.white@lcef.org*
South Wisconsin	Christopher Rowan 8100 W. Capitol Drive Milwaukee, WI 53222	Phone (314) 885-6554 *christopher.rowan@lcef.org*
Southeastern	Kirk Hymes 6315 Grovedale Drive Alexandria, VA 22310-0415	Phone (703) 971-9371, Ext. 211 Fax (703) 922-6047 *kirk.hymes@lcef.org*
Southern	Stephen Linck 101 Mission Drive, Suite 100 Slidell, LA 70460-5221	Phone (504) 282-2633 Fax (985) 377-0013 *director@southerncef.org*
Southern Illinois	Scott Roberts	Phone (314) 885-6555 *scott.roberts@lcef.org*
Texas	Becca Jones 7900 East Hwy. 290 Austin, TX 78724-2499	Phone (888) 951-1233 Fax (512) 928-9365 *jones@texascef.org*
Wyoming	Jeffrey Snyder 2400 Hickory St. Casper, WY 82604	Phone (307) 265-9000 Fax (307) 234-6629 *jeffrey.snyder@lcef.org*
LCEF National Lending Team	Dan Brown 10733 Sunset Office Dr. Suite 300 St. Louis, MO 63127	Phone (314) 885-6504 *dan.brown@lcef.org*
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Chapter 20: Lutheran Federal Credit Union

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20.100: Introduction

As *the* credit union of The Lutheran Church—Missouri Synod, Lutheran Federal Credit Union (LutheranFCU) offers everyday banking and lending needs to the people and organizations of the LCMS community. Started and supported by the LCMS, we are proud to have a growing membership that chooses LutheranFCU as their day-to-day financial partner. Connected to more than 30,000 network ATMs and 5,000 network branches, LutheranFCU serves members in all 50 states, which means YOU!

Our charter approval by the National Credit Union Administration (NCUA) contains a specific field of membership definition of whom we can serve. Here is the guidance for who can become a member:

- **A congregation member** of The Lutheran Church—Missouri Synod (LCMS)
- **A Rostered Church Worker** within The LCMS
- An employee/volunteer of an LCMS entity
- **Any congregation** of The Lutheran Church—Missouri Synod
- **Any district** of The Lutheran Church—Missouri Synod
- **Any synodical entity/agency** of The Lutheran Church—Missouri Synod
- **A family member** of one of the above LutheranFCU members or LutheranFCU employees
- **A parent or family member** of a student who attends one of the LCMS congregation-owned schools

20.200: Consumer Loans

As a credit union, LutheranFCU is member owned. This allows us to offer lower interest rates to our members on many of our lending products compared to banks. Anyone who is a member of LutheranFCU can apply for our Lending Products (guidelines and specifics apply for Rostered Church Worker loans). The consumer loans offered by LutheranFCU are as follows:

1. **New/Used Auto Loans** (LutheranFCU works with dealers in all 50 states for purchases. Refinances are also available.)
2. **Motorcycle Loans**
3. **Credit Cards** (No increase in APR for Balance Transfers and Cash Advances)
4. **Personal Loans** (A flexible way to borrow funds for almost any lending need. Think of this as your "whatever" line of credit financing option.)
5. **Mortgages** (Whether you are a first-time homebuyer, moving to a bigger house, downsizing or even refinancing your existing home, LutheranFCU has mortgage options available to fit your needs with conventional Mortgage Loans starting at $100,000.00.)
6. Home Equity Loans (Turn the equity in your home into an affordable fixed rate loan that can be used for a variety of needs. One-time disbursement 2nd mortgage loan that can be paid back over 7 10 or 12 years).

20.300: Rostered Church Worker Loans

We understand the unique calling our Rostered Church Workers (RCWs) have answered and the desire to stay focused on their ministry. We strive to help them meet their personal financial needs as effortlessly as possible, and with a staff that knows the unique qualities of the profession. LutheranFCU offers 3 unique lending options to our RCWs.

1. **RCW Consolidation Loan** - Loans up to $25,000 available. This provides the ability to consolidate existing credit balances with loan funds disbursed directly to the creditors.
2. **RCW Education Loan Repayment Program** - Loans up to $50,000 available to Ordained or Commissioned workers with repayment terms up to 10 years available.
3. **RCW Mortgage Loans** - Through a relationship with the Lutheran Church Extension Fund, this program is only available to LCMS Ordained and Commissioned workers to purchase or refinance their primary single-family residence. This program includes no PMI (Private Mortgage Insurance), 5% minimum down payment and closing can occur up to 30 days prior to starting your new call.

20.400: Retail Banking Solutions

LutheranFCU offers everyday personal savings and checking accounts as well as congregation and entity accounts.*

For more information, please visit *LutheranFCU.org*.

**Your savings federally insured to at least $250,000 and backed by the full faith and credit of the United States Government.*

20.500: LCMS Entity Credit Cards

The Ministry Classic Credit Card is a simple and convenient card designed just for LCMS congregations, LCMS congregation-owned schools, and LCMS districts. This card includes no annual fees as well as no personal guarantees, meaning approval is based on the entity's financials as opposed to one's individual credit. LCMS entities/congregations must be members of the credit union before applying for this product.

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Accountable Plan
A plan adopted by an organization for reimbursing out-of-pocket business expenses to volunteer workers and employees. The plan must be adopted by the responsible body. Each business expense should be substantiated with adequate records and receipts to the organization within a reasonable time for reimbursement or to close an advance payment. Any unused advance payment must be returned.

Annuity
A contract that pays a monthly (or quarterly, semi-annual or annual) income benefit for the life of a person or for a specified period of time.

Cafeteria Plan
The Cafeteria Plan comes from Section 125 of the Internal Revenue Code. Section 125 allows employers to offer workers a choice of cash or certain employer paid benefits including group term life insurance, medical insurance premiums, reimbursements of certain medical expense and dependent care. Note that the worker must have the option of receiving an employer paid benefit or cash. If cash is selected by the worker the amount paid is included on the W-2 while qualified benefits are not included on the W-2. (See also, Flexible Spending Arrangements below.)

Compensation
The total cost of a worker to the organization including salary, allowances and benefits, but exclusive of reimbursed expenses.

Contribution
In the context of the Church Treasurer a contribution is a gift of cash, services, time or property for which a value can be fixed and for which a receipt may be required.

Debt Financed
Property purchased by securing a mortgage loan.

Deferred Compensation
Method of supplementing an individual's retirement benefits by deferring a portion of his or her current earnings. To qualify for a tax advantage, the IRS requires a written agreement between an individual and the employer stating the specified period or deferral of income. An election by an individual to defer income must be irrevocable and must be made prior to performing the service for which income deferral is sought.

Employer Identification Number (EIN)
An EIN is necessary for an organization once it incorporates. This 9-digit number must be used on all forms and filings to the IRS, and for opening a checking or savings account in the organization's name.

Endowment Fund
Permanent and true endowments—funds created by third-party donors with the stipulation, as a condition of the gift, that the principal is to be maintained inviolate in perpetuity (principal is not expendable) and that only the income resulting from the investment of the fund may be expended in accordance with instructions by the donor.

Purpose or time restricted term endowments—similar to permanent or true endowments except that the terms of the gift instrument permit the principal to be expended all or in part upon the happening of a particular event or the passage of a stated period of time.

Quasi endowments—funds established by the board of directors or church council and functioning like an endowment fund. However, they are subject to change and restoration to current operating funds at the discretion of the board.

Excess Group-Term Life Insurance
The Internal Revenue Service has ruled under Internal Revenue Code Section 72(m) that the cost of group-term life insurance, or its equivalent, for benefits in excess of $50,000 purchased as a part of a qualified plan is to be included as part of the gross income of the participant for the tax year. The IRS has also ruled in IRC Section 79 that such cost is also subject to Social Security tax (FICA or SECA). The cost for such benefits is established by the IRS and is based on the age of the worker.

Excise Tax
Tax imposed on an act, occupation, privilege, manufacture, sale or consumption.

Federal Forms
FORM W-2—"Wage and Tax Statement" — This form is used to report annual income given to an employee. Three copies go to the employee, one is retained by the employer, and the fifth is submitted to the IRS, along with Form W-3.

FORM W-2C—"Statement of Corrected Income and Tax Amounts" — This form is used to correct an error on a previously distributed Form W-2. If the taxpayer has not yet filed an income tax return for the year shown, he or she must attach a copy of the original Form W-2 along with a copy of Form W-2C to their income tax return.

FORM W-2G—"Certain Gambling Winnings" — This form is filled in by the payor of gambling winnings. A copy is given to the winner. A copy is also filed with IRS. If any income tax has been withheld, also submit Form 945 to IRS.

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FORM W-3—"Transmittal of Income and Tax Statements" — This form is used when submitting the Form W-2s to the Social Security Administration for the various employees.

FORM W-3C—"Transmittal of Corrected Income and Tax Statements" — This form is used when submitting the Form W-2C(s) to the Social Security Administration.

FORM W-4—"Employee's Withholding Allowance Certificate" — This form is filled in by an employee upon hiring. The employee designates his or her withholding allowances for tax purposes. The information is then used to calculate the required amount of funds withheld from the employee's pay.

FORM W-9—"Request for Taxpayer Identification Number and Certification" — This form is used to obtain the correct TIN from someone or some company that provided your business a service.

FORM 673—"Certificate of Registry" — This form is used by nonprofit schools to obtain a federal excise tax exemption.

FORM 843—"Claim for Refund and Request for Abatement" — This form is used to request a refund of overpaid income taxes on unrelated business.

FORM 941—"Employer's Quarterly Federal Tax Return" — This form is used for the submission of quarterly payments of FICA taxes, both the employee and employer portion, and federal income taxes.

FORM 941-X—"Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund" — This form is used to correct errors reported on a previously filed Form 941.

FORM 945—"Annual Return of Withheld Federal Income Tax" — This form is used for withholding reported on Forms 1099 and W-2G.

FORM 990—"Return of Organization Exempt From Income Tax" — This form is used by a tax-exempt organization to provide IRS with information about its programs and accomplishments. However, churches, church-operated schools, church auxiliaries and separately incorporated schools below college level are not required to file this form.

FORM 990-T—"Tax-Exempt Organization Business Income Tax Return" — This form is used to report all income from unrelated business if the gross amount received is over $1,000.

FORM 990-N—"Electronic Notice (e-Postcard) for Tax-Exempt Organizations …" — This form does not apply to churches, their integrated auxiliaries or church-operated schools below college level.

FORM 1040—"U.S. Individual Income Tax Return" — Used for filing individual income tax.

Schedule A—For reporting itemized deductions from income.

Schedule C—For reporting profit or loss for a business.

Schedule SE—Used for recording expenses and income by self-employed individuals.

FORM 1040ES—"Estimated Tax for Individuals"—These vouchers are used on a quarterly basis by ordained and commissioned ministers expecting to owe at least $1,000 in federal income tax and self-employment taxes.

FORM 1096—"Annual Summary and Transmittal of U.S. Information Returns" — This form is used when submitting various forms (such as 1099's) for informational purposes to the IRS.

FORM 1098—"Mortgage Interest Statement" — This form is used to report mortgage interest payments made by the borrower to the lender. The lender fills-in the form, gives one copy to the borrower, retains one copy and submits the third copy to IRS. However, if a congregation assists its minister with the purchase of a home by means of a District Church Extension Fund loan, the congregation is the entity responsible for completing and distributing the form.

FORM 1098-C—"Contributions of Motor Vehicles, Boats, and Airplanes" — This form is used to provide a contemporaneous written acknowledgement to the donor (copies B, C) and when reporting the same information to the IRS (copy A) when the claimed value is $500 or more.

FORM 1099-MISC—"Miscellaneous Income" — This form is used to report miscellaneous income given to an individual. One copy is given to the individual, one is retained by the employer and the third is submitted to the IRS using Form 1096. (In 2020 Form 1099 NEC will be used to report nonemployee compensation)

FORM 1099-R—"Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc." — Filled-in by Concordia Plan Services and distributed to retirees under CRP and the Pension Plan for Pastors and Teachers.

FORM 5578—"Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax" — This form must be filed to provide the IRS with the annual certification of racial nondiscrimination required by Rev. Proc. 70-50, or included on Schedule E of Form 990.

FORM 8282—"Donee Information Return" — Form used by donee organizations to report information to the IRS about dispositions of certain charitable deduction property made within three years after the donor contributed it.

FORM 8283—"Noncash Charitable Contributions" — Used by individual donors when claiming a tax deduction for any noncash gifts that exceed $500.

FORM 8300—"Report of Cash Payments Over $10,000 Received in a Trade or Business" — Used to report any single cash transaction or two or more related transactions (i.e. any receipt, other than contributions) that exceeds $10,000, from trade and business activity.

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FORM 8849—"Claim for Refund of Excise Taxes" — Used to claim tax paid on gasoline or diesel fuel used in school buses.

FORM SS4—"Application for Employer Identification Number." Use this form to apply for an employer identification number which is assigned for tax filing and reporting purposes. Form SS4 can be completed and filed online *at irs.gov*.

I-9 Employment Eligibility Verification—This form is to be completed when hiring an employee to verify identity and authorization for employment in the United States. The form must be retained and available for inspection if requested.

FICA
Federally Insured Contributions Act (Social Security and Medicare). The employer and employee pay an equal share of the tax.

Fiduciary
A person having responsibility for the assets of another or others. A treasurer has fiduciary responsibility to the church as an institution and to the members as donors for the proper management of assets and gifts.

Flexible Spending Arrangements (FSA)
The health Flexible Spending arrangement (FSA) allows the employee to designate a portion of his or her salary for qualified health or dependent care expenses as pre-tax dollars. Funds must be used in the year designated or they will be forfeited. Employers may offer only one of the two following options or none at all: 1) it can provide a "grace period" of up to two and a half extra months to use the remaining FSA money, or 2) it can allow employees to carry up to $500 per year to use in the following year. Amounts designated by the employee are not included on the W-2. The employer also receives a tax saving through reduced FICA compensation and Worker's Compensation premiums. Federal reporting requirements are the same as for cafeteria plans. See IRS Publication 969.

Health Reimbursement Account (HRA)
An account established by an employer to help cover employees' out-of-pocket healthcare expenses; it has an unfunded account balance; the account is reimbursed by the employer as claims are incurred. See IRS Publication 969.

Health Savings Account (HSA)
HSA is a tax-advantage medical savings account for employees who are enrolled in a high deductible health plan. The funds contributed to the HSA are not subject to federal income tax at the time of deposit. Both employees and employers can make contributions into the account, but the account is owned and controlled by the employee. See IRS Publication 969.

Housing Allowance
A portion of a minister's gross salary designated by resolution used to furnish and maintain a residence. The allowance offers certain tax options and may be used with a furnished parsonage, an owned home or rented residence.

IRA
An individual retirement account, setup at a financial institution, such as LCEF, designed to help employees save for retirement. There are several types of IRAs, the most common are Traditional and Roth.

IRC
Internal Revenue Code — The code containing the rules and regulations of the Internal Revenue Service. Codes are usually noted by section.

Qualified Organization
An organization eligible to receive tax deductible contributions under the Internal Revenue Code. All Synod congregations and their auxiliaries and schools are "qualified organizations" under the Synod's blanket tax exemption.

Quid Pro Quo
Something for something, exchange. A written disclosure statement must be provided when a payment made partly as a contribution and partly for goods and services, over $75.

Recognized Service Organization (RSO)
An organization formally recognized by The Lutheran Church—Missouri Synod that extends the mission and ministry of the Synod but is not a part of the Synod as defined in the constitution and bylaws. *lcms.org/rsos*

Reimbursement
Pay back for expenses incurred.

SECA
Self-Employment Contributions Act — Funds Social Security benefits for those individuals who are self-employed. Minister of the Gospel is subject to SECA.

Substantiation Charitable Contribution
A receipt or written acknowledgement provided to a donor by a qualified organization reporting a donation and required for compliance with the Internal Revenue Code.

Tax Sheltered Annuity (TSA)
Employer-sponsored tax-deferred retirement plan available to non-profit organizations. It is also called a 403(b) plan.

Unrelated Business Income (UBI)
In a non-profit organization, income unrelated to the business for which the company is incorporated.

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Blank Forms (Volume I)

These forms are provided for congregational use and may be copied.

Payroll
Congregational Payroll Information
Employment Eligibility Verification (Form I-9)
Payroll Authorization Form
Individual Payroll Record

Miscellaneous
Minister's Estimate for Housing Allowance Expenses
Request and Authorization for Inclusion in the LCMS Group Tax Exemption — RS12
Form 5578 — Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax
Form 1098-C — Contributions of Motor Vehicles, Boats, and Airplanes (Copy B)
Form 8282 — Donee Information Return
Form 8283 — Noncash Charitable Contributions
Form 8300 — Report of Cash Payments Over $10,000 Received in a Trade or Business

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CONGREGATIONAL PAYROLL INFORMATION

POSITION NAME	PAYROLL PERIOD	PER PAY PERIOD					MARITAL STATUS	NO. OF EXEMP.	PER PAY PERIOD					NET PAY
		Gross Salary	Housing Allowance	Net Salary	Other	TSA			Federal WIH	State WIH	(6.20%) FICA	(1.45) Medicare	Other _____	

FORMS • 8/25

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Employment Eligibility Verification

Department of Homeland Security
U.S. Citizenship and Immigration Services

USCIS
Form I-9
OMB No.1615-0047
Expires 07/31/2026

START HERE: Employers must ensure the form instructions are available to employees when completing this form. Employers are liable for failing to comply with the requirements for completing this form. See below and the Instructions.

ANTI-DISCRIMINATION NOTICE: All employees can choose which acceptable documentation to present for Form I-9. Employers cannot ask employees for documentation to verify information in **Section 1**, or specify which acceptable documentation employees must present for **Section 2** or Supplement B, Reverification and Rehire. Treating employees differently based on their citizenship, immigration status, or national origin may be illegal.

Section 1. Employee Information and Attestation: Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.

Last Name (Family Name)	First Name (Given Name)	Middle Initial (if any)	Other Last Names Used (if any)

Address (Street Number and Name)	Apt. Number (if any)	City or Town	State	ZIP Code

Date of Birth (mm/dd/yyyy)	U.S. Social Security Number	Employee's Email Address	Employee's Telephone Number

I am aware that federal law provides for imprisonment and/or fines for false statements, or the use of false documents, in connection with the completion of this form. I attest, under penalty of perjury, that this information, including my selection of the box attesting to my citizenship or immigration status, is true and correct.

Check one of the following boxes to attest to your citizenship or immigration status (See page 2 and 3 of the instructions.):

- ☐ 1. A citizen of the United States
- ☐ 2. A noncitizen national of the United States (See Instructions.)
- ☐ 3. A lawful permanent resident (Enter USCIS or A-Number.)
- ☐ 4. A noncitizen (other than **Item Numbers 2.** and **3.** above) authorized to work until (exp. date, if any)

If you check **Item Number 4.**, enter one of these:

USCIS A-Number	OR	Form I-94 Admission Number	OR	Foreign Passport Number and Country of Issuance

Signature of Employee	Today's Date (mm/dd/yyyy)

If a preparer and/or translator assisted you in completing Section 1, that person MUST complete the Preparer and/or Translator Certification on Page 3.

Section 2. Employer Review and Verification: Employers or their authorized representative must complete and sign Section 2 within three business days after the employee's first day of employment, and must physically examine, or examine consistent with an alternative procedure authorized by the Secretary of DHS, documentation from List A OR a combination of documentation from List B and List C. Enter any additional documentation in the Additional Information box; see Instructions.

	List A	OR	List B	AND	List C
Document Title 1					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					
Document Title 2 (if any)					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					
Document Title 3 (if any)					
Issuing Authority					
Document Number (if any)					
Expiration Date (if any)					

Additional Information

☐ Check here if you used an alternative procedure authorized by DHS to examine documents.

Certification: I attest, under penalty of perjury, that (1) I have examined the documentation presented by the above-named employee, (2) the above-listed documentation appears to be genuine and to relate to the employee named, and (3) to the best of my knowledge, the employee is authorized to work in the United States.	First Day of Employment (mm/dd/yyyy):

Last Name, First Name and Title of Employer or Authorized Representative	Signature of Employer or Authorized Representative	Today's Date (mm/dd/yyyy)

Employer's Business or Organization Name	Employer's Business or Organization Address, City or Town, State, ZIP Code

For reverification or rehire, complete Supplement B, Reverification and Rehire on Page 4.

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PAYROLL AUTHORIZATION FORM

NEW EMPLOYEE ☐ REVISION ☐ REMOVAL ☐ EFFECTIVE DATE _____

NAME _____ DATE OF BIRTH _____

SSN _____ MARITAL STATUS _____ EXEMPTIONS _____

POSITION _____ DATE OF HIRE _____ DATE OF CHURCH COUNCIL ACTION _____

STATUS FULL TIME ☐ PART TIME ☐ NO. OF MONTHS/YEAR _____

MINISTER OF THE GOSPEL? YES ☐ NO ☐ HOURS/WEEK _____

REMUNERATION	PER PAY PERIOD	ANNUALLY
SALARY	$ _____	$ _____
HOUSING ALLOWANCE	_____	_____
OTHER	_____	_____
TSA	_____	_____
	TOTAL $ _____	$ _____

RATE: HOURLY $_____ WEEKLY $_____ MONTHLY $_____

AUTO EXPENSES REIMBURSE _____ CENTS PER MILE *or* _____ MONTHLY ALLOWANCE

DEDUCTIONS PER PAY PERIOD (YES, NO OR AMOUNT)

FEDERAL INCOME TAX _____
SOCIAL SECURITY TAX _____
MEDICARE TAX _____
STATE INCOME TAX _____
TSA _____
All-Cause Accident _____
Local Income Tax _____

CONCORDIA PLANS OR OTHER HEALTH PLANS

ELIGIBLE YES ☐ NO ☐

BASIS: RETIREMENT FULL ☐ REGULAR ☐

HEALTH COVERAGE OPTION: _____

SURVIVOR/DISABILITY FULL ☐ REGULAR ☐

ENROLLED IN ALL-CAUSE ACCIDENT YES ☐ NO ☐

FORMS COMPLETED

CONCORDIA PLAN SERVICES ENROLLMENT FORMS YES ☐ NO ☐

W-4 WITHHOLDING ALLOWANCE CERTIFICATES YES ☐ NO ☐

I-9 EMPLOY. ELIGIBILITY VERIFICATION YES ☐ NO ☐

NEW HIRE REPORTING YES ☐ NO ☐

STATEMENT TO EMPLOYEE THAT NO UNEMPLOYMENT INSURANCE IS AVAILABLE YES ☐ NO ☐

OTHER _____

PERMANENT MAILING ADDRESS

_____
STREET

_____
CITY/STATE ZIP

_____
TELEPHONE

IN CASE OF EMERGENCY

_____
STREET

_____
CITY/STATE ZIP

_____
TELEPHONE

COMPLETED BY:

_____
SIGNED

_____
TITLE DATE

APPROVED BY:

_____
SIGNED

_____
TITLE DATE

INDIVIDUAL PAYROLL RECORD

Year _____

Employee Name _____ Social Security No. _____ Marital Status _____ Exemption Allowance(s) _____

Address _____ Position _____ Exempt from federal income tax withholding? Yes _____ No _____

_____ Phone No. _____ Rate: Hourly $_____ Weekly $_____ Monthly $_____

Period Ending	Earnings					Deductions						Net Paid	Check No.
	Gross Salary	Housing Allowance	Auto Allowance	Christmas Gift	Total Earnings	Federal Withheld	Social Security Tax	Medicare Tax	State Withheld	Other _____	Advance		
Total 1st Qtr.													
Total 2nd Qtr.													
Total 3rd Qtr.													
Total 4th Qtr.													
Annual Totals													

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Minister's Estimate of Expenses for Housing Allowance

Item		Amount
1. Rent on home		$_____
2. Garage rental		_____
3. Down payment, legal, loan and title fees; on purchase of home		_____
4. Mortgage payments (principal and interest)		_____
5. Real estate taxes on home		_____
6. Property insurance (homeowner's and renter's)		_____
7. Utilities: Gas	_____	
Electricity	_____	
Water	_____	
Heat	_____	
Telephone (basic service)	_____	
Trash Pick-up	_____	
Storm Drainage	_____	
8. Furnishing and appliances (purchase and repair)		_____
9. Structural repairs and remodeling		_____
10. Lawn care and landscaping		_____
11. Maintenance items (household cleaners, light bulbs, pest control)		_____
12. Other allowable expenses (specify)		_____
13. Home Owner's Association Dues		_____
TOTAL		$_____

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Request and Authorization for Inclusion in the LCMS Group Tax Exemption

RS12

The undersigned representative of the _____

_____

(Select and type one or any combination of the following: Daycare, Preschool, or School, i.e., early childhood center, elementary school, middle school, junior high school, high school) _____

_____ hereby certifies that it has articles of incorporation and bylaws which have been reviewed by its own legal council to verify that said organization—

i) is controlled by the _____

_____

congregations(s) of the Lutheran Church—Missouri Synod, and that such control is authorized and evidenced by inclusion in said organization's articles of incorporation and/or bylaws of a provision to the effect that the authority to appoint and remove all of or a majority of the directors of this organization is vested in the above-referenced congregations(s) voters' assembly or some other official board or committee of the congregation(s), and

ii) has Articles of Incorporation and Bylaws that are in accordance with all the provisions of Internal Revenue Code Section 501(c)(3), i.e. specific provision required by the Internal Revenue Service to be included in Articles of Incorporation and Bylaws. Two such examples include 1) specific provisions regarding its purpose—religious, educational and charitable, and 2) what would occur in the event of its dissolution—that all assets remaining after all liabilities and other obligations have been paid shall be transferred to the parent congregation or congregations.

Having met the requirements of i) and ii), the undersigned herewith authorizes and requests inclusion in the Federal income tax group exemption ruling of the Internal Revenue Service issued to the Synod covering its components parts, member congregations and their schools. The undersigned further agrees to report to the Synod:

1) any changes in its name,
2) any changes in its mailing address, and
3) any changes in its operations which would have an effect upon its right to continue to be exempt from income tax.

Organization's Name _____

Address _____

Street Address City State ZIP

Employer Identification Number (EIN) _____

Officer _____ Title _____

Signature _____ Date _____

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Form **5578**

(Rev. November 2019)

Department of the Treasury
Internal Revenue Service

Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax

(for use by organizations that do not file Form 990 or Form 990-EZ)

▶ **Go to *www.irs.gov/Form5578* for the latest information.**

OMB No. 1545-0047

Open to Public Inspection

For IRS Use Only

For the period beginning , 20 and ending , 20

1a Name of organization that operates, supervises, and/or controls school(s).

1b Employer identification number

Address (number and street or P.O. box no., if mail is not delivered to street address) | Room/suite

City or town, state, and ZIP + 4 (If foreign address, list city or town, state or province, and country. Include postal code.)

2a Name of central organization holding group exemption letter covering the school(s). (If same as 1a above, write "Same" and complete 2c.) If the organization in 1a holds an individual exemption letter, write "Not Applicable."

2b Employer identification number

Address (number and street or P.O. box no., if mail is not delivered to street address) | Room/suite

2c Group exemption number (see instructions under *Definitions*)

City or town, state, and ZIP + 4 (If foreign address, list city or town, state or province, and country. Include postal code.)

3a Name of school. (If more than one school, write "See Attached" and attach a list of the names, complete addresses, including postal codes, and employer identification numbers of the schools.) If same as 1a, write "Same."

3b Employer identification number, if any

Address (number and street or P.O. box no., if mail is not delivered to street address) | Room/suite

City or town, state, and ZIP + 4 (If foreign address, list city or town, state or province, and country. Include postal code.)

Under penalties of perjury, I hereby certify that I am authorized to take official action on behalf of the above school(s) and that to the best of my knowledge and belief the school(s) has (have) satisfied the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, for the period covered by this certification.

(Signature) | (Type or print name and title.) | (Date)

For Paperwork Reduction Act Notice, see instructions. Cat. No. 42658A Form **5578** (Rev. 11-2019)

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7878 ☐ VOID ☐ CORRECTED

DONEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	1 Date of contribution	OMB No. 1545-1959 Form **1098-C** (Rev. April 2025) For calendar year	**Contributions of Motor Vehicles, Boats, and Airplanes**
	2a Odometer mileage		
	2b Year / 2c Make / 2d Model		
DONEE'S TIN / DONOR'S TIN	3 Vehicle or other identification number		
DONOR'S name	4a ☐ Donee certifies that vehicle was sold in arm's length transaction to unrelated party		
Street address (including apt. no.)	4b Date of sale		
City or town, state or province, country, and ZIP or foreign postal code	4c Gross proceeds from sale (see instructions) $		**Copy A** **For Internal Revenue Service Center** For filing information, Privacy Act, and Paperwork Reduction Act Notice, see the **General Instructions for Certain Information Returns.** *www.irs.gov/Form1099*
5a ☐ Donee certifies that vehicle will not be transferred for money, other property, or services before completion of material improvements or significant intervening use			
5b ☐ Donee certifies that vehicle is to be transferred to a needy individual for significantly below fair market value in furtherance of donee's charitable purpose			
5c Donee certifies the following detailed description of material improvements or significant intervening use and duration of use			
6a Did you provide goods or services in exchange for the vehicle? . . . . . Yes ☐ No ☐			
6b Value of goods and services provided in exchange for the vehicle $			
6c Describe the goods and services, if any, that were provided. If this box is checked, donee certifies that the goods and services consisted solely of intangible religious benefits . . . . . ☐			
7 Under the law, the donor may not claim a deduction of more than $500 for this vehicle if this box is checked . . . . . ☐			

Form **1098-C** (Rev. 4-2025) Cat. No. 39732R www.irs.gov/Form1098C Department of the Treasury - Internal Revenue Service

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Form **8282**
(Rev. October 2021)
Department of the Treasury
Internal Revenue Service

Donee Information Return

(Sale, Exchange, or Other Disposition of Donated Property)

► **Go to *www.irs.gov/Form8282* for latest information.**

OMB No. 1545-0047

Give a Copy to Donor

Parts To Complete

- If the organization is an **original donee,** complete *Identifying Information,* Part I (lines 1a–1d and, if applicable, lines 2a–2d), and Part III.
- If the organization is a **successor donee,** complete *Identifying Information,* Part I, Part II, and Part III.

Identifying Information

Print or Type	Name of charitable organization (donee)	**Employer identification number**
	Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address)	
	City or town, state, and ZIP code	

Part I Information on ORIGINAL DONOR and SUCCESSOR DONEE Receiving the Property

1a	**Name of original donor of the property**	**1b**	**Identifying number(s)**
1c	Address (number, street, and room or suite no.) (P.O. box no. if mail is not delivered to the street address)		
1d	City or town, state, and ZIP code		

Note. Complete lines 2a–2d only if the organization gave this property to another charitable organization (successor donee).

2a	**Name of charitable organization**	**2b**	**Employer identification number**
2c	Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address)		
2d	City or town, state, and ZIP code		

Part II Information on PREVIOUS DONEES. Complete this part only if the organization was not the first donee to receive the property. See the instructions before completing lines 3a through 4d.

3a	**Name of original donee**	**3b**	**Employer identification number**
3c	Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address)		
3d	City or town, state, and ZIP code		
4a	**Name of preceding donee**	**4b**	**Employer identification number**
4c	Address (number, street, and room or suite no.) (or P.O. box no. if mail is not delivered to the street address)		
4d	City or town, state, and ZIP code		

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Part III Information on DONATED PROPERTY

	1. Description of the donated property sold, exchanged, or otherwise disposed of and how the organization used the property. (If you need more space, attach a separate statement.)	2. Did the disposition involve the organization's entire interest in the property?		3. Was the use related to the organization's exempt purpose or function?		4. Information on use of property. • If you answered "Yes" to question 3 and the property was tangible personal property, describe how the organization's use of the property furthered its exempt purpose or function. Also complete Part IV below. • If you answered "No" to question 3 and the property was tangible personal property, describe the organization's intended use (if any) at the time of the contribution. Also complete Part IV below, if the intended use at the time of the contribution was related to the organization's exempt purpose or function and it became impossible or infeasible to implement.
		Yes	No	Yes	No	
A						
B						
C						
D						

		Donated Property			
		A	B	C	D
5	Date the organization received the donated property (MM/DD/YY)	/ /	/ /	/ /	/ /
6	Date the original donee received the property (MM/DD/YY)	/ /	/ /	/ /	/ /
7	Date the property was sold, exchanged, or otherwise disposed of (MM/DD/YY)	/ /	/ /	/ /	/ /
8	Amount received upon disposition	$	$	$	$

Part IV Certification

You must sign the certification below if any property described in Part III above is tangible personal property and:

- You answered "Yes" to question 3 above, or
- You answered "No" to question 3 above and the intended use of the property became impossible or infeasible to implement.

Under penalties of perjury and the penalty under section 6720B, I certify that either: (1) the use of the property that meets the above requirements, and is described above in Part III, was substantial and related to the donee organization's exempt purpose or function; or (2) the donee organization intended to use the property for its exempt purpose or function, but the intended use has become impossible or infeasible to implement.

▶ Signature of officer | Title | ▶ Date

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

▶ Signature of officer | Title | ▶ Date

Type or print name

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Form **8283**
(Rev. December 2023)
Department of the Treasury
Internal Revenue Service

Noncash Charitable Contributions

Attach one or more Forms 8283 to your tax return if you claimed a total deduction of over $500 for all contributed property.
Go to *www.irs.gov/Form8283* for instructions and the latest information.

OMB No. 1545-0074
Attachment Sequence No. **155**

Name(s) shown on your income tax return | **Identifying number**

Enter the entity name and identifying number from the tax return where the noncash charitable contribution was originally reported, if different from above.

Name: _____ Identifying number: _____

Check this box if a family pass-through entity made the noncash charitable contribution. See instructions . . . . . ☐

Note: Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of $5,000 or Less and Publicly Traded Securities—List in this section **only** an item (or a group of similar items) for which you claimed a deduction of $5,000 or less. Also list publicly traded securities and certain other property even if the deduction is more than $5,000. If you need more space, attach a statement. See instructions.

1	**(a)** Name and address of the donee organization	**(b)** If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1098-C is attached).	**(c)** Description and condition of donated property (For a vehicle, enter the year, make, model, and mileage. For securities and other property, see instructions.)
A		☐	
B		☐	
C		☐	
D		☐	

Note: If the amount you claimed as a deduction for an item is $500 or less, you do not have to complete columns (e), (f), and (g).

	(d) Date of the contribution	**(e)** Date acquired by donor (mo., yr.)	**(f)** How acquired by donor	**(g)** Donor's cost or adjusted basis	**(h)** Fair market value (see instructions)	**(i)** Method used to determine the fair market value
A						
B						
C						
D						

Section B. Donated Property Over $5,000 (Except Publicly Traded Securities, Vehicles, Intellectual Property or Inventory Reportable in Section A)—Complete this section for one item (or a group of similar items) for which you claimed a deduction of more than $5,000 per item or group (except contributions reportable in Section A). Provide a separate form for each item donated unless it is part of a group of similar items. A qualified appraisal is required for items reportable in Section B and in certain cases must be attached. See instructions.

Part I Information on Donated Property

2 Check the box that describes the type of property donated. See instructions for definitions.

- **a** ☐ Art (contribution of $20,000 or more)
- **b** ☐ Qualified conservation contribution
- **b(1)** ☐ Certified historic structure
  NPS # _____
- **c** ☐ Art (contribution of less than $20,000)
- **d** ☐ Other real estate
- **e** ☐ Equipment
- **f** ☐ Securities
- **g** ☐ Collectibles
- **h** ☐ Intellectual property
- **i** ☐ Vehicles
- **j** ☐ Clothing and household items
- **k** ☐ Digital assets
- **l** ☐ Other

3	**(a)** Description of donated property (if you need more space, attach a separate statement)	**(b)** If any tangible personal property or real property was donated, give a brief summary of the overall physical condition of the property at the time of the gift.	**(c)** Appraised fair market value
A			
B			
C			

	(d) Date acquired by donor (mo., yr.)	**(e)** How acquired by donor	**(f)** Donor's cost or adjusted basis	**(g)** For bargain sales, enter amount received	**(h)** Qualified conservation contribution relevant basis (see instructions)	**(i)** Amount claimed as a deduction (see instructions)
A						
B						
C						

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Name(s) shown on your income tax return | **Identifying number**

Part II **Partial Interests and Restricted Use Property (Other Than Qualified Conservation Contributions)—** Complete lines 4a through 4e if you gave less than an entire interest in a property listed in Section B, Part I. Complete lines 5a through 5c if conditions were placed on a contribution listed in Section B, Part I; also attach the required statement. See instructions.

4a Enter the letter from Section B, Part I that identifies the property for which you gave less than an entire interest _____
If Section B, Part II applies to more than one property, attach a separate statement.

b Total amount claimed as a deduction for the property listed in Section B, Part I: **(1)** For this tax year . . _____
(2) For any prior tax years _____

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization in Section B, Part V, below):
Name of charitable organization (donee)

Address (number, street, and room or suite no.) | City or town, state, and ZIP code

d For tangible property, enter the place where the property is located or kept _____

e Name of any person, other than the donee organization, having actual possession of the property _____

		Yes	No
5a	Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?		
b	Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?		
c	Is there a restriction limiting the donated property for a particular use?		

Part III **Taxpayer (Donor) Statement—**List each item included in Section B, Part I above that the appraisal identifies as having a value of $500 or less. See instructions.

I declare that the following item(s) included in Section B, Part I above has to the best of my knowledge and belief an appraised value of not more than $500 (per item). Enter identifying letter from Section B, Part I and describe the specific item. See instructions.

Signature of taxpayer (donor) | Date

Part IV **Declaration of Appraiser—**See instructions.

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this Form 8283 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). I understand that my appraisal will be used in connection with a return or claim for refund. I also understand that, if there is a substantial or gross valuation misstatement of the value of the property claimed on the return or claim for refund that is based on my appraisal, I may be subject to a penalty under section 6695A of the Internal Revenue Code, as well as other applicable penalties. I affirm that I have not been at any time in the three-year period ending on the date of the appraisal barred from presenting evidence or testimony before the Department of the Treasury or the Internal Revenue Service pursuant to 31 U.S.C. 330(c).

Sign Here

Appraiser signature | Date

Appraiser name | Title

Business address (including room or suite no.) | **Identifying number**

City or town, state, and ZIP code

Part V **Donee Acknowledgment—**See instructions.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date _____
Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file **Form 8282**, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? . . . . . ☐ **Yes** ☐ **No**

Name of charitable organization (donee) | **Employer identification number**

Address (number, street, and room or suite no.) | City or town, state, and ZIP code

Authorized signature | Title | Date

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IRS Form **8300** (Rev. December 2023)

Department of the Treasury
Internal Revenue Service

Report of Cash Payments Over $10,000 Received in a Trade or Business

See instructions for definition of cash.

Use this form for transactions occurring after December 31, 2023. Do not use prior versions after this date.

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

FinCEN Form **8300** (Rev. August 2014)
OMB No. 1506-0018
Department of the Treasury
Financial Crimes
Enforcement Network

1 Check appropriate box(es) if: **a** ☐ Amends prior report; **b** ☐ Suspicious transaction.

Part I Identity of Individual From Whom the Cash Was Received

2 If more than one individual is involved, check here and see instructions . . . . . ☐

3 Last name	**4** First name	**5** M.I.	**6** Taxpayer identification number

7 Address (number, street, and apt. or suite no.)	**8** Date of birth (see instructions) M M D D Y Y Y Y

9 City	**10** State	**11** ZIP code	**12** Country (if not U.S.)	**13** Occupation, profession, or business

14 Identifying document (ID) — **a Describe ID** _____ **c Number** _____ **b Issued by** _____

Part II Person on Whose Behalf This Transaction Was Conducted

15 If this transaction was conducted on behalf of more than one person, check here and see instructions . . . . . ☐

16 Individual's last name or organization's name	**17** First name	**18** M.I.	**19** Taxpayer identification number

20 Doing business as (DBA) name (see instructions)	Employer identification number

21 Address (number, street, and apt. or suite no.)	**22** Occupation, profession, or business

23 City	**24** State	**25** ZIP code	**26** Country (if not U.S.)

27 Alien identification (ID) — **a Describe ID** _____ **c Number** _____ **b Issued by** _____

Part III Description of Transaction and Method of Payment

28 Date cash received M M D D Y Y Y Y	**29** Total cash received $ .00	**30** If cash was received in more than one payment, check here . . . . . ☐	**31** Total price if different from item 29 $ .00

32 Amount of cash received (in U.S. dollar equivalent) (must equal item 29) (see instructions):

a	U.S. currency	$ .00	(Amount in $100 bills or higher $ .00)
b	Foreign currency	$ .00	(Country _____)
c	Cashier's check(s)	$ .00	Issuer's name(s) and serial number(s) of the monetary instrument(s)
d	Money order(s)	$ .00	
e	Bank draft(s)	$ .00	
f	Traveler's check(s)	$ .00	

33 Type of transaction

a	☐ Personal property purchased	**f**	☐ Debt obligations paid
b	☐ Real property purchased	**g**	☐ Exchange of cash
c	☐ Personal services provided	**h**	☐ Escrow or trust funds
d	☐ Business services provided	**i**	☐ Bail received by court clerks
e	☐ Intangible property purchased	**j**	☐ Other (specify in item 34)

34 Specific description of property or service shown in 33. Give serial or registration number, address, docket number, etc. _____

Part IV Business That Received Cash

35 Name of business that received cash	**36** Employer identification number

37 Address (number, street, and apt. or suite no.)	Social security number

38 City	**39** State	**40** ZIP code	**41** Nature of your business

42 Under penalties of perjury, I declare that to the best of my knowledge the information I have furnished above is true, correct, and complete.

Signature _____ **Title** _____
Authorized official

43 Date of signature M M D D Y Y Y Y	**44** Type or print name of contact person	**45** Contact telephone number

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Multiple Parties

(Complete applicable parts below if box 2 or 15 on page 1 is checked.)

Part I Continued—Complete if box 2 on page 1 is checked

3	Last name		**4** First name		**5** M.I.	**6** Taxpayer identification number	
7	Address (number, street, and apt. or suite no.)				**8** Date of birth (see instructions)	M M D D Y Y Y Y	
9	City	**10** State	**11** ZIP code	**12** Country (if not U.S.)		**13** Occupation, profession, or business	
14	Identifying document (ID)	**a Describe ID** **c Number**				**b Issued by**	

3	Last name		**4** First name		**5** M.I.	**6** Taxpayer identification number	
7	Address (number, street, and apt. or suite no.)				**8** Date of birth (see instructions)	M M D D Y Y Y Y	
9	City	**10** State	**11** ZIP code	**12** Country (if not U.S.)		**13** Occupation, profession, or business	
14	Identifying document (ID)	**a Describe ID** **c Number**				**b Issued by**	

Part II Continued—Complete if box 15 on page 1 is checked

16	Individual's last name or organization's name		**17** First name		**18** M.I.	**19** Taxpayer identification number	
20	Doing business as (DBA) name (see instructions)					Employer identification number	
21	Address (number, street, and apt. or suite no.)					**22** Occupation, profession, or business	
23	City	**24** State	**25** ZIP code	**26** Country (if not U.S.)			
27	Alien identification (ID)	**a Describe ID** **c Number**				**b Issued by**	

16	Individual's last name or organization's name		**17** First name		**18** M.I.	**19** Taxpayer identification number	
20	Doing business as (DBA) name (see instructions)					Employer identification number	
21	Address (number, street, and apt. or suite no.)					**22** Occupation, profession, or business	
23	City	**24** State	**25** ZIP code	**26** Country (if not U.S.)			
27	Alien identification (ID)	**a Describe ID** **c Number**				**b Issued by**	

Comments – Please use the lines provided below to comment on or clarify any information you entered on any line in Parts I, II, III, and IV

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Congregational Treasurer's Manual

The Lutheran Church—Missouri Synod

VOLUME 2

VOLUME 2

Section 5
Accounting and Finance

Chapter 21: Internal Control

THE NEED FOR INTERNAL CONTROL 100
WHAT IS INTERNAL CONTROL 200
INTERNAL CONTROL PLAN 300

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21.100: The Need for Control

A system of internal control is required wherever money is received or expended. The control not only assists in preventing fraud or embezzlement but maintains the integrity of the individuals who handle funds, avoids unnecessary suspicions, removes temptation, protects those responsible for financial records and maximizes possibilities of discovery of theft.

To assume that everyone who works for the church is honest and therefore, "we do not require control," does not take into account that these same people, who are members of the church, work in the business world where control is required. Given certain circumstances, opportunities, or the right conditions, these same members can misappropriate funds whether handling church or business money.

Although the church council or board of elders may have the responsibility to ensure that the internal control is adequate, the treasurer with the financial secretary and counters should assist the governing body in installation and operation of the required control.

21.200: What Is Internal Control?

Internal control is a plan to do the following:

1. Check accuracy of financial reports.
2. Ensure dependability of records and reports.
3. Discourage error or fraud.
4. Safeguard the assets.
5. Encourage efficiencies through adherence to rules, regulations, and policies as established by the governing church body.
6. Maintain and defend the integrity of members who deal with the finances of the church.

20.300: Internal Control Plan

The internal control plan should do the following:

1. Separate responsibilities for counting, writing checks, recording contributions and reconciling bank statements.
2. Ensure that the counting team (two or more) is in custody of the collection from the altar to the preparation of the deposit. The counters should prepare a form as shown in Exhibit 23-A.
3. Provide for the prompt depositing of all money.
4. Encourage the use of offering envelopes.
5. For checks that are received during the week, provide the person opening the mail (no one who is connected to financial receipting and disbursing should open mail) with a "For Deposit Only" stamp.
6. Ensure that the counting team does not have access to the checkbook. A counter should not be in a position to sign checks.
7. Limit check-signing authority to a select few who are familiar with the internal controls.
8. If appropriate, require two signatures on the church bank accounts. Blank checks should never be signed in advance.
9. Ensure that all payments be made by check. Do not pay in cash (except petty cash). The use of checks provides a permanent record.
10. If using online bill pay, have one person set-up payments and another approve the payments.
11. Assign the responsibility of bank reconciliation to members other than those who handle cash or maintain financial records.
12. Prepare a reasonable and detailed budget. Monthly or yearly budget comparisons will point out to governing bodies unusual deviations.
13. Provide that recorded pledges are not written off by the financial secretary without appropriate governing-body approval.
14. Keep marketable securities, notes, valuable personal property or cash in a safe place, fire- and theft-protected.
15. Maintain an inventory of assets and review the list on a periodic basis to ensure that the material or equipment is still within the church.
16. Arrange for an annual financial review to be conducted by a committee (preferably three or more members) independent of the treasurer and the financial secretary. See Chapter 25, Financial Review, for methods of testing the existence of and application of the internal control system.
17. See that cash handlers and certain officers are bonded.
18. Prepare written procedures that apply to cash handling to ensure continuity and consistency.

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Chapter 22: Chart of Accounts

GAAP ACCOUNTING FOR
NON-PROFITS 100
Accounting Basis for Churches 150
TYPICAL FUNDS 200
CHART OF ACCOUNTS 400
EXPENDITURES 500
EXPENSE ACCOUNT CLASSIFICATIONS 600
CHART OF ACCOUNTS—DETAILED 700

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22.100: GAAP Accounting for Non-Profits

The concept of **fund accounting** is unique to church and non-profit organizations. Fund accounting is defined as a system for recording receipts and disbursements for different purposes or different funds. Restrictions may be placed on receipts or contributions that require disbursements to be made for a particular purpose. The congregational treasurer is required to account for all funds (receipts and disbursements), but it is not necessary to have a separate bank account for each fund.

Generally Accepted Accounting Principles (GAAP) are accounting rules used to prepare, present and report financial statements for a wide variety of entities, including publicly-traded and privately-held companies, non-profit organizations and governments. Although some management discretion is allowed, financial statements will be presented according to accepted accounting rules and standards. Organizations seeking an unqualified opinion (audit) on their financial statements from a Certified Public Accounting firm are required to prepare their financial statements in accordance with GAAP.

In 1994, the American Institute of Certified Public Accountants (AICPA) issued, through its Financial Accounting Standards Board (FASB), a number of new requirements affecting Not-For-Profits, including churches. Since churches are generally not required to have a professional audit or prepare their financial statements in accordance with GAAP, many churches have chosen not to adopt the 1994 changes.

For congregations interested in following GAAP, many resources are available. **The intent of this manual is to provide a framework for the many congregations that continue to use fund-based accounting system.** The concepts presented are actually a hybrid between fund accounting and GAAP, acknowledging GAAP's definition of unrestricted, temporarily restricted and permanently restricted net assets.

22.150: Accounting Basis for Churches

Some congregations choose the **cash basis for accounting,** simply recording transactions as cash income is received and cash disbursements are made.

Some congregations choose an accrual basis for accounting. Accrual accounting provides a more accurate snapshot of the congregation's finances at any time — properly reflecting all assets owned by and owed to the congregation and all amounts owed by the congregation. Under the accrual basis, expenses are recorded as soon as they are incurred (even if not paid) and income is recorded as soon as it is earned (even if not received).

Many congregations will choose a **hybrid basis for accounting,** combining some accrual accounting with the cash basis of accounting. For instance, although a congregation records all invoices as expenses as soon as they are received, it may choose to record contributions only on a cash basis versus picking up promises to pay (grants and pledges) as required by true accrual basis accounting.

22.200: Typical Funds

Typical funds that a congregation might have are as follows:

- Unrestricted funds: All receipts and disbursements that are not subject to restrictions placed on the receipts by donors but identified for the general purposes of the organization.
- Temporarily Restricted funds (Donor Restricted funds): Funds, the use of which have been restricted (expressed or implied) by the donor for a particular purpose, i.e., altar fund or organ fund. The donor is contributing with the intent that the funds are to be disbursed for that purpose.
- Permanently Restricted funds (Endowment funds): Funds restricted by the donor to be kept in perpetuity, with only the earnings used for ministry. The principal of the investment is not expended, and the income is distributed under the stated conditions.
- Board-designated funds: These funds are distinguished from restricted funds because the limitation on use is placed on the funds by the congregation for a specific purpose and not the donor. The church has the right, then, to remove the limitation or reclassify the fund's use.

22.400: Chart of Accounts

The chart of accounts is the complete list of all general ledger accounts for each fund within the congregation. The normal order and sequence of the major classification of accounts are as follows:

Assets	**10000**
Liabilities	**20000**
Fund balances	**30000**
Income–Unrestricted	**40000**
Expenses–Unrestricted	**50000**
Income–Restricted	**60000**
Expenditures–Restricted	**70000**

For the purpose of this manual, a five-digit account number is used. The digits are used as follows:

First digit—type of account
Second and third digits—program or function
Fourth and fifth digits—account detail

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22.500: Expenditures

Expenditures are divided into functions (the second and third digits) that normally relate to how the congregation sets up its organization. Each board or committee is responsible for various functions and, therefore, is responsible for the expenditure items included in that function.

A sample breakdown of these expenditures follows:

First Three Digits	Function	Board/Committee
5 01 00	Outreach beyond congregation	Missions/Elders
5 02 00	Pastoral support	Elders
5 03 00	Christian worship	Elders
5 04 00	Christian witness	Evangelism
5 05 00	Christian stewardship	Stewardship
5 06 00	Christian growth	Education
5 07 00	Christian youth	Youth
5 08 00	Christian welfare	Social Ministry
5 09 00	Christian day school	Education
5 10 00	Administration	Elders
5 11 00	Church property	Trustees

22.600: Expense Account Classifications by Description of Expenditures

The last two digits (fourth and fifth digits) of the expense account classifications identify the type of expenditures. These two digits can be used for all functions of the congregation.

Account Name	Last Two Digits
Salaries and allowances	
Salary	01
FICA and Medicare taxes	03
Employee benefits—Concordia Plans	04
FICA and Medicare taxes	05
Housing allowance	07
Automobile	09
Continuing education allowance	10
Utilities allowance	11
Conferences and workshops	12
Guest pastors, speakers	19
Supplies	
Office supplies	20
Altar supplies	21
Service bulletins	22
Hymnals	23
Choir music	24
Publicity and signs	25
Radio-TV	26
Offering envelopes	28
School supplies	29
Postage	30
Sunday school	40
Vacation Bible school	41
Adult Bible study	42
Church library	43
Lutheran Witness	**44**
Portals of Prayer®	45
A/V materials	47
School curriculum	48
Rental	51
Maintenance	52
Major repairs	53
Depreciation—equipment	54
Other programs	
Leadership training	60
Scholarship and grants	61
Social ministry	63
Building and utilities expense	
Telephone	70
Utilities—church	72
Insurance	73
Maintenance and repairs	74
Rent	75
Depreciation—building	76
Interest expense	77
Utilities—parsonage	78
Repairs—parsonage	79
Mission work	
District/Synod support	80
Convention assessment	85
Mission work—local	89
Other expense	90

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22.700:
Chart of Accounts Detailed

	Description	Sub Account	Account Number	Explanation
Assets	■ Cash and cash equivalents	11000		Each cash account should have a different account number. A new bank account would require a different account number. These numbers could range from 1010-1019 depending on the number of accounts. Petty cash funds should be maintained under this classification.
	First National Bank		11011	
	Second National Bank		11012	
	Petty cash		11015	
	■ Investments	12000		Any investment in a stock, bond or CD should be separately identified in an account. Each account should consist of the total investment for that type at a specific rate of return.
	First National Bank		12010	
	Church Extension Fund		12020	
	Term note		12030	
	Stocks		12040	
	■ Receivables	13000		Amounts due the congregation from others.
	Accounts receivable		13010	
	Promises to give receivable		13020	
	Accrued interest receivable		13030	
	Notes and contracts receivable		13040	
	■ Inventories	13200		Quantities of supplies or materials to be maintained for future use.
	■ Prepaid expenses	14000		Certain expenses are prepaid and should be considered as assets until the period has lapsed.
	Insurance		14010	Prepaid insurance is a good example. The premium is paid for a full year's coverage.
	■ Land and buildings	15000		Each acquisition of real estate or major improvement to buildings should be reflected in a G/L account. These accounts allow one to easily distinguish the cost of the particular asset. Land is a non-depreciable asset. However, buildings are depreciable.
	Land		15010	
	Church building		15020	
	Fellowship hall		15030	
	School building		15040	
	Gymnasium		15050	
	Parsonage		15060	
	Accumulated depreciation		15070	
	■ Furniture and equipment	16000		Equipment with an extended life and with a value of $500 or more (or other amount established by the congregation) should be a capitalized asset. This assists the congregation in determining if adequate insurance is carried on the assets it owns. Furniture and equipment are depreciable assets.
	Office equipment		16010	

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	Description	Sub Account	Account Number	Explanation
	School equipment		16020	
	Playground equipment		16030	
	Audiovisual equipment		16040	
	Accumulated depreciation		16070	
Liabilities		20000		This balance represents expenses due for expenditures not disbursed.
	■ Accounts payable	21000		
	Trades payable		21011	
	■ Accrued payroll	22000		This balance represents expenses for payroll already earned but not yet disbursed.
	Accrued vacation pay		22011	
	■ Payroll taxes withheld	23000		Normally, taxes that are withheld from employee paychecks are due the following month. At the time the taxes are withheld they become a liability to the congregation.
	Federal income tax		23021	
	Social Security taxes		23022	
	Medicare taxes		23023	
	State income taxes		23024	
	County income taxes		23025	
	Other tax		23026	
	■ Promises to give payable	24000		These accounts are used to record unconditional promises to give (pledge, grants, etc.) to district or other agencies or ministries.
	■ Agency funds payable	25000		A congregation regularly receives contributions for a charity or organization other than itself. These funds, on receipt, are a liability to that organization. The congregation should keep a separate accounting for each organization's funds.
	American Bible Society		25001	
	Armed Forces		25002	
	Bethesda Lutheran Home		25005	
	Concordia Seminary —St. Louis		25010	
	Concordia Seminary —Fort Wayne		25011	
	Lutheran Hour		25020	
	Lutheran TV		25021	
	Wheat Ridge Seals		25040	
	World Hunger		25041	
	World Relief		25042	
	Local ministry program		25050	
	■ Mortgages and notes payable	26000		This balance represents any amount incurred by the congregation for short term or long term borrowing from a local bank or other financial institution, including Lutheran Church Extension Fund.
	First National		26010	
	Lutheran Church Extension Fund		26020	

	Description	Sub Account	Account Number	Explanation
Net Assets		30000		The net assets are determined by the difference between assets and liabilities for each fund. Each group under restricted funds should have a separate account number to identify the specific reason for the restriction on the amount.
	General Fund (unrestricted)		31000	Without donor restrictions
	Net Investment in Property and Equipment		32000	Without donor restrictions
	Board Designated Funds		33000	Without donor restrictions
	Temporarily Restricted Funds		34000	With donor restrictions
	Endowment Funds		35000	With donor restrictions
Income—Unrestricted		40000		
	■ Worship service offerings	41000		
	Regular envelopes		41010	Offerings received through the use of offering envelopes should be recorded in total to this account.
	Mission offerings		41020	Offerings received for the work of missions. However no designated missions should be entered into this account; only those offerings to support missions in general.
	Building fund offerings		41030	Contributions designated to payoff building debt. This amount may or may not be in addition to the congregation's monthly debt retirement. This amount also may be set aside for a future building program.
	Plate offerings		41040	Weekly plate collections of currency and coins not included in envelopes.
	■ Special-service offerings	41050		Special service (Lent, Advent, etc) offerings should be shown separately. A congregation might designate the amount for a particular purpose.
	Christmas Day offerings		41050	
	Christmas Eve offerings		41060	
	Thanksgiving Day offering		41070	
	Lent		41080	A congregation regularly receives contributions for a charity or organization other than itself. These funds, on receipt, are a liability to that organization. The congregation should keep a separate accounting for each organization's funds.
	Advent		41090	
	■ Other receipts	42000		The amount received from the district for assistance in the congregation's ministry.
	Gifts and bequests		42010	Any special gifts or bequests for the congregation's ministry without any special restriction placed on the amount by the board or donor.
	Interest income		42020	Income received through amounts invested by the congregation.
	Investment income		42030	
	■ Day school fees	43000		
	Tuition—members		43010	
	Tuition—non-members		43020	
	School registration fees		43030	
	Book rentals and fees		43040	
	School lunch program fees		43050	
	Lutheran Church Extension Fund		26020	

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	Description	Sub Account	Account Number	Explanation
Expenses—Unrestricted		50000		See 21.500 and 21.600 for Descriptions and Explanations of Expenses.
	Outreach—beyond congregation		50100	
	District—Synod support		50180	
	Convention assessment		50185	
	Local mission support		50189	
	■ Pastoral support	50200		
	Salaries		50201	
	FICA and Medicare Taxes		50203	
	Employee benefits		50204	
	Housing allowance		50207	
	Automobile expense		50209	
	Continuing education		50210	
	Utilities allowance		50211	
	Conferences and workshops		50212	
	Guest pastors/speakers		50219	
	■ Christian worship	50300		
	Altar supplies		50321	
	Service bulletins		50322	
	Hymnals		50323	
	Choir music		50324	
	■ Christian witness	50400		
	Publicity/signs		50425	
	Radio—TV		50426	
	■ Christian stewardship	50500		
	Offering envelopes		50528	
	■ Christian growth	50600		
	Sunday school materials		50640	
	Vacation Bible school		50641	
	Adult Bible study materials		50642	
	Church library		50643	
	Lutheran Witness®		50644	
	Portals of Prayer®		50645	
	Audio visual materials		50647	
	■ Christian youth	50700		
	Conferences and workshops		50712	
	Leadership training		50760	
	■ Christian welfare	50800		

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	Description	Sub Account	Account Number	Explanation
	■ Christian day school	50900		
	Salaries		50901	
	FICA and Medicare taxes		50903	
	Employee benefits		50904	
	Housing allowance		50907	
	Automobile expense		50909	
	Continuing education		50910	
	Utilities allowance		50911	
	Conferences and workshops		50912	
	Substitute teachers		50919	
	Office supplies		50920	
	School curriculum		50948	
	Equipment maintenance		50952	
	Equipment repairs		50953	
	Depreciation—equipment		50954	
	Telephone		50970	
	Utilities		50972	
	Insurance		50973	
	Other expense		50990	
	■ Administration	51000		
	Salaries		51001	
	FICA and Medicare taxes		51003	
	Employee benefits		51004	
	Housing allowance		51007	
	Conferences and workshops		51012	
	Office supplies		51020	
	Equipment maintenance		51052	
	Equipment repairs		51053	
	Depreciation—equipment		51054	
	Telephone		51070	
	Other expense		51090	
	■ Church property	51100		
	Rental		51151	
	Utilities		51172	
	Telephone		51170	
	Maintenance and repairs		51174	
	Depreciation—building		51176	
	Interest expense		51177	

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	Description	Sub Account	Account Number	Explanation
	Utilities—parsonage		51178	
	Repairs—parsonage		51179	
	Other expense		51190	
Income—Restricted		60000		
	Building Fund		60010	
	Organ Fund		60020	
	World Mission Project		60030	
Expenses—Restricted		70000		
	Building Program		70010	
	Organ Fund		70020	
	World Mission Project		70030	
	Interest expense		51177	

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Chapter 23: Budgeting

INTRODUCTION 100

BUDGET PREPARATION 200
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23.100: Introduction

Advanced planning, whether for one, two or five years, is necessary to ensure the achievement of a goal. Within the church, planning is frequently done in the form of a budget. The budget is a tool to ensure that funds are available for continued operations and for the expansion of ministry. The budget is monitored through revenue received and expenditures made as compared to the budget.

Income is budgeted on the basis of pledge information received from members plus other income. Expenses are budgeted on the basis of input from all boards and committees using the prior year's expenditures and needs for the future as guides. When adopted, the budget becomes the financial guide for the forthcoming year.

As budgets are reviewed each year, it is also important to look at balance-sheet changes. Changes in cash balances, capital expenditures, and both short term debt (Accounts Payable) and long-term debt need to be considered when planning spending levels for future years.

23.200: Budget Preparation

23.205: Objectives of a Budget

The objectives of a budget are as follows:

1. To be good stewards of the money with which the church has been entrusted.
2. To develop a total congregational plan (budget) to facilitate and guide planning and expenditure decisions during the following year(s).
3. To facilitate sharing of goals and budget considerations among leaders of the congregation.
4. To harmonize church council (board of directors) goals with individual committee goals and congregational needs and concerns.
5. To facilitate financial reporting to the district office.

23.210: Elements of a Budget

For a budget to provide information and control, four elements must be present:

1. The budget must be well-conceived and prepared or approved by the board or council.
2. The budget must be broken down into periods corresponding to the periodic financial statements.
3. Financial statements must be prepared on a timely basis throughout the year and a comparison made to the budget.
4. The board (council) must be prepared to take action when the comparison with the budget indicates a significant deviation.

23.215: Kinds of Budgets

1. Same as last year: Most commonly used in the church. Begins with the amount and format from the prior year with minor adjustments for the coming year.
2. **Zero-based budget:** This budget requires much more work and forces rigorous defense of spending plans. Each program and committee begins with a zero balance and must justify any request as to need and how it will contribute to the total mission of the church.
3. **Unified budget:** Puts all the congregation's receipts and disbursements into "one basket." Every source of funding (pledges, building fund, Sunday school, etc.) and every allocation of those funds is placed in one comprehensive budget.
4. **Capital budget:** A capital budget plans for the future acquisition of capital assets, such as office furniture, copiers, computers, software, automobiles, buses and major site improvements.
5. **Construction budget:** Provides a budget plan for new construction and alterations. It is a specialized budget for a special situation.
6. **Special Funds Budget:** Provides a budget plan for the use of restricted and designated funds. The receipts and disbursements are carefully recorded in these accounts to reflect the original purpose and use of these funds.

23.230: Budget Committee

The church council or board of directors may appoint a budget committee. The committee might consist of the pastor, president of the congregation, treasurer and representatives of the congregation at large; or it may be comprised of members of the various committees.

23.300: Budget Process

Suggested steps in preparing the congregational budget are as follows:

1. The church council appoints the budget committee.
2. The individual program and administrative committees are made aware of their responsible areas and are given a timetable for submitting a budget estimate to the budget committee.
3. The committees evaluate their needs and goals for the coming year and prepare a budget estimate. Part of this process involves an evaluation of the effectiveness of the past year's programs.

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4. The committees forward their budgets and programs to the budget committee.
5. The treasurer, pastor, financial secretary and stewardship committee compile the income budget based on member pledges or a historical analysis of the congregation's income.
6. The individual committee chairpersons and the budget committee meet to review the budget and program recommendations of the committees. Here arguments are presented to remove or retain certain budget items.
7. The budget committee compares all program, capital, construction and administrative budgets with the anticipated income and prepares a balanced budget that it presents to the church council.
8. The council reviews the budget, makes any final adjustments, and presents the approved budget to the voters' assembly.
9. The budget is presented at the voters' assembly, discussed and eventually approved.

23.310: Determining Congregational Potential Income

The congregation, in its budget planning, should analyze the potential giving of its members based on the various types of households that the congregation serves. With an indication of types of households, a more accurate indication of giving can be made or projected. Determining this potential also assists the congregation in measuring the members' stewardship level overall.

The Congregation Budget Planning Worksheet (see 22.320) is a form that is helpful in determining the congregation's potential income.

23.320: Congregation Budget Planning Worksheet

	Factor	Avg No of Households	Adjusted Households
A. Households			
1. Husband and wife (two incomes)	1.50	55	83
2. Husband and wife (one income)	1.00	25	25
3. Singles, single parent	0.50	10	5
4. Mixed marriage (two denominations)	0.33	10	3
5. Restricted incomes (retired, disabled, etc.)	0.25	20	5
6. Unemployed	0.00	10	0
7. Inactive members	0.10	20	2
8. Total households		150	123
B. Annual average household income			32,000
C. (Line A.8xB)			3,929,600
D. Total Congregation Giving			185,000
E. Percentage of income given per household (divide D by C)			4.71%
F. Giving Potential	%	Offerings would be:	Increase (Decrease)
If membership contributed:	3%	117,888	(67,112)
	5%	196,480	11,480
	7%	275,072	90,072
	10%	392,960	207,960
	12%	471,552	286,552

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23.400:
Budget Calendar

The timetable before the voters' assembly approves the budget is as follows:

1. **Three months:** The council appoints the budget committee and the program committees are formed.
2. **Two months:** The budget committee meets with the program committees. The pledge process begins.
3. **One month:** The budget committee presents a balanced budget to the church council.
4. **Two weeks:** The council approves the budget and brings the recommendation to the voters for adoption.

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23.600:
Sample Budgets
22.610
Budget Summary

		Current Year	Last Year	Increase/Decrease
Contributions—Budget Contributions				
	Worship service offering	450,000	427,000	23,000
	Mission offering	4,500	4,200	300
	Building Fund offerings	80,000	75,000	5,000
	Organ Fund offerings	0	0	0
	Plate offerings	16,500	16,000	500
	Flowers and decorations	0	0	0
	Sunday School offerings	0	0	0
	Christmas Day	3,000	3,000	0
	Christmas Eve	6,000	6,000	0
	New Year's Day	1,000	1,000	0
	Thanksgiving	2,000	2,000	0
	Lent	500	500	0
	Advent	1,500	1,500	0
	Gifts and bequests	1,500	1,500	0
	Interest and investment income	12,000	11,000	1,000
	Tuition—members	25,000	25,000	0
	Tuition—non members	220,000	210,000	10,000
	Registration fees	4,600	4,500	100
	Book rentals and fees	25,000	24,000	1,000
	Total Budget Income	**853,100**	**812,200**	**40,900**
Budget Expenses				
	Outreach—beyond congregation	24,820	22,700	2,120
	Pastoral support	83,850	76,050	7,800
	Christian worship	2,250	2,050	200
	Christian witness	800	600	200
	Christian stewardship	600	600	0
	Christian growth	6,400	5,950	450
	Christian youth	5,800	2,900	2,900
	Christian welfare	2,500	2,500	0
	Christian day school	496,825	458,300	38,525
	Administration	65,593	62,200	3,393
	Church property	119,800	114,200	5,600
	Total Expenses	**809,238**	**748,050**	**61,188**
	Operating Surplus (Deficit)	**42,862**	**63,150**	**(20,288)**
	Debt Service—Principal on Loan	**(13,000)**	**(15,000)**	
	Depreciation included in operating surplus	**82,000**	**85,000**	
	Fixed asset additions	**(30,000)**	**(30,000)**	
	Total Non Operating Adjustments	**39,000**	**40,000**	
	Total Surplus (Deficit)	**81,862**	**103,150**	

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23.620:
Budget Detail

First Lutheran Church
Expense Budget — Detail

Acct No.	Account	Current Year	Last Year	Increase/Decrease
50100	Outreach—beyond congregation			
50180	District-Synod support	22,000	20,000	2,000
50185	Convention assessment	720	700	20
50189	Local mission support	2,100	2,000	100
	Total Outreach Beyond Congregation	**24,820**	**22,700**	**2,120**
50200	Pastoral support			
50201	Salaries	37,000	36,000	1,000
50203	FICA and Medicare taxes	0	0	0
50204	Employee benefits	19,500	13,500	6,000
50207	Housing allowance	19,500	19,000	500
50209	Automobile expense	4,300	4,200	100
50210	Continuing education	2,000	1,800	200
50211	Utilities allowance	0	0	0
50212	Conferences and workshops	650	650	0
50219	Guest pastors/speakers	900	900	0
	Total Pastoral Support	**83,850**	**76,050**	**7,800**
50300	Christian worship			
50321	Altar supplies	250	250	0
50322	Service bulletins	1,000	1,000	0
50323	Hymnals	650	500	150
50324	Choir music	350	300	50
	Total Christian Worship	**2,250**	**2,050**	**200**
50400	Christian witness			
50425	Publicity/signs	800	600	200
50426	Radio-TV	0	0	0
	Total Christian Witness	**800**	**600**	**200**
50500	Christian stewardship			
50528	Offering envelopes	600	600	0
	Total Christian Stewardship	**600**	**600**	**0**
50600	Christian growth			
50640	Sunday school materials	2,800	2,600	200
50641	Vacation Bible school	1,300	1,200	100
50642	Adult Bible study materials	600	500	100
50643	Church library	500	500	0
50644	Lutheran Witness®	300	350	(50)
50645	Portals of Prayer®	0	0	0
50647	Audio visual materials	900	800	100
	Total Christian Growth	**6,400**	**5,950**	**450**

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Acct No.	Account	Current Year	Last Year	Increase/Decrease
50700	Christian youth			
50712	Conferences and workshops	5,000	2,000	3,000
50760	Leadership training	800	900	(100)
	Total Christian Youth	**5,800**	**2,900**	**2,900**
50800	Christian welfare	**2,500**	**2,500**	**0**
50900	Christian Day School			
50901	Salaries	225,600	212,600	13,000
50903	FICA and Medicare taxes	8,400	8,100	300
50904	Employee benefits	110,025	95,000	15,025
50907	Housing allowance	66,200	62,500	3,700
50909	Automobile expense	1,000	1,000	0
50910	Continuing education	2,500	2,500	0
50911	Utilities allowance	0	0	
50912	Conferences and workshops	2,700	2,300	400
50919	Substitute teachers	2,000	1,500	500
50920	Office supplies	2,600	2,400	200
50948	School curriculum	32,000	30,000	2,000
50952	Equipment maintenance	2,500	2,500	0
50953	Equipment repairs	3,400	3,200	200
50954	Depreciation—equipment	4,700	4,200	500
50970	Telephone	3,500	3,000	500
50972	Utilities	25,000	23,000	2,000
50973	Insurance	4,500	4,300	200
50990	Other expense	200	200	0
	Total Christian Day School	**496,825**	**458,300**	**38,525**
51000	Administration			
51001	Salaries	39,000	37,500	1,500
51003	FICA and Medicare taxes	3,650	3,450	200
51004	Employee benefits	12,363	11,500	863
51007	Housing allowance	0	0	0
51012	Conferences and workshops	275	300	(25)
51020	Office supplies	2,080	1,750	330
51052	Equipment maintenance	1,650	1,500	150
51053	Equipment repairs	1,200	1,100	100
51054	Depreciation	2,300	2,100	200
51070	Telephone	2,500	2,400	100
51090	Other expense	575	600	(25)
	Total Administration	**65,593**	**62,200**	**3,393**
51100	Church property			
51151	Rental			
51172	Utilities	20,000	20,000	0
51170	Telephone	0	0	0
51174	Maintenance and repairs	8,000	7,000	1,000
51176	Depreciation—building	75,000	70,000	5,000
51177	Interest expense	16,800	17,200	(400)

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Acct No.	Account	Current Year	Last Year	Increase/Decrease
51177	Interest expense	16,800	17,200	(400)
51178	Utilities—parsonage	0	0	0
51179	Repairs—parsonage	0	0	0
51190	Other expense	0	0	0
	Total Church Property	**119,800**	**114,200**	**5,600**

23.630:
Budget Narrative
First Lutheran Church
Budget Narrative

	Amount	% of Budget
Outreach beyond congregation— Support for foreign, national and district missions and ministries, and local social ministries and Christian counseling	24,820	3.07
Pastoral support— Provisions made for the cost of providing pastoral support for the congregation. This includes salary and housing allowance and expenses incurred for the ministry of the congregation.	83,850	10.36
Christian worship— Various costs incurred with developing worship materials and supplies for communion, choir and music materials.	2,250	.27
Christian witness— Includes the costs for promotion of the congregation in the community through publicity and signs and through radio announcements.	800	.10
Christian stewardship— Costs incurred to encourage members of the congregation to express their support for the ministry of the congregation.	600	.07
Christian growth— Educational materials to assist all ages of members in the congregation in their spiritual growth.	6,400	.79
Christian youth— Providing the opportunity for the youth of the congregation to grow in their faith and service to the congregation.	5,800	.72
Christian welfare— Provide a source of help to members of the congregation or residents in the community that are in need of assistance in food or clothes or financial help.	2,500	.31
Christian Day School— The operations of the Christian Day School which includes all salaries and benefits of the teaching staff and the various expenses in maintaining the school operations.	496,825	61.39
Administration— The work of the office staff and providing equipment to carry out the administrative matters of the congregation.	65,593	8.11
Church property— Expenses of maintaining the entire church property, which includes maintenance, utilities, parking lot and capital expenditures.	119,800	14.81

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23.700:
Payroll Budget

Establishing the payroll cost for the congregation requires a great deal of time and attention for the leadership of the congregation. A payroll budget should be prepared to analyze the total salaries and benefits for the congregation workers.

The sample payroll budget is as follows:

Employee	Salary	Housing Allowance	Total	FICA Taxes (6.20%)	Medicare Taxes (1.45%)	Total FICA and Medicare	CHP	CRP	CDSP	Total Employee Benefits
Pastor	37,000	19,500	56,500				14,150	3,955	1,395	19,500
Church secretary	25,000		25,000	1,550	363	1,913	10,000	1,750	613	12,363
Custodian	14,000		14,000	868	868	1,736				0
Total Administration	**39,000**	**0**	**39,000**	**2,418**	**1,231**	**3,549**	**10,000**	**1,750**	**613**	**12,363**
School principal	35,600	17,200	52,800			0	14,150	3,696	1,294	19,140
Teacher (Full time)	26,000	16,000	42,000			0	10,000	2,940	1,029	13,969
Teacher (Full time)	27,000	18,000	45,000			0	14,150	3,150	1,103	18,403
Teacher (Full time)	35,000	0	35,000	2,170	508	2,678	10,000	2,450	858	13,308
Teacher (Full time)	28,000	15,000	43,000			0	10,000	3,010	1,054	14,064
Teacher (Full time)	30,000	0	30,000	1,860	435	2,295	14,150	2,100	735	16,985
Teacher (Part time)	18,000	0	18,000	1,116	261	1,377	0	1,260	441	1,701
School secretary	26,000		26,000	1,612	377	1,989	10,000	1,820	637	12,457
Total School	**225,600**	**66,200**	**291,800**	**6,758**	**1,581**	**8,339**	**82,450**	**20,426**	**7,149**	**110,025**

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Chapter 24: Accounting Applications

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24.100: Journals and Ledgers

Every accounting and bookkeeping system consists of a balanced set of records called journals and ledgers. A journal is a book of original entry and tracks transactions in a chronological order (cash receipts journal, cash disbursements journal, payroll journal, etc.). The General Ledger is a summary by account of all the financial transactions of the congregation, posted from the books of original entry (the journals). Financial Statements are prepared from the balances in the General Ledger.

The size and complexity of the organization will determine how these records are used, but each must be adaptable to the specific organization's financial reporting needs. In some organizations, these ledgers and journals may consist only of a checkbook, in some an elaborate set of manually posted records, and in others a computerized system of bookkeeping and financial statements.

Many congregations use some sort of computerized bookkeeping system such as a comprehensive church management software (e.g. Shepherd's Staff) or an off-the-shelf bookkeeping software (e.g. QuickBooks Pro). A computerized bookkeeping system creates the journals and ledgers as transactions are entered.

■ **General ledger:**
A summary by account of all the financial transactions of the congregation, posted from the books of original entry (the journals).

■ **Subsidiary ledger:**
The detailed totals of a given general-ledger account.

■ **Cash receipts journal:**
A record of all receipts of the organization, including the amount deposited into the checking account, the date of the deposit and distribution to the respective accounts, usually the income accounts. The monthly summarized totals are posted to the general ledger.

■ **Cash disbursement journal:**
A record of all checks written, usually in check number sequence by month. The journal is an expansion of the checkbook register. In smaller organizations, the checkbook register or the check stubs may serve as the journal with the summary distribution posted to the general ledger.

This journal includes the check number, date written, payee, amount of the check, description of the transaction (optional) and distribution of the transactions by account. Any non-check disbursement, e.g., bank service charges or automatic payments, should also be included in this journal.

The monthly total of the checks and the account distribution totals are posted to the general ledger.

■ **Payroll record:**
A record of all payroll transactions of the organization; summarized posting of the monthly gross payroll allowances; income, Social Security, and Medicare tax withheld; and net paycheck. The payroll record may be a part of the cash disbursements journal if there are several employees in the organization.

■ **Adjusting journal entries:**
A record of all correcting or adjusting entries to the general ledger that are not recorded in the other journals. A journal entry consists of account title and number, the amount of the debit and credit, and the description or reason for the entry. All journal entries should be posted monthly. Journal entries, for example, are used to allocate and post depreciation.

■ **Count form (weekly offering):**
A report to record the count and deposit of the Sunday offering. The totals of this report are posted to the cash receipts journal.

■ **Payment voucher:**
A voucher to approve the payment of any expenditure on behalf of the congregation. Every check written should be supported by a voucher and supporting documentation and approved by the appropriate person or board.

24.200: Sample Filled-in Records

The following pages are selected sample forms of First Lutheran Church for January, those that might typically be used even with a computerized accounting system.

Exhibit Title and Description

A. Count Form (Weekly Offering)
This form reports the collection and distribution of the Sunday offering and is to be completed each time a collection is made at the church. The form should be completed and signed by two counters, neither of whom is the treasurer or financial secretary. A copy of the form should be given to the treasurer and financial secretary every time a count is made.

B. Payment Voucher
This form must be completed before a check can be issued. The form authorizes the treasurer to pay a bill of which he or she may have no knowledge. This voucher should be attached to the check copy or filed alphabetically or numerically with the invoice or statement.

C. Payroll Record (Card)
This reports the detail of each employee's payroll check. A sheet (card) should be maintained for each employee, including the minister.

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COUNT FORM–WEEKLY OFFERING

FIRST LUTHERAN CHURCH
ST. LOUIS, MISSOURI

Date January 4, 20XX

	Coins	Currency	Checks	Sub Total	Total
GENERAL FUND				(B)	
Plate	$ 3.64	$ 29.00	$ 10.00	$ 42.64	
Envelope		319.00	1,775.00	2,094.00 (A)	$2,136.64
BUILDING FUND		90.00	210.00		(C) 300.00
ORGAN FUND					
AGENCY FUNDS					
American Bible Society		5.00	25.00		(E) 30.00
Lutheran Hour					
World Relief		85.00	30.00		(F) 115.00
_____					
_____					
_____					
OTHER RECEIPTS					
Sunday school:					
Plate	13.55	2.00		15.55	(D)
Envelope					15.55
TOTAL SOURCE/DEPOSIT	17.19	530.00	2,050.00		(G) 2,597.19

Counted by: Fred Johnson Date: 1-4-XX

Counted by: Mike Campbell Date: 1/4/XX

Exhibit 24-A

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AUTHORIZATION FOR PAYMENT VOUCHER

Vendor _____ Date of Request _____

Address _____ Date Needed By _____

Invoice No. (s) _____ Date of invoice _____

_____ _____

_____ _____

Special Instructions _____

Explanation _____

Amount $ _____ Account No. _____ Program _____

☐ Authorized by Church Council Date _____

☐ Budget expenditure

Requested by _____

Approved by _____ Date paid _____ Check No. _____

CUT HERE

AUTHORIZATION FOR PAYMENT VOUCHER

Vendor _____ Date of Request _____

Address _____ Date Needed By _____

Invoice No. (s) _____ Date of invoice _____

_____ _____

_____ _____

Special Instructions _____

Explanation _____

Amount $ _____ Account No. _____ Program _____

☐ Authorized by Church Council Date _____

☐ Budget expenditure

Requested by _____

Approved by _____ Date paid _____ Check No. _____

Exhibit 24-B

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INDIVIDUAL PAYROLL RECORD

Year 20xx

Employee Name Mary Kelly
Address 789 Main Street
St. Louis, MO 63122

Social Security No. 342-02-1234
Position Secretary
Phone No. 314-826-1000

Marital Status M
Exemption Allowance(s) 1
Exempt from federal income tax withholding? Yes ____ No X
Rate: Hourly $____ Weekly $____ Monthly $ 800.00

Period Ending	Earnings: Gross Salary	Housing Allowance	Auto Allowance	Christmas Gift	Total Earnings	Deductions: Federal Withheld	Social Security Tax	Medicare Tax	State Withheld	Other ____	Advance	Net Paid	Check No.
1-31-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	372
2-28-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	390
3-31-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	413
Total 1st Qtr.	2,400.00				2,400.00	180.00	148.80	34.80	63.00	8.40		1,965.00	
4-30-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	433
5-31-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	457
6-30-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	480
Total 2nd Qtr.	2,400.00				2,400.00	180.00	148.80	34.80	63.00	8.40		1,965.00	
7-31-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	501
8-31-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	512
9-30-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	519
Total 3rd Qtr.	2,400.00				2,400.00	180.00	148.80	34.80	63.00	8.40		1,965.00	
10-31-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	574
11-30-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	595
12-20-xx				50.00	50.00		3.10	.73				46.17	608
12-31-xx	800.00				800.00	60.00	49.60	11.60	21.00	2.80		655.00	615
Total 4th Qtr.	2,400.00			50.00	2,450.00	180.00	151.90	35.53	63.00	8.40		2,011.17	
Annual Totals	9,600.00			50.00	9,650.00	720.00	598.30	139.93	252.00	33.60		7,906.17	

Exhibit 24-C

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24.300:
Record Retention

The following is the recommended retention period for records. The actual length you decide to keep records may depend on your particular circumstances. Retention periods should be periodically reviewed with state and federal laws endure proper compliance.

Corporate Records	Permanent	Years
Articles of Incorporation	X	
Constitution and Bylaws (including all revisions)	X	
Deeds and Copies of Deeds	X	
Long-Term Contracts and Agreements	X	
Legal Correspondence	X	
Minutes—Council Meetings/Voters	X	
Reports—Board and Committee		3
Titles and Mortgages	X	
Title Insurance Policies	X	
Financial Records		
Annual Reports	X	
Asset Records	X	
Audited Financial Statements	X	
Bank Statements and Reconciliations		7
Budgets		2
Cash Remittance Vouchers		3
Cash Receipt Records		7
Cash Receipts Journals		7
Cash Disbursement Vouchers		3
Canceled Checks		7
Check Record-Check Stubs		5
Correspondence Files		3
Deposit Slips		3
Employee Files	X	
Expense Reports		3
Information Returns—Form W-2s and 1099s		6
Insurance Policies (expired)—Liability Policies	X	
Invoices after Payment		3
Journal Entries	X	
Ledgers—General	X	
Ledgers—Other		7
Loan Files	X	
Offering Envelopes		4
Offering Envelope Reports		3
Payroll—Earnings Records		10
Purchase Orders		3
Reports—Monthly		3
Reports—Government		6
Reports—Subsidy Requests		3

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24.400: Accounting Applications

It should be quite apparent that the editors of the *LCMS Congregational Treasurer's Manual* strongly encourage the use of internal controls by every congregation. Chapter 20 of this Volume 2 is dedicated to the introduction of internal controls and Chapter 25, Financial Review, includes tests for the existence and adherence to the congregation's internal control system.

The balance of Chapter 23 contains discussions on various accounting applications, including internal control considerations. Some sample journal entries are also included for transactions that may be outside the day-to-day operations of the congregation and/or which are normally entered into the accounting records through adjusting journal entries.

24.500: Assets

24.510: 11000 Cash and cash equivalents

All liquid investments with a maturity of three months or less at the date of acquisition are generally considered to be cash equivalents.

24.511: 11011 Cash in bank

The balance in this account represents money on deposit in the bank or in transit. A separate account number should be assigned for each bank account maintained. All cash received by the congregation should be deposited intact daily. All disbursements should be made by check, on-line, or by credit card.

INTERNAL CONTROL CONSIDERATIONS

1. A reconciliation of each bank account should be prepared upon receipt of the monthly bank statement. This reconciliation should be prepared by an individual independent of the cash receipting and disbursing process.
2. The individual responsible for completing the monthly bank reconciliation should receive the bank statements unopened.
3. Compare the dates and amounts of deposits on the bank statements to the cash receipts journal or general ledger. List any deposits that do not appear on the bank statement as deposits in transit. Amounts listed on the prior reconciliation as "in transit" should be analyzed for timeliness of deposit after the end of the month. Any unusual time lapses or amounts should be investigated.
4. A list of outstanding checks should be prepared by comparing the canceled checks (in numerical order) to the disbursement journal or check register. The checks should be placed in numerical order and all must be accounted for, including those which have not been returned by the bank. A listing of outstanding checks must be prepared.
5. Any charges or credits noted on the bank statement should be analyzed. A journal entry should be made for all appropriate items such as check printing charges, interest earned and service charges. Any unusual items should be investigated.
6. The ending balance on the bank statement and the adjusted general ledger balance must agree with the reconciliation.
7. All voided checks should be reviewed and filed with the canceled checks.

Steps 8 through 10 do not need to be performed on a regular basis but may be used randomly or when circumstances require.

8. On a test basis, canceled checks should be compared with the disbursement journal as to check number, date, payee and amount.
9. Canceled checks should be examined for authorized signatures, irregular endorsements and alterations to ensure that they have been properly executed on a test basis.
10. Checks outstanding for more than 90 days should be periodically investigated. Stale checks should be handled in accordance with the local escheat laws.

24.512: Cash receipts

The handling and recording of receipts requires a high level of attention to detail to ensure items are classified properly and consistently in interim and annual financial statements. Equally as important, though, is the protection of the congregation's most valuable and liquid asset, cash. The following procedures should be used as a guideline and modified appropriately for individual circumstances. A common element of most internal controls is the separation of duties between employees/volunteers. Budgetary constraints and the structure of small organizations may hinder this goal, but congregations should attempt to separate these duties and formalize procedures to the greatest reasonable extent. Additional control procedures should be considered if these are not possible. It is important that the first person in a congregation that handles cash receipts should have no access to any general or subsidiary ledgers.

1. Worship service offerings should be counted or securely stored immediately following the worship service by two or more individuals. If the offering is to be stored before processing, all loose cash should be counted and a notation made of the amount of loose "plate

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offerings" and the offering should remain secured until at least two individuals are available to process the offering.

2. Daily Processing of Cash Receipts
   a. Daily, all mail that is suspected of having cash or checks enclosed should be opened by a designated person who does not have access to the general or subsidiary ledgers.
   b. As mail/offering envelopes are opened, checks should be logged including the remitter's name and the amount. At this time, all checks should be restrictively endorsed for deposit only in the congregation's bank account.
   c. Checks should be assembled for deposit at the bank.
      (1) If required by the bank, list all checks on the deposit slip or prepare an adding machine tape or computer printout of all checks and attach to the bank deposit slip.
      (2) Deposit should then be delivered to the bank and the deposit receipt should be attached to the cash receipts journal.
      (3) All undeposited receipts should be kept in a safe place.
   d. The financial secretary should enter each receipt, based on the logs created in step two, into the cash receipts journal or similar module of the general ledger recording, at a minimum:
      * The remitter's name
      * The date of posting of the remittance
      * The amount of the receipt
      * The account number to be credited
      * A brief description
3. A proofing list should be generated, reviewed, compared against the copy of the log and, if all is in order, the batch should be posted to the general ledger. Documentation supporting the nature of any material receipts and the mail listing should be filed with the cash receipts journal.

24.513: Cash disbursements

Approval of Supporting Documentation

1. When general invoices or recurring bills are received, they should immediately be forwarded to the treasurer. Invoices that are specific to a particular ministry should be forwarded the appropriate individual for approval and account distribution; then forwarded to the treasurer. Expense reports should be completed with supporting documentation attached, appropriate account distribution and approval; then forwarded to the treasurer. The treasurer should then complete the following steps:
   a. Review the documents for mathematical accuracy.
   b. Review for approvals from the appropriate officials.
   c. Review for appropriate account distribution.
   d. Compare amounts to be paid against amounts ordered, contracts, congregation policies, discounts, sales tax, etc.
   e. Determine whether adequate amounts are budgeted for the proposed account distribution.
   f. Compare invoice to purchase order (if applicable).
   g. Ascertain that the invoice received is an original invoice, and not a copy to prevent duplicate payment.
   h. A check request should be used for all disbursements where other substantiation is not available.
2. All documents should be canceled or defaced to avoid duplicate payment.
3. Unless the checks are manually signed by the treasurer, he/she should approve disbursements by initialing or signing the documents.
4. Check copies, attached to the appropriate supporting documentation should be filed alphabetically, by payee.

Other Considerations

1. The check should be pre-numbered two-part (minimum) document with the carbon copies clearly marked "non-negotiable."
2. The negotiable check should contain the term: **"VOID AFTER (30, 60, OR 90) DAYS"** on its face.
3. Blank check stock as well as keys to a check signing machine should be stored in a secure place when not in use.
4. Any check that has been prepared and recorded should be distributed or mailed, not held for future distribution.
5. All voided checks are to be marked "VOID" in bold letters on the face of the check and also in the signature area of the check. The voided check is to be filed numerically with canceled checks from the bank.

24.514: Business Expense Reports

1. All expense reports with appropriate accounts noted must be signed by the preparer and approved by the individual's immediate supervisor or a designated official.
2. The expense report should clearly define the nature of the business for which the expenses were incurred and names of individuals involved.
3. All expenses must be substantiated by a receipt showing the date, the reason for the expense, the amount, and to whom paid.
4. The report is checked for mathematical accuracy and account distribution.
5. Congregation Business Expense Reports should comply with the IRS requirements for an accountable plan as adopted by the Church Council.

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6. The congregation may authorize credit card use for staff to cover automobile, lodging, meals and other travel expense.
7. Personal expenses should not be charged on credit card(s) authorized by the congregation.

24.515:
11015 Petty cash

This account represents a fixed amount of money (imprest balance) set aside to make immediate cash disbursements for small purchases or services. The total of the fund must always be accounted for by cash on hand plus signed vouchers for the amount expended. The fund is replenished periodically by an amount equal to the total amount of petty cash vouchers. Each time the fund is replenished, charges are made to appropriate expenditure accounts. The petty cash fund must be kept separate from the cash receipts.

INTERNAL CONTROL CONSIDERATIONS

1. Petty cash transactions should be kept to a minimum.
2. The petty cash custodian should be an individual separate from the cash receipting and disbursing functions.
3. All disbursements from the petty cash fund must be supported by a receipt or recorded on petty cash vouchers. The voucher should contain the reason for the use of the funds, the signature of the individual using the funds, the initials of the petty cash custodian and the general ledger account to be charged.
4. When the petty cash is at an amount below the minimum to be held, a request from the petty cash custodian for a replenishment check should be made to the order of the custodian, recording the appropriate expenses, and physically added back to the fund.
5. The treasurer should periodically review the cash and receipts on hand in the fund and should approve the posting of the replenishment request.

24.520:
12000 Investments

These accounts shall include the value of all investments owned by the congregation. Investments should be recorded at market value. Investments received through gifts should be initially recorded at the fair value on the date of receipt. Fair value may be obtained from the Wall Street Journal stock or bonds listing, on the internet from various sources (such as Google), or any other quoted price source. Generally, all gains or losses on investments are unrestricted, unless governed by state law or a donor's statement to the contrary.

INTERNAL CONTROL CONSIDERATIONS

SAFEKEEPING

1. Marketable securities should be adequately protected, stored in a safe, safety deposit box, or on deposit with a trustee or financial institution. Photocopies should be made and stored for quick reference.
2. A board resolution should limit the physical access to marketable securities to a few responsible individuals (president, business manager, treasurer).
3. All investments should be registered in the name of the congregation and utilize the congregation's mailing address and Federal Employer Identification Number.
4. The Board, through formal resolution, should authorize a list of individuals to conduct investment transactions. This list should be reviewed regularly and may be needed by banks or investment companies in order to open accounts or execute transactions.

Sample Journal Entries	Account	Debit	Credit
Petty cash	**11015**	**100**	
Cash — First National Bank	**11011**		**100**
To record establishment of petty cash fund.			
Office supplies	**51020**	**18**	
Maintenance and repairs	**51174**	**15**	
Cash — First National Bank	**11011**		**33**
To record replenishment of petty cash for amounts disbursed			

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RECORDING

1. Detailed records should be maintained of all investments that should include the date of acquisition and purchase price (or fair market value at date of donation).
2. When monthly, quarterly or annual investment statements are received, fluctuations in market values should be accounted for in a separate "market valuation" investment account.
   * Investigate applicable state laws regarding the appreciation of permanent endowments. Most states have adopted the Uniform Management of Institutional Funds Act which states, absent donor instructions to the contrary, gains carry the same restrictions as regular investment income. Other states follow trust law, which states the appreciation becomes part of principal. Based on the applicable state law where the congregation is incorporated, appreciation on endowment assets should be recorded as noted.
   * All other realized gains and losses are unrestricted and should be recorded as such.
3. As investment income or account statements are received, these should be immediately recorded as cash, accrued interest receivable, or principal purchases and as investment income as the case may be.
4. Investment earnings should be recorded in the proper class of net assets based on the presence or absence of donor restrictions.
5. The governing board should regularly review and determine the use of income from investments and proceeds in compliance with any restrictions.

24.530:
13000 Receivables

These accounts are used to record accounts receivable from all sources (such as school tuition, promises to pay, etc.).

A related account, Allowance for estimated uncollectibles, should be established if some of the receivables are expected not to be collectible. This account would be a contra account to the receivable account and would carry a credit balance. This estimate allowance will require adjustment as estimates change.

INTERNAL CONTROL CONSIDERATIONS

The totals of the individual accounts in each subsidiary ledger must be reconciled with the general ledger control account at the end of each accounting period.

Periodic detail aging (monthly, quarterly, etc.) schedules of subsidiary accounts receivable should be prepared showing name, unpaid balance, date of charge, date of last payment and number of days past due. These schedules should be used as part of a diligent follow-up program to ensure prompt collection of past due accounts.

At least annually, all receivables (accounts, promises to give, accrued interest, and notes and contracts) shall be reviewed for collectability.

An allowance for estimated uncollectible accounts should be created if, in management's opinion, there is a doubt as to future collectability of the receivable.

Each congregation should establish a policy for authorization of write down or write off of receivables. The Church Council should authorize any material write off and receive annually a report of accounts written off.

24.531:
13010 Accounts receivable

This account represents amounts due the congregation from fees and other day-to-day operations, such as tuition.

24.532:
13020 Promises to give receivable

This account is used to record unconditional promises to give including grants, pledges, irrevocable trusts, split interest agreements from donors and funds held by third party trustees.

24.533:
13030 Accrued interest receivable

This account represents the amount of interest earned from cash deposits or investments earned in one accounting period and received subsequently in another accounting period.

Sample Journal Entries	Account	Debit	Credit
Receivables	**13000**	**3,000**	
Tuition–Members	**43010**		**3,000**
To record amount due from families for tuition.			
Cash — First National Bank	**11011**	**3,000**	
Receivables	**13000**		**3,000**
To record receipt from families for tuition.			

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24.534:
13040 Notes and contracts receivable

These accounts are used to record any loan receivable by the congregation from other parties.

INTERNAL CONTROL CONSIDERATIONS

1. Review the following documentation for new loans to determine if loans are adequately secured:
   a. The nature of the loan
   b. Signed promissory note
   c. A registered mortgage, deed of trust or similar security
   d. Title insurance/attorney's opinion or an abstract
   e. Evidence of casualty insurance coverage

24.540:
13200 Inventories

This account shall include the cost of all merchandise and supplies on hand at the close of the fiscal year.

In order to determine actual cost of goods sold, physical inventories shall be taken at the close of the fiscal year. The inventories should be priced at the lower of cost or market and the respective inventory accounts should be adjusted accordingly.

24.550:
14000 Prepaid expenses

This account is used to record prepayment for services that extend beyond the current accounting period. Periodic adjustments should be made so that the balance of the account reflects the prepaid amount.

24.560:
Fixed assets

All fixed assets purchased or acquired by the congregation or its controlled entities are recorded in the fixed asset accounts of the congregation.

INTERNAL CONTROL CONSIDERATIONS

1. The congregation should establish a capitalization policy based on the following example:
   a. All purchases of individual pieces of equipment in excess of $_____ with an estimated useful life of more than one year are to be capitalized and recorded in the respective fixed asset account.
   b. All purchases of equipment (i.e., desks, chairs, calculators, etc.) which individually cost less than $_____, but in aggregate cost in excess of $_____ are to be capitalized and recorded in the respective fixed asset account.
   c. All purchases of equipment less than $_____ are to be expensed and charged to the appropriate account.
2. An expenditure for maintenance or repair of real or personal property which is ordinary and incidental in nature and which neither materially adds to the value of the property or appreciably prolongs its life, but keeps it in ordinarily efficient operating condition, is to be treated as a current operating expense and recorded under maintenance and repair.
   Examples include:
   a. Painting
   b. Equipment maintenance agreements or repairs
   c. Plumbing repairs
   d. Parking lot repairs
   e. Replace broken windows
   f. Automobile repairs
3. An expenditure greater than the amount specified in the capitalization policy and intended to benefit future periods, increase the capacity, efficiency, economy, or prolong the normal life, is to be treated as a capital expenditure, subject to depreciation, and recorded under the respective asset account.
   Examples include:
   a. New roof
   b. Cost of rebuilding boilers
   c. Office improvements
4. All donated or purchased fixed assets greater than the capitalization policy are to be recorded at cost or fair value in the appropriate Fixed Asset General Ledger and Subsidiary Ledger account. The Subsidiary Ledger will record:
   a. Date of acquisition
   b. Check number or journal voucher number
   c. Name and address of vendor or donor
   d. Cost or fair market value of donated assets
   e. Description of property
   f. Department charged with custody
   g. Location
   h. Method of acquisition
   i. Estimated life
   j. Method of depreciation
   k. Date, method and authorization of disposition
   l. Accumulated depreciation
5. All equipment must be labeled or identified as congregation property.
6. A physical inventory of fixed assets should be performed annually.
7. Any obsolete or unusable equipment is to be sold or disposed of and properly removed from the ledgers.
8. A depreciation convention (usually straight line) should be established as well as useful lives of fixed assets. A salvage value should be considered for real property. Examples of useful lives follow:

ASSET	LIFE IN YEARS
Church/school/office buildings	25-40
Improvements	20
Office equip/furniture/fixtures	5-8
Computer hardware	3
Computer software	3

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Automobiles, vans, or pickups	3-5
Leasehold improvements	*(life of lease, including renewal periods or life of building, whichever is less)*

9. All Fixed Assets should be adequately insured against any damage or loss at replacement cost not book value. Additions or deletions of assets should be reported by the congregation to the insurance company for possible adjustment of coverage, as appropriate. (See Chapter 26 for information on insurance.)
10. Detailed depreciation schedules should be kept for all fixed assets and should include purchase date, useful life, salvage value, annual depreciation expense cost, and accumulated depreciation. The depreciation schedule should be reconciled regularly to the general ledger and inventory listings.
11. If the congregation regularly sells old fixed assets to its employees or related parties (automobiles, computers, etc.) a policy should be enacted ensuring the transactions are executed at arms' length for fair value.
12. All donated or purchased fixed assets should be recorded at fair value or cost, respectively.
13. The structure of the fixed asset accounts should resemble the presentation in the financial statements (land, buildings, equipment, etc.). When fixed assets are purchased or otherwise acquired, they should be recorded in the appropriate accounts. If a purchase consists of more than one type of asset, such as land and buildings, a value should be placed on each item and recorded separately.
14. Donated assets should be valued by a professional such as an appraiser or insurance agent.
15. Detailed records of all fixed assets owned by the congregation should be maintained and a physical inventory should be conducted periodically. Items no longer in fixed asset inventory should be investigated and written off the books.
16. Periodic reviews and appraisals should be made to ensure fixed assets are insured for their replacement value and adequate liability insurance is maintained.

24.561: 15010 Land

This account should be used to record the historical value of land acquired by the congregation. The recording value of the land should be the cost of acquisition, including purchase price, fees, commissions and other incidental costs relating to acquisition.

Acquisition of land by gift should be recorded at the fair market value of the land at the time of receipt. Land is not to be depreciated.

24.562: 15020 Buildings

This account should be used to record the cost of building structures as well as all fixtures and equipment permanently attached to and made part of the building. If the building is recorded by gift the building should be valued at its fair market value at the time of receipt.

The following expenditures should be part of the building cost: architect's fees, boilers, furnaces, HVAC equipment, wiring, plumbing and the like.

24.563: 16000 Furniture & equipment

This account should be used to record the cost of furniture, furnishings, and equipment acquired by the congregation through purchase or gift.

The cost of equipment should include the net purchase price, expenses of transportation, labor employed in the installation, and any other pertinent expenses necessary to place the equipment in operation. Equipment received by gift should be recorded at the fair market value at the time of acquisition.

Sample Journal Entries	Account	Debit	Credit
Depreciation expense—Building	**51176**	**2,000**	
Depreciation expense—Equipment	**51054**	**500**	
Accumulated depreciation—Building	**15070**		**2,000**
Accumulated depreciation—Equipment	**16070**		**500**
To record monthly depreciation of office building and equipment.			

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24.564:
15070/16070 Accumulated depreciation
These accounts are used to record all depreciation charged for office buildings and equipment.

24.600: Liabilities

24.610:
21000 Accounts payable
This account is used to record unpaid invoices for purchases of merchandise or services. An obligation is incurred when goods are received or services are rendered, regardless of whether or not an invoice has been received. An obligation should be recorded when incurred.

At the end of each accounting period a detail schedule of accounts payable should be prepared and reconciled with the general ledger.

See Section 23.513 for internal control considerations related to Accounts payable.

24.620:
22000 Accrued payroll
This account is used to record accruals for compensation and compensated absences, including accrued vacation time.

24.630:
23000 Payroll taxes withheld
This account is used to record accruals for payroll taxes withheld from employee payroll checks and the payroll tax liabilities assessed to the congregation (match FICA taxes).

24.640:
24000 Promises to give payable
These accounts are used to record unconditional promises to give (pledges, grants, etc.) to district or other agencies or ministries. Under GAAP, promises to give are recordable as a liability when the promise is made.

24.650:
25000 Agency funds payable
A congregation regularly receives contributions for a charity or organization other than itself. These funds, on receipt, are a liability to that organization and are referred to as agency funds. The congregation should keep a separate accounting for each organization's funds.

24.660:
26000 Mortgages and notes payable
These accounts are used to record other short-term and long-term indebtedness of the congregation.

24.700: Net Assets (Fund Balance or Equity)
Net assets represent the difference between assets and liabilities. They are classified based on the presence or absence of donor-imposed restrictions as either 1) net assets with donor restrictions, or 2) net assets without donor restrictions. Net assets with donor restrictions are those whose use has been limited by donor-imposed time restrictions or purpose restrictions or are net assets required by donor restriction or by law to be maintained by the organization in perpetuity. Interest derived from the perpetual net assets may become restricted and should be used as per the donor's restriction. Net assets without donor restrictions are all other net assets that do not meet the net asset with donor restrictions definitions.

Even congregations that don't present their financial statements in accordance with GAAP should understand these various asset classes and the legal ramifications of accepting restricted donations.

RESTRICTED GIFTS AND ENDOWMENTS
Documentation

A permanent file shall be established for each donor restricted gift.

1. Donor Restricted Gifts (non-Endowment)
   a. Donor's name and address
   b. The amount of the gift
   c. The date gift is received
   d. The donor's restrictions or stipulations on the use of the gift. The donor's original correspondence or documentation used should be included.
   e. The name(s) of the person(s) responsible for the recipient ministry.
   f. An acknowledgement of the gift to the donor.
   g. Periodic report(s) to the donor on the gift's use.

2. Donor Restricted Gifts (Endowments)
   a. Donor's name and address
   b. The principal amount of the gift
   c. The date funds are received
   d. Terms and restrictions on the investment of principal
   e. The restriction on income
   f. The name(s) of the person(s) responsible for the recipient ministry.
   g. An acknowledgement of the gift.
   h. Periodic reports (if required) to the donor.

NON-CASH GIFTS
Valuation of non-cash gifts shall be established by the current fair value at the date of the gift.

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24.710:
31000 General Fund (unrestricted) — Net Assets Without Donor Restrictions

Receipts not restricted by the donor regarding time or manner of use are recognized as unrestricted (undesignated) donor support in the period in which they are received. These assets may be expended for any purpose in performing the primary objectives of the organization. In the general fund are typically revenue from sales, fees and other income, and all unrestricted gifts, grants, and contributions.

24.720:
32000 Net Investment in Property and Equipment — Net Assets Without Donor Restrictions

This fund represents the equity in fixed assets owned by the congregation. It consists of the book value of fixed assets (land, building and equipment) net of accumulated depreciation, less debt specifically associated with the acquisition of those fixed assets. Net investment in property and equipment does not include equity in surplus property, property held for sale and advance sites.

24.730:
33000 Board Designated Funds — Net Assets Without Donor Restrictions

The governing board (Church Council or Voters Assembly) may designate a portion of net assets without donor restrictions for a specific operating purpose. For example, the Church Council (by resolution) may designate a certain amount of net assets without donor restrictions to be used to fund future roof repairs. These designations are not considered "restricted" because only external third-party donors can restrict funds. Any board designation can be reversed by the board or governing body. The board may not designate funds if the net asset without donor restriction is in a deficit position.

INTERNAL CONTROL CONSIDERATIONS

1. All board designated net asset accounts should have a board action retained on file which states how the funds must specifically be used.
2. The Church Council should, at least annually, review all board designated net assets and assess the validity of the continued designation.

24.740:
34000 Temporarily Restricted Funds — Net Assets With Donor Restrictions (temporary)

Temporarily restricted support, revenue and gains are items of income that have been directly or indirectly restricted by the **donor**. Internal designations by management or the Church Council are not restrictions and are not to be reflected as temporary restrictions. Direct or express restrictions by a donor include notations on the face of a check, an accompanying letter or note, a donation for a campaign with specific purposes, or other verifiable documented evidence the donor is restricting the use of the gift to a specific purpose. Instructions in an endowment agreement as to how the income from the endowment must be spent are also restrictions.

Indirect, or implied restrictions by a donor are not stated and do not restrict the use of a gift to a specific purpose. Rather, when support is received by a not-for-profit organization in the form of a promise to give, the gift has an implied time restriction that will expire when the promise is fulfilled with cash or other securities. The only exception to rule of implied time restrictions is when a donor specifically states the gift is to be used for operations in the current fiscal period.

In states that follow a form of the Uniform Management of Institutional Funds Act, a donor's restrictions on interest and dividends earned on permanent endowments also extend to gains on those investments.

INTERNAL CONTROL CONSIDERATIONS

1. All material temporarily restricted gifts should be supported by documentation from the donor.
2. Separate records should be maintained for each temporarily restricted gift to provide assurance that the gifts are utilized for the intended purpose.
3. When qualifying expenditures are incurred, the temporarily restricted item must be released in equal value or entirely.

Sample Journal Entries	Account	Debit	Credit
General Fund (unrestricted)	**31000**	**5,000**	
Board Designated Funds	**33000**		**5,000**
To record board action to set aside roof repair funds.			
Maintenance and Repairs	**51174**	**5,000**	
Cash — First National Bank	**11011**		**5,000**
To record payment of roof repair.			
Board Designated Funds	**33000**	**5,000**	
General Fund (unrestricted)	**31000**		**5,000**
To release board designated net assets for expenditures meeting the designation.			

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4. Unexpended temporarily restricted net assets must be held as such until qualifying expenses have occurred.
5. If a temporarily restricted gift is received after the start of a fiscal year, previous qualifying expenses for that same fiscal year may be utilized to offset the gift.
6. If two or more temporarily restricted gifts are received for the same purpose, management has the discretion to release one gift over another.
7. Only investment income specifically restricted by the donor should be recorded as temporarily restricted. If not so restricted, all investment income on temporarily restricted net assets is classified as unrestricted.
8. If financial statements are presented in conformance with GAAP, all expenses of the congregation should be recorded as unrestricted per SFAS 117. Additionally, any unrestricted expenses that meet the restrictions of any temporarily restricted net asset accounts will cause those temporarily restricted net assets to be reclassified to unrestricted revenue-net assets released from restriction. The business manager or other individual with a good understanding of both the expenditures and temporarily restricted net assets should review both each month and release the temporarily restricted net assets accordingly.
9. A congregation may not "borrow" from temporarily restricted net assets. That is, for all temporarily restricted net assets (excluding promises to give and split interest agreements) the congregation must have cash or liquid investments to meet those restrictions. The business manager should regularly review temporarily restricted net assets and determine whether adequate cash and cash equivalents exist to fulfill those restrictions.

24.750: 35000 Endowment Funds — Net Assets With Donor Restrictions

Permanently restricted net assets, Endowment Funds, are contributions received with donor-imposed restrictions that mandate perpetuity of the asset but permits the congregation to expend part or all of the interest income (or other economic benefits) derived from the donated assets. Caution: The Church Council or management must evaluate the potential liabilities prior to the acceptance of gifts, especially as it relates to non-cash gifts.

INTERNAL CONTROL CONSIDERATIONS

1. Permanently restricted net assets must be recorded at their original or historical cost with potential subsequent earnings.
2. Unless required by donor stipulation or state law, earnings from permanently restricted net asset are classified as unrestricted. When otherwise noted, the earnings will either be classified as temporarily restricted for a given purpose, or permanently restricted (a combination of the two) if the donor requests that the asset should grow over time. Permanent records should be maintained for each permanently restricted gift to ensure proper handling, recording, and reporting of the gift as noted by the donor's stipulations.
3. All permanently restricted net assets should have a file containing the information obtained from the donor relating to the specifics of the restriction on the corpus as well as the restriction, or lack thereof, on the income earned on the endowment, including gains.
4. Permanently restricted endowments are to be invested in a manner that will allow the congregation to fulfill its fiduciary duty to the donor.
5. Investments and permanently restricted net assets should be reviewed, at least annually, to ensure all funds are fully invested.

24.800: Support and Revenue

INTERNAL CONTROL CONSIDERATIONS

1. Gift or support income (not earned income) should be classified according to the presence or absence of donor wishes and classified as unrestricted, temporarily restricted or permanently restricted. Board designations or resolutions should have no effect on the initial classification.
2. Unconditional promises to give to the congregation should be recognized at the net present value of the future cash flows. Promises to give that can never be spent should be classified as permanently restricted support and all others (gifts that have purpose restrictions and gifts that are unrestricted) should be classified as temporarily restricted support. When cash is received, the temporarily restricted net assets must be reclassified to unrestricted revenue-net assets released from restriction. The congregation business manager should monitor ongoing fundraising campaigns, trusts held by foundations, congregational pledges, specific grants and any other sources of unconditional promises to give for proper recording and valuation.
3. Documentation should be retained for all material gifts received by the congregation, regardless of restrictions. Photocopies of checks are acceptable documentation for smaller gifts.
4. Records should be maintained for financial statement disclosure when individuals make promises to give to the congregation that are conditioned on the occurrence of future events.

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5. Files should be maintained for all trusts and split interest agreements for which the congregation is a beneficiary including documentation supporting any restrictions. Periodic payments from the trustees should be recorded in accordance with those restrictions.
6. Revenue is income that is **earned** by the congregation. Examples are tuition, fees for events, rental income etc. Generally, all revenue to a congregation is unrestricted except for investment earnings and gains that have been restricted by the donor. Because revenue is earned, the congregation is obligated to provide services or goods, but not to spend the amounts received. The treasurer should routinely review re-occurring and unique sources of revenue to determine proper classification.
7. Congregation personnel should ensure all revenue is appropriately matched with expenses or the occurrence of events. Any amounts received but not yet earned should be reflected as deferred revenue. Examples would be conference fees collected for events that have not yet taken place, etc. The treasurer should review material sources of revenue at annual and interim reporting dates to ensure only receipts that have been **earned** are recognized as revenue.
8. Contributed services will be recognized if the services received, (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would (c) typically need to be purchased if not provided by donation.

24.900: Expenses and Losses

Expenses and Losses are to be reported as decreases in unrestricted net assets. Since expenses are based upon decisions of management, commissions or boards about the activities to be carried out, the source of funds used to finance the specific expense cannot change the character of the expense to make it donor restricted. In addition, revenues and expenses shall be reported as gross amounts (not net) except in the case of peripheral or incidental transactions (ex: sale of land and buildings).

INTERNAL CONTROL CONSIDERATIONS

PAYROLL:

1. An employee file for each worker shall be maintained. This file will include:
   a. An employee signed W-4
   b. A completed payroll authorization form
   c. A copy of the enrollment for Worker Benefit Plans
   d. A completed form I-9
   e. Other information relating to pay or deductions
2. An approved listing of salaries for salaried workers and hourly rates for hourly workers must be provided to the payroll department indicating the effective date, the name of the worker, the salary amount and the department employing the individual and the payroll distribution. Any changes to the above salary listing must be submitted two weeks prior to the effective change.
3. Hourly workers must report their hours worked on the form provided from the business office. This form must be approved by the head of the department employing the individual.
4. The payroll journal must be approved before the preparation of payroll checks.
5. Payroll checks should be distributed by a person other than the person preparing the payroll checks.
6. Payroll tax deposits and returns are prepared and filed on a timely basis.
7. Housing and/or furnishing allowances must be approved by and documented in the minutes of the Church Council or governing body prior to payment.
8. Access to personnel records and computerized payroll records should be limited to those with needs for access.

EXPENSES:

1. Expenses should be recognized on the accrual basis. The business manager should review expenses at annual and interim reporting dates to ensure expenses incurred but not yet paid are recorded as accounts payable and disbursements made that apply to future periods are recorded as prepaid expenses.
2. Expenses should be classified by major functions of the congregation such as Missions, Worship, etc. Expenses such as interest and depreciation need to be allocated to the functional reporting areas.
3. If presenting financial statements in accordance with GAAP, all unconditional promises to give made by the congregation should be recorded as expense in the period the promise was made, including annual commitments to the district and to other ministries for future support. The business manager should monitor budgets and board actions to ensure these promises are recorded when made.
4. See also Sections 23.513 and 23.514 for additional internal control considerations on disbursements.

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Chapter 25: Financial Statement Reporting

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25.100: Statements and Reports

25.105: Financial Statements

Treasurers and financial secretaries have the primary responsibility to inform church leaders and congregational members about financial support and use of congregation's resources. Financial results should be presented in a format that produces the greatest amount of understanding for the members and encourages them to continue their support for the Lord's work.

1. The format should be simple and easily understood.
2. The reports should be all-inclusive and embrace all activities of the organization.
3. Financial reports should be consistent with the chart of accounts.
4. Financial statements should be prepared on a timely basis and be consistent with regular meeting dates and church council voter's assembly.
5. The reports should have a focal point for comparison, e.g., budget versus actual, this year versus last year.
6. Reports to the church council should provide needed detail for decision-making.
7. Reports to voters should summarize detail down to board or ministry categories.

25.110: Statement of Financial Position (Balance Sheet)

The Statement of Financial Position (Balance Sheet) shows the assets (their accumulated depreciation), liabilities and net assests (fund balances) of the congregation. This financial statement gives a "snapshot" look at the financial picture of the congregation as of a certain date. Some lenders will request this statement from a loan-seeking congregation.

The Statement of Financial Position should be prepared at least annually, but more often for month-to-month reporting.

Generally, the Statement of Financial Position is prepared on a modified accrual basis, i.e. most items are reported on a cash basis, but the most common accrued and prepaid expenses are included. These items include accounts payable, accrued payroll, payroll taxes withheld, mortgages and notes payable, agency funds payable and prepaid expenses. In determining asset values, all purchase items are determined at cost and donated items at their fair market value at the date of receipt.

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First Lutheran Church
Statement of Financial Position

Assets	Previous Year End Balance	Current Year Balance
Petty cash	100	100
Cash	36,795	60,663
Investments	176,000	188,000
Accounts receivable	3,240	2,750
Prepaid expenses	2,122	2,430
Land and buildings	2,125,000	2,125,000
Furniture and equipment	110,600	115,500
Total Assets	2,453,857	2,494,443
Liabilities and Net Assets		
Liabilities		
Accounts payable	2,325	3,500
Accrued payroll	2,750	2,750
Withheld payroll taxes	4,326	5,273
Mortgages payable	483,000	476,000
Agency funds payable	1,524	2,810
Notes payable	6,000	10,000
Total Liabilities	**499,925**	**500,333**
Net Assets		
Without Donor Restrictions		
General Fund (unrestricted)	-7,331	6,270
Board Designated Funds	7,908	9,340
Net Investment in Property and Equipment	1,752,600	1,764,500
With Donor Restrictions		
Temporarily Restricted Funds	24,755	26,000
Endowment Funds	176,000	188,000
Total Net Assets	1,953,932	1,994,110
Total Liabilities and Net Assets	2,453,857	2,494,443

25.115: Statement of Activities (Income and Expense Report)

This report is the most common in the church and may have several other names: receipts and disbursements, revenue and expenses or statement of activity. The purpose of this statement is to show the results of the current period of operations.

A summarized "Income and Expense Report" is recorded here; 24.120 illustrates use of an expense detail (income detail, although not shown, should be prepared in a similar manner). The activity of these reports is for the nine months ending.

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First Lutheran Church
Summarized Statement of Activity
9 Months Ending September 30, XXXX

	Unrestricted Funds	Nine Months Budget	Variance	Current Year Budget	Designated/ Restricted Funds
Contributions					
Worship service offering	473,567	476,250	(2,683)	635,000	
Mission offering	3,275	3,375	(100)	4,500	4,765
Building Fund offerings	59,325	60,000	(675)	80,000	0
Organ Fund offerings					1,432
Plate offerings	11,045	12,375	(1,330)	16,500	
Flowers and decorations	0	0	0	0	
Sunday School offerings	0	0	0	0	
Christmas Day	1,275	2,250	(975)	3,000	
Christmas Eve	4,375	4,500	(125)	6,000	
New Years Day	0	750	(750)	1,000	
Thanksgiving	1,560	1,500	60	2,000	
Lent	345	375	(30)	500	
Advent	250	375	(125)	500	
Gifts and bequests	976	1,125	(149)	1,500	
Interest and investment income	8,569	9,000	(431)	12,000	
Tuition-members	16,750	18,750	(2,000)	25,000	
Tuition-non-members	147,500	165,000	(17,500)	220,000	
Registration fees	3,542	3,450	92	4,600	
Book rentals and fees	18,765	18,750	15	25,000	0
Total Income	751,119	777,825	(26,706)	1,037,100	6,197
Expenses					
Outreach—beyond congregation	18,367	18,615	248	24,820	3,520
Pastoral support	47,800	48,263	463	64,350	
Christian worship	1,430	1,688	258	2,250	
Christian witness	578	600	22	800	
Christian stewardship	329	450	121	600	
Christian growth	4,181	4,800	619	6,400	
Christian youth	3,840	4,350	510	5,800	
Christian welfare	0	1,875	1,875	2,500	
Christian Day School	533,032	555,750	22,718	741,000	
Administration	39,315	40,241	926	53,655	
Church property	88,646	89,850	1,204	119,800	
Total Expenses	**737,518**	**766,481**	**28,963**	**1,021,975**	**3,520**
Surplus or (Deficit)	**13,601**	**11,344**	**2,257**	**15,125**	**2,677**

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25.120:
Expense Detail

This report reflects all the accounts in the expense section of the chart of accounts and reports the total amount of expenditures and compares this to the budget for the month to date or year to date activity.

First Lutheran Church
Expense Detail
9 Months Ending September 30, XXXX

Acct. No.	Account	Actual	9 Months Budget	Difference	Current Year Budget
50100	Outreach—beyond congregation				
50180	District—Synod support	16,375	16,500	125	22,000
50185	Convention assessment	457	540	83	720
50189	Local mission support	1,535	1,575	40	2,100
	Total Outreach Beyond Congregation	**18,367**	**18,615**	**248**	**24,820**
50200	Pastoral support				
50201	Salaries	27,500	27,750	250	37,000
50203	FICA and Medicare taxes		0	0	0
50204	Employee benefits		0	0	0
50207	Housing allowance	14,500	14,625	125	19,500
50209	Automobile expense	3,200	3,225	25	4,300
50210	Continuing education	1,500	1,500	0	2,000
50211	Utilities allowance		0	0	
50212	Conferences and workshops	475	488	13	650
50219	Guest pastors/speakers	625	675	50	900
	Total Pastoral Support	**47,800**	**48,263**	**463**	**64,350**
50300	Christian worship				
50321	Altar supplies	125	188	63	250
50322	Service bulletins	695	750	55	1,000
50323	Hymnals	356	488	132	650
50324	Choir music	254	263	9	350
	Total Christian Worship	**1,430**	**1,688**	**258**	**2,250**
50400	Christian witness				
50425	Publicity/signs	578	600	22	800
50426	Radio—TV	0	0	0	0
	Total Christian Witness	**578**	**600**	**22**	**800**
50500	Christian Stewardship				
50528	Offering envelopes	329	450	121	600
	Total Christian Stewardship	**329**	**450**	**121**	**600**

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First Lutheran Church
Expense Detail
9 Months Ending September 30, XXXX

Acct. No.	Account	Actual	9 Months Budget	Difference	Current Year Budget
50600	Christian growth				
50640	Sunday school materials	1,856	2,100	244	2,800
50641	Vacation Bible school	976	975	-1	1,300
50642	Adult Bible study materials	325	450	125	600
50643	Church library	234	375	141	500
50644	Lutheran Witness®	156	225	69	300
50645	Portals of Prayer®	0	0	0	0
50647	Audio visual materials	634	675	41	900
	Total Christian Growth	**4,181**	**4,800**	**619**	**6,400**
50700	Christian youth				
50712	Conferences and workshops	3,240	3,750	510	5,000
50760	Leadership training	600	600	0	800
	Total Christian Youth	**3,840**	**4,350**	**510**	**5,800**
50800	**Christian Welfare**	**0**	**1,875**	**1,875**	**2,500**
50900	Christian Day School				
50901	Salaries	236,000	243,750	7,750	325,000
50903	FICA and Medicare taxes	7,560	8,175	615	10,900
50904	Employee benefits	74,000	73,875	-125	98,500
50907	Housing allowance	154,000	165,000	11,000	220,000
50909	Automobile expense	700	750	50	1,000
50910	Continuing education	1,800	1,875	75	2,500
50911	Utilities allowance	0	0	0	0
50912	Conferences and workshops	1,950	2,025	75	2,700
50919	Substitute teachers	1,500	1,500	0	2,000
50920	Office supplies	1,876	1,950	74	2,600
50948	School curriculum	23,000	24,000	1,000	32,000
50952	Equipment maintenance	1,873	1,875	2	2,500
50953	Equipment repairs	1,923	2,550	627	3,400
50954	Depreciation – equipment	3,450	3,525	75	4,700
50970	Telephone	2,560	2,625	65	3,500
50972	Utilities	17,450	18,750	1,300	25,000
50973	Insurance	3,240	3,375	135	4,500
50990	Other expense	150	150	0	200
	Total Christian Day School	**533,032**	**555,750**	**22,718**	**741,000**

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First Lutheran Church
Expense Detail
9 Months Ending September 30, XXXX

Acct. No.	Account	Actual	9 Months Budget	Difference	Current Year Budget
51000	Administration				
51001	Salaries	29,000	29,250	250	39,000
51003	FICA and Medicare taxes	2,219	2,213	-7	2,950
51004	Employee benefits	841	844	3	1,125
51007	Housing allowance	0	0	0	0
51012	Conferences and workshops	200	206	6	275
51020	Office supplies	1,560	1,560	0	2,080
51052	Equipment maintenance	1,230	1,238	8	1,650
51053	Equipment repairs	760	900	140	1,200
51054	Depreciation – equipment	1,540	1,725	185	2,300
51070	Telephone	1,645	1,875	230	2,500
51090	Other expense	320	431	111	575
	Total Administration	**39,315**	**40,241**	**926**	**53,655**
51100	Church property				
51151	Rental	0	0	0	0
51172	Utilities	14,320	15,000	680	20,000
51170	Telephone	0	0	0	0
51174	Maintenance and repairs	5,750	6,000	250	8,000
51176	Depreciation – building	56,000	56,250	250	75,000
51177	Interest expense	12,576	12,600	24	16,800
51178	Utilities – parsonage	0	0	0	0
51179	Repairs – parsonage	0	0	0	0
51190	Other expense	0	0	0	0
	Total Church Property	**88,646**	**89,850**	**1,204**	**119,800**

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25.130:
Designated Funds

Every congregation has special funds or restricted accounts for accumulating monies given for special purposes. These monies cannot be used for other purposes. The number and purpose of these accounts should be restricted only to major projects to be activated at a future date.

The church council should approve all projects requiring the establishment of a fund. No designated monies should be accepted if the council has not adopted the project. No fund should ever be established when there is little likelihood that the funds needed to complete the project would be received.

The following procedures should be followed:

1. Establish a fund only when a large amount of money must be accumulated or held for a period of time before disbursement.
2. If the congregation establishes a fund, then congregational approval is required to transfer those monies to another fund. This same policy applies if the council established the fund.
3. Never borrow money from the fund to cover operating expenses or to complete another project.
4. Close the account when the purpose is accomplished.

25.135:
Designated and Restricted Funds Report

First Lutheran Church
Designated and Restricted Funds Report

		Beginning Balance	Additions	Deductions	Ending Balance
33000	Board Designated Funds				
33010	Parking lot improvement	3,408			3,408
33020	Organ replacement	3,000	1,432		4,432
33030	Tuition assistance	1,500			1,500
	Total	7,908	1,432	0	9,340
34000	Temporarily Restricted Funds, by donors				
34010	Foreign mission project	1,555	4,765	3,520	2,800
34020	Building fund	22,450			22,450
34030	Local mission project	750			750
	Total	24,755	4,765	3,520	26,000
35000	Endowment Funds				
35010	Capital improvement	150,000	9,000		159,000
35020	Student aid	26,000	3,000		29,000
	Total	176,000	12,000		188,000

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Chapter 26: Financial Review

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26:100: Introduction and Purpose

The purpose of a financial review of the congregation's books of original entry is:

A. To support the congregational treasurer in his/her duties;

B. To help the treasurer to perform his/her duties effectively and efficiently through suggestions generated while in the financial review process;

C. To verify that the financial records are being maintained in an acceptable and consistent manner;

D. To verify that cash receipts and disbursements are posted consistently, correctly, and reconciled with the bank;

E. To verify that the financial reports that have been issued to the congregation are in agreement with the official records (general ledger) of the congregation.

The results of the financial review should be shared with elders, pastor and church council before it is presented to the congregation.

Caution!

If you are not trained as a certified public accountant and you do not otherwise have the skills necessary to perform a certified audit, do not call this procedure an audit or refer to the congregation as having had an audit. The legal implications are significant. Do not place yourself in a position of having to defend the "audit" when you did not perform an audit.

Please . . . call the procedure a "financial review."

26.105: When Should a Financial Review Be Performed?

A financial review should be performed when:

A. A new treasurer is elected or appointed;

B. The fiscal year ends;

C. Misuse of funds is suspected; or

D. Any other time the congregation's appropriate governing board so requests.

26.110: The Time Involved to Perform a Financial Review

A. Depends upon the scope of the review and the size of the congregation;

A. Areas targeted for review may be cyclical, i.e., one year, cash receipts; another year, cash disbursements; and still another year, an insurance adequacy review. Perhaps one year might be investments and another year special accounts of a restricted nature.

26.115: Independent Certified Public Accounting Firms

The congregation may be large enough to justify a compilation, review or audit by a CERTIFIED PUBLIC ACCOUNTANT (CPA). Congregations may wish to have an independent audit performed. However, an audit by a CPA can be expensive. Congregations could also consider independent CPA review or compilation services. Consider obtaining fixed bids from CPA firms to evaluate the cost/benefit of having an independent audit, review, or compilation engagement. An audit would be a verification of the financial reports of the congregation with a written report as to the audit findings.

Review or compilation services, while less expensive, do not provide the level of assurance associated with a complete audit. The audit, review, or compilation by a CPA does not give assurances that all transactions have been reviewed or that no misuse of funds took place.

26.120: Use of Retired Consultants

The congregation may appoint a committee of retired accountants and business professionals to complete the enclosed forms and perform a financial review. Many retired business professionals have the time and ability to aid the congregation in this task.

26.125: Scope

This chapter is very detailed in scope and a congregation should determine how deep to go into each area. The committee should be encouraged to proceed with the review and not be overwhelmed by the number of pages of the Internal Control Review and the Financial Review that follow. Depending on the size of the congregation and the depth of the scope, many pages may not apply.

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26.200:
Congregational Internal Control Review

_____

(Legal Name of Congregation)

_____

(Street Address)

_____

(City, State and ZIP Code)

Enter the year or period of time of the financial review _____ 20 _____

Date review completed _____20 _____

The Financial Review Committee:

_____

_____

_____

_____

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26.205:
General Information

Bank Accounts (list all accounts including auxiliaries):

Name of bank _____

Account number _____

List the name(s) of the authorized signers on the account:

_____

_____

_____

How many signatures are required?_____ _____

Name of bank _____

Address _____

Account number _____

List the name(s) of the authorized signers on the account:

_____

_____

_____

How many signatures are required? _____

Name of bank _____

Address _____

Account number _____

List the name(s) of the authorized signers on the account:

_____

_____

_____

How many signatures are required? _____

Does the congregation rent a safety deposit box? _____

List name of authorized signers _____

_____

_____

_____

Name of bank _____

Address _____ _____

Who is the custodian of the key(s)? _____

_____

_____

What are the contents? _____

How many signatures are required to enter? _____

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26.210:
Important Document Inventory

List on this page all evidences of ownership and liabilities of the congregation and its auxiliaries.

Description/ID No.	Location of Document (Financial institution, safe deposit box, vault)	Original Cost	Date Acquired/ Issued	Date of Disposal
Cash, CDs, Investments:				
Loans and Accounts Receivable:				
Land and Buildings – (Title and Deeds):				
Personal Property, Vehicles (titles):				
Liabilities & Loans and Mortgages Payable (loan and mortgage documents):				
Administrative Documents:				
Sales Tax Exemption Certificate				
Federal Income Tax Exemption				
Nonprofit Corporation Report				
Articles of Incorporation				
Constitution including amendments				
Bylaws				
Voter's minutes				
Insurance Policies				
Trust and Endowment Agreements				

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26.215:
Insurance

Date of Expiration	Company	Coverage	Annual Premium

Enter the date of the last insurance review for adequacy of coverage with the agent _____.

26.220:
Cash Receipts

Each "no" answer is a possible weakness in internal control.
Write a brief description of the procedure for handling cash from the time of collection plate passing to making the bank deposit. Be certain to note the number of people involved in each step. If possible, include a flow chart and a timetable for both receipts and disbursements.

Cash Receipts:	Yes	No
1. Is cash counted immediately following the worship service? If not, how is it stored and secured?_____	_____	_____
2. Do two or more individuals count cash?	_____	_____
3. Is the bank deposit prepared as part of the counting procedure?	_____	_____
4. Is the treasurer denied a position as a counter?	_____	_____
5. Do two or more people take the deposit to the bank immediately following the count?	_____	_____
6. Is a copy of the deposit slip kept as a permanent part of the financial records?	_____	_____
7. Is the person who posts the contributions to the individual contributors' ledger denied being a part of the counting process?	_____	_____
8. Are quarterly individual contribution records sent to individual congregation members?	_____	_____
9. Is a count sheet used as part of the counting process?	_____	_____
10. Is the count sheet reconciled to the bank deposit?	_____	_____
11. Are signatures required at the bottom of the count sheet as to who prepared it?	_____	_____
12. Are the counters bonded?	_____	_____
13. Are questions from congregational members about differences between congregational individual giving records and their own records handled by someone other than the treasurer?	_____	_____
14. Do weekly contribution envelopes agree with the weekly tally sheets?	_____	_____
15. Do contribution statements contain proper disclosures required by IRS?	_____	_____
16. Are "quid-pro-quo" contributions acknowledged within the time frame required by IRS?	_____	_____

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26.225:
Cash Disbursements

Each "no" answer is a possible weakness in internal control. Write a brief description of the procedure for handling cash disbursements from the time an order is placed, received, and prepared for payment through to the mailing of the check. Again, note the people involved in each step.

Cash Disbursements:	Yes	No
1. Is someone responsible for counting and signing for the receipt of goods and services?	_____	_____
2. Is the treasurer given proof of the receipt of goods and services?	_____	_____
3. Is a voucher system used?	_____	_____
4. Are blank checks kept in a secure place?	_____	_____
5. Are purchase orders used?	_____	_____
6. Is a budget used?	_____	_____
7. Are all checks reviewed by two or more people?	_____	_____
8. Is a bank reconciliation prepared on a timely basis for all bank accounts by someone independent of the receipting and disbursing process?	_____	_____
9. Are checks prepared for payment only from documentation that is approved by an authorized official?	_____	_____
10. Are all checks properly filled out prior to being signed?	_____	_____
11. Is more than one signature required on a check?	_____	_____
12. Is the invoice marked paid with a date and check number to prevent duplicate payment?	_____	_____
13. Are all check numbers accounted for?	_____	_____
14. Are paid invoices filed in a logical manner including all supporting documentation and authorizations?	_____	_____
15. Are voided checks defaced and permanently retained?	_____	_____
16. Is a copy of the check kept in numerical sequence?	_____	_____
17. Does the treasurer have term limits?	_____	_____
18. Are all invoices or services (other than petty cash items) paid for by check?	_____	_____
19. Is a list prepared for each council meeting that reports all unpaid invoices, dates, and amounts?	_____	_____
20. Is care exercised that discounts are taken on invoices when offered?	_____	_____
21. Were Social Security or taxpayer identification numbers obtained prior to making taxable disbursements to individuals or organizations?	_____	_____
22. Are IRS Form 1099 Information Returns prepared and distributed in a timely manner?	_____	_____
23. Is petty cash controlled by one custodian who logs all activity for recording and replenishment?	_____	_____
24. Does the treasurer review and approve the petty cash log prior to posting to the general ledger?	_____	_____

26.230:
Journal Entries

Each "no" answer is a possible weakness in internal control.

General Journal Entries:	Yes	No
1. Are journal entries approved by someone other than the preparer?	_____	_____
2. Are general journal entries kept on file?	_____	_____
3. Are the explanations for the entries adequate?	_____	_____
4. Are journal entries properly indexed and referenced in ledgers and journals?	_____	_____
5. Are standard journal entries used for monthly closings?	_____	_____

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26.235:
Payroll and Personnel

Each "no" answer is a possible weakness in internal control.
Write a brief description of the procedure of adding an individual to the payroll and how an individual is deleted from the payroll. Take care to identify when forms are filled in for Concordia Plans, withholding (if applicable), housing allowance, tax-sheltered annuity and other payroll information. Where is this information filed, and who has the responsibility to keep it updated? Who authorizes employment? How are rates of pay determined?

Payroll:	Yes	No
1. Is a payroll journal prepared and balanced?	_____	_____
2. Are all payroll disbursements made by check or direct deposit?	_____	_____
3. Are employee time records kept and reviewed by a supervisor?	_____	_____
4. Are all pay rates authorized by the governing board of the church and in compliance with Federal or State minimum wage laws?	_____	_____
5. Is housing allowance approved annually by the governing board of the church in advance of the payment to the worker?	_____	_____
6. Is payroll confidentiality maintained?	_____	_____
7. Are payroll taxes withheld and paid in a timely manner to the various taxing authorities?	_____	_____
8. Are all deductions from pay for tax-sheltered annuities (TSA), loan payments, etc., authorized in writing by the employee?	_____	_____
9. Are all the payroll tax forms filed on time?	_____	_____
10. Has Form W-2 been used to report all the worker's wages and compensation?	_____	_____
11. Does the individual worker receive a schedule explaining the computation of the amount reported on Form W-2?	_____	_____
12. Is a personnel file maintained for each employee?	_____	_____
13. Are records maintained of earned and used vacation?	_____	_____
14. Does a personnel policy manual exist?	_____	_____
15. Are records maintained of sick or personal days earned and used?	_____	_____
16. Is there an enforced policy that requires all workers to take a vacation?	_____	_____
17. Do you inform the prospective employee in advance of his/her employment that the church is not a participant in unemployment tax? (i.e., He/she would be denied a claim for unemployment in the event he/she resigns or is terminated, and is that understanding verified in writing?)	_____	_____
18. Is a separate bank account used for payroll?	_____	_____
19. Does the annual payroll journal agree with Form W-2s?	_____	_____
20. Are gifts, bonuses, honoraria, etc., approved by the governing board?	_____	_____
21. If a separate payroll account is used, is it reconciled by someone other than the person who prepares payroll?	_____	_____
22. Have new hire reports been submitted?	_____	_____

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26.300:
General Financial Review Program

(Legal Name of Congregation) _____

(Street Address) _____

(City, State and ZIP Code) _____

Enter the year or period of time of the financial review _____ 20 _____

Date review completed_____20 _____

The Financial Review Committee

_____ _____

_____

_____

Prepare a summary of exceptions to all of the following tests.
Performed by: _____
Date: _____

26.305:
General

		Yes	No
1.	Are all individuals who handle cash or checks bonded?	_____	_____
2.	Has a budget been adopted by the governing board?	_____	_____
3.	Are actual results compared against budgeted amounts on a periodical basis?	_____	_____
4.	Does the congregation follow a numeric chart of accounts?	_____	_____
5.	Do individuals such as the treasurer, bookkeeper and counters have complete job descriptions?	_____	_____
6.	Are monthly financial statements prepared including a balance sheet that lists all assets, liabilities and net assets, as well as a statement of activities that lists all sources of revenue and all expenses?	_____	_____
7.	Are all financial and budgeting decisions clearly documented in the governing board's minutes?	_____	_____
8.	Is documentation accompanying restricted gifts retained?	_____	_____

26.310:
Loans Receivable

		Yes	No
1.	Are loans granted to individuals approved by the governing board or voters assembly?	_____	_____
2.	Are there signed promissory notes for all loans receivable including interest rates and repayment terms?	_____	_____
3.	Are all loans adequately secured with a registered mortgage, deed of trust or lien?	_____	_____
4.	Does a responsible official monitor monthly balances to ensure prompt payments?	_____	_____
5.	Is proof of insurance required designating the congregation as the loss payee?	_____	_____

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26.315:
Loans Payable

	Yes	No
1. Are all loans payable approved by the governing board or voters assembly?	_____	_____
2. Are loan balances per the general ledger periodically reconciled with statements from lenders?	_____	_____

26.320:
Land, Buildings and Equipment

	Yes	No
1. Does the congregation maintain a fixed asset ledger listing all land, buildings, autos and equipment owned and recorded at historical cost?	_____	_____
2. Are inventories periodically taken to ensure this ledger has included/ excluded all items?	_____	_____
3. Are records kept of any items removed from the church property?	_____	_____
4. Has the governing board adopted a policy whereby all items purchased with a cost in excess of $_____ and a useful life in excess of _____ years will be capitalized (Congregation should determine a capitalization policy)?	_____	_____
5. Is depreciation properly calculated and recorded in the proper expense accounts	_____	_____
6. Is the sale or other disposal of property approved by the governing board?	_____	_____
7. Are all fixed assets registered to the congregation?	_____	_____
8. Is insurance coverage reviewed annually to ensure:		
a. All properties owned or rented by the congregation are listed?	_____	_____
b. Adequate replacement coverage is in force?	_____	_____
c. Adequate liability coverage is in force?	_____	_____

26.325:
Investments

	Yes	No
1. Has a written investment policy been adopted establishing guidelines, objectives and limitations?	_____	_____
2. Are detailed records of investments maintained in a secure place and reconciled to the general ledger periodically?	_____	_____
3. Are all investments recorded in the name of the congregation?	_____	_____
4. Are investment income, gains and losses posted to the general ledger when statements or checks are received?	_____	_____
5. Are any marketable securities stored in a secure vault?	_____	_____

Investments:

1. Prepare a schedule of investments listing opening balances, purchases, redemptions and ending balances for all individual investments.
2. Trace ending balances to the general ledger.
3. Count and examine all securities or statements for the period and:
   a. Determine all investments are registered in the name of the congregation.
   b. Determine the market value of all investments and determine whether investments have been written up or down to market.
   c. Determine total interest and dividend income and compare these to amounts recorded in the general ledger.
4. Determine if any accruals of investment income at the end of the period have been recorded as receivables in the general ledger.

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26.330:
Information Technology Controls

Congregation Name _____
Financial Statement Date_____

COMPUTER INFORMATION
Type of Hardware _____
_____
_____
Type of SoftwareVersion and Date Purchased
• General Ledger _____
• Word Processing _____
• Other _____
_____

Review:	Yes	No
1. Does a written policy and procedure manual exist?	_____	_____
2. Review procedures in place for the evaluation and approval of computer equipment and software packages prior to acquisition and implementation?	_____	_____
3. Do user manuals exist for all applications and include a description of the application, procedural requirements, sample reports, source documents required, etc.?	_____	_____
4. Do current computer operating instructions contain set-up instructions, operating system requirements, restart, recovery, and emergency procedures, and a listing of program messages, responses, etc.?	_____	_____
5. Are hardware components covered by a maintenance contract?	_____	_____
6. Is insurance coverage adequate to replace the computer system at the current market value?	_____	_____
7. Is the computer area accessible only to authorized personnel?	_____	_____
8. Does the terminal sign-off after a period of inactivity?	_____	_____
9. Are power surge protectors being used?	_____	_____
10. Is data backed up on a regular basis?	_____	_____
11. Is a disaster recovery plan in place?	_____	_____
12. Are personnel authorization accesses reviewed for reasonableness?	_____	_____
13. Is the listing of all passwords kept secure?	_____	_____

Prepared by: _____
Reviewed by: _____

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26.335:
Cash

Cash in the bank:

	Performed By	Date
1. Obtain the year-end bank reconciliation		
2. Obtain the bank statement with canceled checks for the final month of the period.		
3. Compare the final balance on the bank statement with the balance per the bank listed on the bank reconciliation.		
4. Verify that the deposits in transit on the bank reconciliation are recorded in the general ledger for the period under review.		
5. Using the subsequent month bank statement, indicate on your copy of the bank reconciliation the date the deposits in-transit were recorded by the bank.		
6. Compare the outstanding check list to the outstanding checks per the reconciliation.		
7. Use the subsequent month bank statement to verify the clearing of the outstanding checks. Watch the dates of the checks and note the date the checks cleared the bank.		
8. Checks that have not cleared for two months should be investigated.		
9. Determine that the adjusted bank balance on the reconciliation agrees with the bank balance on the financial report or in the general ledger.		
10. Review and ensure that other reconciling items are appropriate.		
11. Compare check signatures with list of authorized check signers.		

NOTE: Use this same procedure for additional bank accounts.

26.340:
Petty Cash

Petty Cash:

	Performed By	Date
1. Review the petty cash log and ensure there are receipts or explanations equal to the total reimbursements.		
2. Count the cash and compare it to the general ledger account or the imprest fund balance. Investigate differences.		
3. Review postings of petty cash activity to the general ledger and determine if it was approved by someone other than the petty cash custodian.		
4. Review a sample of receipts/explanations and determine:		
a. Is this an appropriate expense of the congregation?		
b. Should this disbursement have been made by check?		

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26.345:
Income

Income:

	Performed By	Date
1. Compare the contribution income from the financial statements to the individual contribution records. Reconcile these two records.		
2. Were any discrepancies noted when the year-end statements were mailed out? If so, were they resolved?		
3. Are other types of income properly recorded as to source and type?		
4. Compare all income items to budgeted amounts and investigate significant fluctuations greater than 10 percent.		
5. If gross receipts for unrelated business activities exceed $1,000, has an IRS Form 990-T been filed?		

26.350:
Expenses

Expenses:

	Performed By	Date
1. Compare expenditures with the approved budget for the period and investigate significant fluctuations greater than 10 percent.		
2. Compare all salary, wage and housing allowance totals in the payroll journal to the total salary, wage and housing allowance accounts in the general ledger.		
3. Prepare recommendations to the budget committee for areas not in agreement with budgeted amounts.		

26.356:
Receivables and Advances

Receivables and Advances:

	Performed By	Date
1. Through discussion with the treasurer and/or bookkeeper as well as review of supporting statements, determine whether the following accruals have been recorded in the general ledger:		
a. Interest or dividend income earned but not received.		
b. Cash advances made to employees.		
c. Expenses paid by the congregation for which it is to be reimbursed.		
d. Unconditional promises made by individuals to give to the congregation.		
e. Revenue such as rental or usage fees earned but not yet collected.		
2. Review the age of these items to determine if they are still collectable.		
3. Generally, the older a receivable is, the less likely it is to be collected. Consider sending a confirmation letter to the owing party for large accounts.		

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26.357:
Loans and Notes Receivable

Loans and Notes Receivable:

	Performed By	Date
1. Obtain a schedule of any loans, notes, contracts or other long term receivables showing opening balances, advances, repayments and ending balances.		
2. Trace ending balances to the general ledger.		
3. Send letters to borrowers asking them to confirm ending balances, interest rates and other important terms.		
4. Review payments to determine whether they have been properly split between principal and interest.		
5. Using the interest rate in the promissory note, recalculate interest income and compare it to the amount recorded in the general ledger.		
6. Review mortgages, deeds of trust, etc., to ensure the congregation has an adequate security interest.		

26.358:
Land, Buildings and Equipment

Land, Buildings and Equipment:

	Performed By	Date
1. Prepare a schedule of all fixed assets owned by the congregation listing opening balances, purchases, disposals and ending balances. This schedule should list all land, buildings, improvements, equipment and autos owned by the congregation.		
2. Trace the ending balances to the general ledger.		
3. Determine whether any disposals and resulting gains or losses were properly recorded in the general ledger.		
4. Review expense accounts to determine whether any items were expensed that should have been capitalized.		
5. Obtain a depreciation schedule and verify the following:		
a. Land is not being depreciated.		
b. Useful lives of fixed assets are reasonable.		
c. No depreciation expense or accumulated depreciation exists for assets that have been disposed of.		
d. The calculated depreciation expense is correct and has been recorded in the general ledger.		
6. Review property insurance to determine whether there is adequate casualty and liability coverage.		

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26.359:
Other assets

Other Assets:

	Performed By	Date
1. Through review and inquiry, determine whether the congregation has any of the following assets that should be recorded in the general ledger:		
a. Deposits such as security deposits for rented facilities or deposits for retreats.		
b. Life insurance policies the congregation owns and is the beneficiary of should be recorded at the cash surrender value of the policies.		

26.360:
Loans Payable:

Loans Payable:

	Performed By	Date
1. Prepare a schedule of all loans and notes payable listing opening balances, loan advances, principal repayments and ending balances.		
2. Trace the ending balances to the general ledger.		
3. Trace ending balances to statements provided from lenders.		
4. Insure that any accruals of interest at the balance sheet date have not been paid and are recorded as accrued interest payable.		

26.361:
Accounts Payable and Other Accruals:

Accounts Payable and Other Accruals:

	Performed By	Date
1. By discussion with the treasurer and bookkeeper and by review of cash disbursements after the balance sheet date, determine if any of the following accruals should be made:		
a. Interest accrued but not yet paid on loans payable should be recorded as accrued interest payable.		
b. Operating expenses such as utilities that have been used but not yet paid should be recorded as accounts payable		
c. If the balance sheet date falls in the middle of a payroll period, payroll expense, from the last pay date to the balance sheet date, should be recorded as accrued wages payable. Also record the value of any vacation that has been earned by the employees but not yet taken as of the balance sheet date ("Accrued Vacation Payable").		
d. Any payroll withholding including state, local, federal and FICA taxes, as well as voluntary withholding should be recorded as accounts payable if it has not been remitted at the balance sheet date. This should also include the employer's portion of FICA.		
e. When the congregation accommodates a third party by accepting funds from them and forwarding them to another third party, this is referred to as an agency transaction with the congregation being the agent. Any amounts collected but not yet forwarded to third parties should be recorded as agency accounts payable.		

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26.363:
Net Assets

The equity of a congregation is referred to as its net assets. In not-for-profit accounting there are two types of net assets and they are based on the existence or absence of restrictions placed on their use by donors. The two categories are net assets without donor restrictions and net assets with donor restrictions, temporarily restricted net assets and permanently restricted net assets.

Net assets without donor restrictions can further be broken down into, undesignated, board-designated, and net investment in property and equipment. Undesignated net assets are the cumulative revenue less expenses of the congregation from inception to the balance sheet date. Board-designated net assets are amounts the governing board has set aside from undesignated net assets for specific purposes. Because these amounts are still unrestricted, what the board has designated, the board can undesignate at its own will. Board designated net assets are not to be confused with restricted net assets where the use has been restricted by a donor. Net investment in property and equipment is equity in fixed assets owned by the congregation.

Net assets with donor restrictions (temporary or permanent) are gifts or interest that has been restricted by a donor for a specific purpose or time period less any restrictions that have been met. Financial Accounting Standards require use of temporarily restricted net assets prior to using unrestricted resources if an expense meets the donor's restriction.

Permanently restricted net assets are gifts made by donors that the congregation may never spend. Generally these are endowments that the congregation invests and has use of the interest, but the principal is unavailable.

26.364:
Testing Net Assets

	Performed By	Date
1. Prepare a schedule showing prior net assets without restrictions (undesignated, board-designated, and net investment in property and equipment) adding all unrestricted revenue and subtracting all unrestricted expense.		
2. Trace this amount to net assets without restrictions per the general ledger. If the amounts do not agree, there has been revenue or expense charged to the net asset account that must be reclassified for the financial statements to "roll forward."		
3. Review any transfers between board-designated and undesignated net assets and trace the authorizations to resolutions in the minutes of the governing board's meetings.		
4. Prepare a schedule of net assets with restrictions (temporarily restricted) listing for each account, the opening balance, gifts and interest added, net assets released from restriction and ending balances.		
5. Trace ending balances to the general ledger.		
6. Select a sample of gifts and review any accompanying documentation to ensure the amounts were, in fact, donor-restricted.		
7. Select a sample of expenses and review documentation to ensure they were spent in accordance with the donor's wishes.		
8. Review temporarily restricted net assets to ensure that net assets were properly released from restriction if program restrictions have been satisfied or time restrictions have lapsed (see Sections 23.740 and 26.363).		
9. Prepare a schedule of permanently restricted net assets listing opening balances, gifts and ending balances (there should be no deductions).		
10. Trace ending balances to the general ledger.		
11. Review all gifts to determine they have been permanently restricted by the donor.		
12. If endowments have been created in permanently restricted net assets determine whether that amount has been invested by the congregation and the interest is being properly spent.		

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26.400:
The Financial Review Program (Test of Transactions)

(Legal Name of Congregation) _____

(Street Address) _____

(City, State and ZIP Code) _____

Enter the year or period of time of the financial review _____ 20 _____

Date review completed _____ 20 _____

The Financial Review Committee

_____

_____

_____

26.405:
Test of Transactions — Proof of Cash Worksheet

The proof of cash worksheet provides a tool to help you prove the cash transactions for a given period of time. When completed, the worksheet will total down and across to prove that the elements of cash for a given month recorded by the bank agree with the same period of recording within the records of the church. See 25.410 for instructions on completion of this worksheet.

	Prior Month's Bank Reconciliation	Cash Receipts	Cash Disbursements	Test Month's Bank Reconciliation
Per Bank			( )	
Deposit(s) in transit: Beginning		( )		
Ending				
Less outstanding checks: Beginning	( )			
Ending			( )	( )
Other Reconciling Items:				
Per General Ledger			(_____)	

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26.410:
Test of Transactions — Cash

	Performed By	Date
1. Select one month as the test month and enter your selection here_____.		
2. Obtain the bank statements for the month being tested and the month prior.		
3. Obtain copies of the bank reconciliations for the month being tested and the month prior.		
4. Complete the "Proof of Cash Worksheet" illustrated and supplied with this program (see 25.405) as follows:		
a. On the first line of the first column, enter the cash amount "per bank" taken from the prior month's bank reconciliation. On the first line of the last column, enter the cash amount "per bank" taken from the test month's bank reconciliation.		
b. On the first line of the second column, enter the total deposits (credits) shown on the test month's bank statement. On the first line of the third column, enter within the set of brackets (indicating a negative number) the total withdrawals (debits) shown on the test month's bank statement.		
c. Verify the first line totals across (column 1 + column 2 + column 3 = column 4).		
5. Total the cash count sheets and compare to deposits. Compare deposits to bank statement and the posting in the general ledger and checkbook.		
6. Continue completing the "Proof of Cash Worksheet" as follows:		
a. If deposits in-transit are shown on the bank reconciliations, enter these also on the worksheet. On the second line in the first column, enter the total of deposits in-transit shown on the prior month's bank reconcilement. Duplicate this entry within the brackets (indicating a negative number) on the same line, but in the cash receipts column. On the same line in the last column, enter the total of deposits in-transit shown on the test month's bank reconcilement. Duplicate this entry on the same line, also in the cash receipts column.		
b. Verify the second line totals across.		
c. Next, enter the outstanding checks shown on the bank reconciliations on the worksheet. On the third line within brackets (indicating a negative number) in the first column, enter the total of outstanding checks shown on the prior month's bank reconcilement. Duplicate this entry on the same line (not in brackets), but in the column of cash disbursements. On the same line within brackets (indicating a negative number) in the last column, enter the total outstanding checks shown on the test month's bank reconcilement. Duplicate this entry within brackets (indicating a negative number) on the same line, also in the column of cash disbursements.		
d. Now, verify the third line of the worksheet totals across (column 1 + column 2 + column 3 = column 4).		
e. If other reconciling items appear on the bank reconciliations, they will have to be shown on the worksheet in two columns to make it balance. Enter other reconciling items now (fourth line).		
f. Add down each column of the worksheet, entering sums across the bottom line. Be sure each positive number is added and each negative number is subtracted.		
7. Now the proof:		
a. The cash balance "per general ledger" in the prior month bank reconciliation (first column) should equal the test month's beginning cash balance in the general ledger or the checkbook balance for the beginning of the month. Verify this now.		
b. The cash receipts (second column) "per general ledger" should equal the debit postings for the test month within the general ledger. Verify that this is true.		
c. The cash disbursements (third column) "per general ledger" should equal the credit postings for the test month in the general ledger. Verify that this is true.		
d. Finally, the cash balance "per general ledger" in the test month bank reconciliation (last column) should equal the general ledger cash balance at the end of the test month or the checkbook's ending balance. Look and see that this is true. Review all gifts to determine they have been permanently restricted by the donor.		
8. Congratulate the committee. They just proved the cash account for one month— go have some coffee!		

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26.415:
Test of Transactions — Cash Disbursements

Cash Disbursements:

	Performed By	Date
1. Determine how many checks were written during the year by subtracting the beginning check number from the ending check number. Divide the number of checks written by 20, (which will be the sample size), and determine the interval between each sample. For example, 400 checks written, divided by 20, would mean every 20th check would be examined.		
2. Secure the sample of 20 by obtaining all the canceled checks for the year.		
3. Make a list of the 20 checks and make columns headed accordingly: check number, vendor, date written, amount, account distribution, supporting detail, and remarks.		
4. At this time, review the internal control review and note the answers given to authorized signatures, number of signatures required, the cash disbursements section of the questions. Now you will prove or disprove the validity of the internal control as it was explained to you.		
5. Obtain all the supporting documentation to the 20 checks written. Now examine each check and supporting documentation to see if each one is handled in accordance with documented procedure. Use the worksheet (prepared in step #3 above) to support your findings. Note any departure from procedure. Make appropriate comments and recommendations for better documentation.		
6. After performing the above test, return all items to their proper file.		

26.420:
Test of Transactions — Cash Receipts

Cash Receipts:

	Performed By	Date
1. Select a sample of cash receipts from the receipts log/journal, excluding worship service offerings. (This has been tested in income.)		
2. Review the receipt explanation and supporting documentation to ensure the income account charged was reasonable.		

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26.425:
Test of Transactions — Payroll

Payroll:

	Performed By	Date
1. Examine the individual payroll files. Test for completeness.		
2. Compute the payroll for one period.		
3. Verify that housing allowance is recorded properly and trace same to the governing body's minutes		
4. Do the annual salaries agree with the approved amounts?		
5. Are current withholding authorizations on file?		
6. Is an appropriate Form I-9 on file for each worker?		
7. Obtain the quarterly and annual payroll tax returns. (Form 941) Verify the reporting on a selected quarterly return. Combine the quarterly returns and verify the annual return totals.		
8. Inquire and obtain documentation on selected unusual payroll reporting items and verify proper reporting (i.e., moving expenses, auto/expense allowances, group term life, and tax-sheltered annuities (TSA).		
9. Verify payment of withheld taxes to IRS, state, local, and payment of workers compensation insurance.		
10. Verify payment of health insurance, pension, dental, life insurance, and other fringe benefits.		

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26:500:
Financial Review Letter to the Congregation

First Lutheran Church
2743 Concordia Drive
St. Louis, MO 63122

Date _____

Members of First Lutheran Church:

We, as an appointed "Financial Review Committee," have reviewed the financial reports of

First Lutheran Church

Our financial review covered the period of Date _____ Date _____

As part of our study, we utilized the financial review package as found in the Congregational Treasurer's Manual. We performed the review at the request of our congregational chairman and in accordance with the constitution and bylaws of our church. As a result of our study, certain recommendations have been made to improve the recordkeeping of our church and to assist the treasurer in his or her duties.

We thank God for this opportunity to serve Him and pray that our recommendations are received as constructive information to improve and strive toward excellence as God commands us.

The Financial Review Committee _____
_____
_____
_____
_____

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Section 6
Insurance

Chapter 27: Risk Management

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27.100: Introduction

This chapter has been prepared to familiarize and encourage the practice of risk management throughout the congregation and use this practice in conjunction with daily operations, decision making and the annual renewal purchase of the church's insurance program. The Lutheran Church—Missouri Synod recognizes that, while all congregations share many similar exposures, each church also has its own unique exposures and each church should tailor its risk management and insurance program to merit their individual needs. Any lines of coverage, policy limits, policy deductibles or retention levels, or types of coverage contained herein, are only suggestions. Each individual church should work closely with their insurance representative and attorney to establish an effective and efficient risk management and insurance program.

This information is written and intended not to endorse, recommend or suggest any preferential opinion in regard to insurance brokers, agents, representatives or carriers. If you have any questions related to the material presented within this manual or wish to ask any question in general, please contact The Lutheran Church—Missouri Synod Treasury/Risk Management and Insurance Office at (314) 996-1419.

27.105: Establishing Risk Management in the Church

Most congregations are too small to employ a risk manager. Unfortunately, most get no risk management advice of any kind and buy whatever insurance their local agent/broker recommends. There is a middle ground that makes more sense. The incorporation of risk management into the daily operations of the church will assist with the administration of the unique operations and exposures the church may face. There are many definitions of risk management, but the basic theme is to protect the church's assets through identification, analysis, control, financing (either through internal funds, external funds or insurance), implementation and monitoring the risk management process. A continual presence of a risk management function will lead to lessen the frequency and severity of losses, reduce insurance premiums, create an understanding of the congregation's true operational exposures, and result in the clergy, leaders and members of the church being able to fulfill the mission with minimal distractions.

Each church should establish a risk management function/committee for loss prevention and control. Suggested individuals who should be appointed or included for this responsibility include clergy, the treasurer, the president or leader of the congregation or the chair of a committee. The appointed individuals should meet periodically throughout the year and be active in or have experience in risk management, engineering, legal issues, or insurance (either as an underwriter, agent or broker).

27.110: Determining the Church's Exposures

Many of the exposures of a church are the same as might be expected of any occupied building. The structure may be physically damaged or destroyed. Personal property may suffer physical damage or may be subject to loss by theft or embezzlement. Employees may be injured. Members of the public may be injured or have their property damaged by an accident or occurrence arising out of the church's activity. Many of the perils are more or less routine, but churches face important additional perils, some of them unique to church organization.

Pure risk is defined as a chance of financial loss. Below is a partial listing of losses that a church may face, which could lead to a financial loss due to bodily injury or damage to property. These losses can result from daily operations like worship services, pastoral and lay counseling, school/daycare and child supervision operations and various outreach activities:

- Breach of Contract and Tort liability resulting from:
  - Premises defects
  - Sexual misconduct
  - Libel, slander and other personal injuries
  - Errors and omissions of directors, officers and trustees
  - Employment discrimination
- Damage to church property
- Automobile accidents
- Property disputes
- Crime, theft, disappearance

27.115: Selecting an Insurance Broker or Agent

The agent/broker relationship plays a very important role in the overall risk management function. They are valuable members of the risk management team since they often provide insurance expertise, loss control, training, and access to insurance coverage. To understand the difference between an insurance agent and an insurance broker, definitions of each are provided below:

- An **agent** is considered a representative of an insurance company or, under the independent system, is a representative of several insurance companies. The agent has the legal authority to act on behalf of the companies the agent represents, as well as acting on behalf of the agency. The scope of authority varies, but normally an agent is allowed to collect premiums, bind coverage and in some cases, issue policies. In other words, the agent is the insurance company and the insurance company is legally responsible for the commitments an agent makes on its behalf.
- A **broker** is not considered a representative of an insurance company. The broker is considered to be the representative of the church and the broker may place coverage directly with an insurance company directly or through an intermediary (wholesale or excess) agency. The insurance company is not responsible for acts or omissions of the broker.

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- Due to the dynamic nature of today's insurance industry, it is good risk management practice to have the congregation's insurance agent, broker and/or insurance company compete with other agents, brokers, and/or insurance companies every three to five years. The practice of comparing current representatives and carriers promotes a fair and healthy relationship, determines if the church is receiving fair and adequate coverage and pricing, and discourages a relationship to become too relaxed or "taken for granted" where service can diminish and gaps in coverage could arise. There are several methods for how a church can successfully select or compare agents/brokers and insurance companies that emphasize fairness or address a situation where change is demanded:
- **Agent/Broker of Record appointment:** Issued by the church to a specific Agent/Broker for a specific purpose.
- **Request For Proposal:** Where an entire insurance program or specific issue can be placed out for a bidding process.
- **Limited Broker Assignments:** Similar to an Agent/Broker of Record appointment but issued for a specific service or expertise.
- **Open bidding:** Public notice open to any and all that can qualify according to the church's bid specifications.
- **Conceptual Bidding:** No specific insurance policies are involved. A process of selecting who to do business with for the eventual pursuit of insurance coverage.

A copy of the agent's/broker's Certificate of Insurance with evidence of their Professional Liability coverage, policy limits and deductibles/retention levels should be obtained and kept in the church's insurance files in case of a coverage error.

27.120: Selecting an Insurance Carrier

An insurance policy is only as good as the company behind it and the agent/broker who helps construct it. An insurance company should be selected that is financially stable and reliable, service-oriented and highly familiar with the special needs of the church. Many churches feel more secure when dealing with insurance companies that specialize in church insurance. These companies have policies designed specifically for churches and methods for determining the amount of insurance a congregation should carry. These companies also have the specialized expertise needed for handling exposures unique to the church such as loss control, underwriting, legal, and claims support staff to work on the church's behalf.

It is highly recommended that a church ask for and check references with at least three to four other churches that are insured by the same company and through the same agent/broker.

Current financial conditions in the insurance industry warrant the determination of the financial strength of any insurance carrier. The best indicator of the financial stability of an insurance company is the rating it has been assigned by A.M. Best Company. A.M. Best is an independent analyst of insurance companies that assesses the insurance company's ability to pay claims. The Guide to A.M. Best's Ratings is provided below in which the church may refer to when determining the financial position of a current or potential insurance carrier.

GUIDE TO A.M. BEST'S RATINGS

Best's Insurance Reports, published annually by A.M. Best Company Inc., presents comprehensive reports on the financial position, history and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States and Canada are assigned a Best's Rating to measure the comparative position of the company or association against industry averages.

Best's ratings are based on analysis, which give consideration to a number of factors of varying importance. While the analysis is believed to be reliable, its accuracy of the rating or financial stability of the insurance company cannot be guaranteed.

Best's Rating Classifications:

A++ to A+	Superior
A to A-	Excellent
B++ to B+	Very Good
B to B-	Good
C++ to C+	Fair
C to C-	Marginal

Best's Financial Classifications:

I	$0	to	$1,000,000
II	$1,000,000	to	$2,000,000
III	$2,000,000	to	$5,000,000
IV	$5,000,000	to	$10,000,000
V	$10,000,000	to	$25,000,000
VI	$25,000,000	to	$50,000,000
VII	$50,000,000	to	$100,000,000
VIII	$100,000,000	to	$250,000,000
IX	$250,000,000	to	$500,000,000
X	$500,000,000	to	$750,000,000
XI	$750,000,000	to	$1,000,000,000
XII	$1,000,000,000	to	$1,250,000,000
XIII	$1,250,000,000	to	$1,500,000,000
XIV	$1,500,000,000	to	$2,000,000,000
XV	$2,000,000,000	to	or more

At the option of the church, you may wish to consult with other available rating services, such as Standard & Poor's, Moody's or Fitch's.

It is strongly recommended that insurance coverage is placed with a carrier that has been assigned an A.M. Best rating of either A++ to A+ or A to A-. A church should not place coverage with a carrier that has less than as A- rating unless special circumstances warrant this type of arrangement.

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27.125:
Determining Adequate Liability Policy Limits

The most critical base of the church's insurance program is the Package Policy. A package policy provides property and liability coverage for most of the church's exposures. To determine the most current and appropriate amount of insurance, several methods of measurement should be performed on an annual basis, typically three to six months before a church's insurance program renewal date. These methods of measurement are described in **Section 26.130 Preparing Your Insurance Submission.** Recom-mended policy limits, deductibles and retention levels are provided with each line of coverage discussed in section 26.215—26.270.

In addition, there are other guidelines that a church may wish to consider when establishing adequate policy limits:

- Use the respective LCMS district office insurance program as a benchmark. For example, if the district office has the policy limits listed below, then the congregation should consider carrying identical limits as a minimum. Some ministries will have exposures that warrant higher limits of coverage (e.g. many outreach activities, more than two owned autos, significant cash assets).

  General Liability: .....$1,000,000 per occur/$2,000,000 Annual Aggregate

  Workers Compensation/ Employers Liability: ..... $500,000/$500,000/ $500,000

  Automobile Liability: .....$1,000,000 Combined Single Limit

  Umbrella $1,000,000

- Consider the church's loss history. If the church has experienced recent losses that come close or have the potential of exceeding the current policy limits, it may be time to consider increasing the church's policy limits (or modify the deductible or retention levels).
- Consult other congregations to see if they are willing to share their policy information. This practice can also help the church determine if they are over insured, under insured, or if the church is comparable with its peer group.

27.130:
Determining Adequate Property Limits

Within the past few years, insurance underwriting requirements have become more stringent. Underwriters are demanding more information than ever before and they insist that the data be up-to-date. Therefore, the quality and thoroughness of the church's submission of exposure information to the underwriters become critical to a successful and, hopefully, a pleasant renewal.

To determine the most current and appropriate amount of insurance, several methods of measurement should be performed on an annual basis. A permanent and recorded inventory of the church's owned buildings, contents, personal property, revenues, square footage, equipment and automobiles is an excellent way to begin this process. When recording the inventories, a coding system should be assigned to each building, each room within the building, and serial or model numbers, and the replacement cost of each item should be assigned. Making a video showing church-owned contents can also be very helpful.

It is important to properly classify the owned property into the correct categories when performing the inventory since many different types of assets can be combined to arrive at the proper value. The lists below should not be considered complete but are only provided to capture the main items of the building and its contents.

Buildings:

The insurable value of the building is comprised of several factors. Begin by determining the replacement value of the basic structure. The church may wish to begin with the actual cost to construct the building and then apply an inflation factor that is available from the agent/broker. Next, list the items that are also considered to be part of the building; simply, any item that is permanently attached to the structure (walls, floor, roof or ceilings). For example (this list should not be considered complete):

- Heating and air conditioning equipment
- Sound systems
- Attached podiums, baptismal, lecterns
- Attached seats, pews, or benches
- Kitchen appliances, cabinetry, counters
- Fiber optic cable
- Attached projection screens, blackboards
- Satellite dishes
- Fixed carpeting/flooring
- Attached lighting
- Installed playgrounds
- Attached signage
- Alarm systems
- Organs
- Altars and railings
- Windows, including stained glass
- Outside property (stand-alone structures that are unattached to the main structures, like sheds, garages, storage, etc.)

After the replacement cost of the basic structure and the replacement cost of the additional items that are to be considered as part of the building value have been established, total these figures to arrive at the Replacement Cost/Agreed Amount Value for each individual building the church may own.

If a congregation does not own a structure, but leases a building, then a review of the lease is in order to determine if the church is not responsible to insure this structure. If not, then only the contents need to be recorded on the inventory schedule. There is a likelihood that, at a minimum, the church will be required to insure tenants' improvements and building glass.

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Contents and Personal Property:
Items that are on the property and are not permanently attached to the buildings. For example (this list should not be considered complete):

- Unattached carpeting and rugs
- Classroom and daycare items: toys, books, cribs, dressers, tables, chairs, desks
- Playground equipment
- Jewelry or religious adornments
- Robes, vestments, stoles
- Outdoor property: signs, unattached satellite dishes, furniture
- Artwork: pictures, paintings, sculptures, carvings, statues
- Fine arts: statuary, crosses, paintings, sculptures, carvings, etc.
- Kitchen items: dishes, silverware, food, supplies, microwave, refrigerator, cookware, coffee makers, punch bowl sets; also, washer/dryer units
- Altar items: candles, communion ware, unattached podiums
- Decorations: seasonal or special event
- Maintenance equipment: lawnmowers, snow removal, blowers, trimmers, rakes, shovels, clippers, tools, ladders
- Computer equipment: hardware and software, laptops, PDAs
- Bibles and hymnals
- Library: books, videotapes, DVDs, chalkboards, dry erase boards, tables, chairs
- Office furniture: desks, chairs, filing cabinets, shelves, drapes, lamps/lighting, televisions, VCR players, DVD players, CD players
- Books: library books, general books, as well as rare books
- Office equipment: copiers, fax machines, telephones, typewriters, screen projectors
- Gymnasium and sporting equipment

A suggested form to use to gather the building, contents and personal property values for the annual insurance renewal submission is provided with this manual, located in Section 26.665 Sample Forms.

Building descriptions and construction can be classified as Frame, Joisted Masonry, Masonry Non-Combustible and Non-Combustible constructions. Please see Section 26.655 Glossary for a definition of these categories. For determining property insurance rates, insurance underwriters commonly use these four factors:

- Construction type (esp. fire resistive, masonry, non-combustible)
- Distance from nearest fire department/hydrant
- Fire Sprinklers (sometimes required by code)
- Age of roof

A suggested form to use to record all property information for the annual insurance renewal submission is provided with this manual. This form has been formatted to comply with the most recent underwriting demands and requests. Please see a sample of this template form (Sample 3) located in Section 26.665 Sample Forms.

27.200: Types of Insurance to Purchase and Consider

This section will outline the types of insurance coverage that should be considered when addressing the unique exposures of the church and what critical coverage terms to be included in the church's insurance program.

27.205: Named Insured Listing

Named Insured is defined as the person or organization specifically designated in the insurance policy as the one protected from a loss; it is a person, business or organization specified as the insured(s) in a property or liability insurance policy. When preparing your insurance submission or reviewing your policy, it is most important to make sure that all Named Insureds are included on the policy Declarations Page or by way of a policy endorsement. A thorough check of spelling and addresses should be performed, and the agent/ broker should be immediately notified of any errors or omissions to the Named Insured listing. Ministries with related, but separately incorporated, organizations should ensure that all such organizations are adequately covered by inclusion on the policy declarations page as a named insured or by way of additional insured endorsement.

27.210: Policy Form Requirements

It is recommended that a church's insurance program contain the following stipulations:

27.215: Property

Property insurance is coverage provided for the direct or indirect damage of property stolen, damaged or destroyed by a covered peril within a stated distance of the premise. Recovery of a loss may be limited to the values reported to the insurance carrier.

The amount of insurance to carry on the Property policy affects how much a church may receive for an incurred loss. To arrive at the proper amount of insurance, it must be determined how much it would cost to replace the church and its related structures along with its contents with materials of comparable kind and quality at today's prices. This method of determination will establish the **Replacement Cost Valuation.** Once these values have been determined, the insurance carrier will need to review and agree with these values. Once this occurs, an **Agreed Amount** has been established and any co-insurance requirements/ penalties can be avoided. Also, by establishing the Replacement Cost Valuation with an Agreed

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Amount, most losses will be indemnified on a replacement cost basis and not an Actual Cash Value basis which takes depreciation of the asset into account when determining reimbursement of a loss to the church.

Many property policies stipulate that a church's insurance be not less than 80 percent of the value of the property at the time of a loss. If a congregation fails to have adequate property policy limits of at least 80 percent of the replacement cost values, a co- insurance penalty may be incurred. This means that a congregation will share in the loss with the insurance company, beyond the church's policy deductible.

To satisfy the policy co-insurance requirement and be better protected at the time of a loss, a congregation may wish to secure property policy limits 90 percent to 100 percent of the inventoried values.

When possible, the church should have its property policy written on a **Blanket Basis** instead of having individual limits for each building/location. This means that all of the church's individual building and content values are combined into one policy limit. Blanketing also serves to better cover additional contents that would make a separate contents limit inadequate. Blanketing also allows the church to shift contents from building to building without the concern that a specific contents limit at one building is inadequate. This is especially beneficial for camps. Blanketing also helps establish a Replacement Cost Valuation with an Agreed Amount at 100 percent that can eliminate the need for co-insurance requirements. A potentially more affordable option is to cover buildings individually with a Broadened Valuation option.

The church will also need to have their property policy written on a **"Special Cause of Loss"** basis that provides coverage for all risks of loss except as excluded. Examples of covered losses: theft, fire, lightning, explosion, windstorm, hail, smoke, riot, civil commotion, vandalism, sprinkler leakage, sinkhole collapse, glass breakage and backed up water (not flood) from sewers and drains. A Special Cause of Loss form is sometimes referred to as an ALL RISK policy.

Many times a church insurance property policy will have limitations for signs, glass breakage, building ordinance, earthquake and flood. The church will want to make sure that its property policy is extended to provide adequate coverage.

- Make sure that any signs are disclosed to your agent/ broker with their replacement values so they can be properly insured/scheduled.
- Sometimes a property policy will limit the recovery of glass breakage to $250 per pane, with a maximum of $1,000 per loss. If the value of any of the church's windows (either individually or collectively) exceeds the policy limitations, the church may need to purchase "full" glass coverage that will eliminate any glass breakage limitations. Please see **Section 26.225 Inland Marine for Stained Glass.**
- In some communities, building ordinances are imposed upon the repair of older, heavily damaged buildings in order to bring the structure up to current construction code. The church's property policy may need to be endorsed to account for increased building costs or demolition costs resulting from the compliance of such ordinances.
- Earthquake and flood is not often an automatic coverage within the property policy. It will need to be determined if the church and other owned structures are located in flood plains or high-risk earthquake zones in order to determine if separate Flood or Earthquake coverage is required. Contact the agent/ broker to find out what flood and earthquake zone the church is located in and they can assist the church in placing the required coverage for these exposures.

Systems and Equipment coverage (formerly Boiler and Machinery) is provided for the direct physical damage of equipment breakdown for electrical equipment; mechanical equipment; boiler and fired or unfired pressure vessels; air conditioning equipment; refrigeration systems; business equipment and systems; phone systems, sound systems; elevators, hoists, cranes; escalators; ovens, stoves and furnaces; maintenance, production and process machinery. This coverage can be secured through a property policy or as a separate line of coverage.

Recommended Policy Limit, Deductibles/Retention Levels: The limits of a property policy should be established based upon the inventoried Replacement Cost values that are agreed upon with the insurance carrier.

Property deductibles normally range from $250 to $1,000. It is becoming more common today for a church to take on deductibles from $5,000 to $100,000 per occurrence. The higher a deductible can mean a lower annual premium. But, when considering taking on a higher deductible for a lower annual premium, be sure to base this decision on the church's ability to take on this additional risk and that the premium savings is worth it. If a higher deductible does not produce material savings in premium dollars, it may not be worth the additional risk.

27.220: Business Interruption/Extra Expense

Business Interruption coverage is provided for the loss of profits or revenues due to an interruption in the normal operations of the church, school, daycare, camp or nursing home as a result of a covered loss. Extra Expense covers the extraordinary expenses that may become necessary after a covered loss occurs. Extra Expenses may include rent for temporary space, extra transportation costs and other temporary expenses during the time period it takes to relocate or rebuild a church after a loss.

Recommended Policy Limit, Deductibles/ Retention Levels: To estimate the church's Business Interruption/ Extra Expense limit, a simple worksheet will need to be completed and presented to the agent/ broker. A sample worksheet (Sample 5) has been provided in Section 26.665 Sample Forms.

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27.225:
Inland Marine

Some items in the church may have a higher dollar value assigned to them due to their rarity, antiquity or uniqueness as compared to other ordinary items. Examples of such items are fine arts (paintings, statutes, old Bibles, communion ware, stained glass and rare books). Values for these expensive, unique items should be agreed upon with the agent/broker and should be specifically listed in your policy. This is generally called "scheduling" an item or providing "inland marine" coverage.

Recommended Policy Limit, Deductibles/ Retention Levels: The limits of an inland marine policy should be established based upon the inventoried values that are specifically scheduled and reported to the insurance carrier. The inland marine policy deductible normally ranges from $250 to $1,000 per loss.

27.230:
Earthquake and Flood and Determining Your Exposure Zone

Earthquake and Flood coverage can be either purchased as an endorsement to a property policy or as a separate policy known as Difference In Conditions. Earthquake and Flood coverage is for direct damage resulting from earthquake, volcanic eruption, or from flooding occurrences. Each church should determine what earthquake and flood zone they are located in prior to purchasing either of these lines of coverage since:

- The church's exposure zones will determine if insurance is available through a property policy or if a separate policy is required.
- The church's exposure zones will be a critical factor in establishing sufficient limits. If sufficient limits cannot be attained through the primary property policy, the church may need to purchase coverage either through a government program or purchase excess layers of Difference In Conditions policies.

Recommended Policy Limit, Deductibles/ Retention Levels: Please consult with the agent/broker in order obtain the earthquake and flood zone of the church's location and to establish sufficient policy limits.

27.235:
General Liability

General Liability coverage is provided for claims of negligence involving bodily injury, property damage, personal injury (such as libel or slander) and advertising injury occurring from a church's sponsored activities either on premise or away from your facilities. A church's General Liability policy should also include coverage for lawsuits originating from your premises, operations, products (including food preparation), construction, athletics, and the use of non-owned watercraft. It is strongly recommended for the church's General Liability policy to include:

- **Medical Expense:** covers the medical expenses of congregation members, guests and volunteers who are injured on the church premise or while participating in a church-sponsored event, regardless of fault.
- **Sexual Misconduct and Molestation:** protects the organization and, while acting within the scope of their duties, members, clergy, officers, board members, employees and volunteers. (See Section 26.650 for additional information.)
- **Employee Benefits Liability:** provides protection for improper administration of an employee benefit plan such as providing incorrect information, negligent counseling, or errors in administration of a benefit plan.
- **Fire Legal Liability:** Coverage for property loss liability to leased premises as a result of fire caused by negligent acts and/or omissions of the church. Additional coverage can be obtained to cover such damage caused by other than fire.
- **Host Liquor Liability:** Coverage for liability resulting from the serving (not the sale) of alcoholic beverages at church functions.
- **Hired and Non-Owned Automobile Liability:** Coverage to protect the church from liability arising from the use of rented or borrowed vehicles. If the church does not own any vehicles but does rent, borrow or lease (short term/less than three months — check with your carrier as some might not cover leases for any period) a vehicle or have people who drive their personal vehicles on behalf of the church, then Hired and Non-Owned Automobile Liability coverage will need to be purchased.
- **Watercraft:** If the church or related organization (camp, etc.) owns watercraft, then a separate policy will need to be purchased. Check with your carrier; some will cover owned watercraft by endorsement to the General Liability policy. Only a General Liability policy will cover only the liability arising from a non- owned watercraft.
- **Counseling:** Coverage is for clergy, lay employees, and volunteers who provide counseling services that are performed within the scope of the church and under the supervision of a minister. Coverage should be written on a Blanket basis to provide the fullest coverage available.
- **Crime, Directors and Officers, Employment Practices Liability and Educator's Legal Liability** coverage should also be endorsed to a General Liability policy or can be purchased as separate lines of coverage.

Catastrophic Violence Response Coverage is also available from your agent/broker that provides coverage for immediate financial assistance as a result of a violent incident that may occur on premise.

Recommended Policy Limit, Deductibles/ Retention Levels: General Liability policy limits should be $1,000,000 per occurrence with an annual aggregate of either $2,000,000 or $3,000,000. The same limits should be established for the church's Automobile Liability policy. Policy limits normally range from $100,000 to $1,000,000 and will be determined by the carrier. There may be deductibles from $1,000 to $10,000 (or higher) for the sexual

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misconduct, counseling, crime and employment practices liability lines of coverage. Check with your carrier, some church insurance companies don't have retention.

27.240: Automobile Coverage

Automobile Liability coverage is provided for sums incurred resulting from bodily injury or property damage caused by an accident resulting from the ownership or use of a covered vehicle. If the church owns one or more vehicles, is it imperative to carry automobile insurance with liability, medical payments, uninsured and underinsured motorists, and physical damage coverage to protect the church, the vehicle, the driver, and any third party who may become involved in a loss.

It is also important to keep an accurate and updated inventory for any vehicles the church may own or lease on a long-term basis. When recording the inventory, a sequential and numerical code should be assigned to each vehicle. Other important information that should be included on the inventory form should be:

- Year
- Make
- Model
- Vehicle Identification Number (VIN)
- Purchase cost
- Lessor name and address
- License plate number
- License plate expiration date

A suggested form to use to record the church's automobile inventory information for your annual insurance renewal submission is provided with this manual. This form has been formatted to comply with the most recent underwriting demands and requests. Please see a sample of this template form (Sample 4) located in Section 26.665 Sample Forms.

Hired and Non-Owned Automobile Liability provides the church protection for bodily injury or property damage resulting from an auto accident caused by someone driving a vehicle on the church's behalf in which the church does not own or lease. Medical expense can be endorsed to provide medical payments for injuries to persons occupying the auto, regardless of fault.

Recommended Policy Limit, Deductibles/ Retention Levels: Automobile Liability policy limits should be the same limits established in the church's General Liability policy. If a church, school or daycare has and operates 15-passenger vans, the minimal Automobile Liability policy limit should be $1,000,000 per occurrence. See section 26.510 and 26.635 regarding important information on the use of 15-passenger vans.

27.245: Workers' Compensation

Workers' Compensation coverage is provided for bodily injury or disease (including resulting death) for employees who are injured on the job or disease caused by aggravated conditions of employment. Injury or disease must occur within the course of normal employment responsibilities. Workers' Compensation benefits are set by state statute and generally provide financial assistance for wage loss, medical and rehabilitation expenses and survivor benefits. States in which Workers' Compensation coverage cannot be purchased through a normal insurance policy are North Dakota, Ohio, Washington and Wyoming. These states are recognized as Monopolistic States and workers compensation coverage must be purchased through each state's workers compensation bureaus (also known as a state insurance fund).

Recommended Policy Limit, Deductibles/ Retention Levels: Employer's Liability policy limits should be from $500,000 to $1,000,000 per coverage. Workers' Compensation policies for churches normally are written on a First Dollar/Guaranteed Cost basis and have no deductible requirements.

27.250: Umbrella or Excess Liability

Umbrella or Excess Liability coverage provides additional limits for scheduled and underlying lines of coverage for liability losses that exceed primary policy limits. An Umbrella Liability Policy helps protect the church against devastating effects of a large loss or lawsuit and will provide additional policy limits for the General Liability, Professional Liability, Automobile Liability and Employers' Liability (Workers Compensation) exposures. This coverage can be stand-alone or endorsed to a general liability policy.

Recommended Policy Limit, Deductibles/ Retention Levels: Policy limits for an Umbrella policy should be established at high enough levels to cover the assets of the church's balance sheet and reflect the unique exposures of the organization. Exposures to consider are existing camps (day or overnight), missionaries, sponsored athletic activities, affiliated schools or daycare facilities or nursing homes. Please consult the agent/broker in determining the appropriate Umbrella policy limit. There may be a policy retention amount — check with your carrier.

27.255: Crime

Theft of property is covered under a Special Cause of Loss Property policy. However, theft of money is covered under a Crime policy also sometimes referred to as a Fidelity Bond. Crime coverage is provided for loss of money or securities due to a loss or theft occurring either inside or outside the premises while in the care, custody or control of the church or an employee. Coverage is available in several forms:

- Theft, Disappearance and Destruction of Money and Securities
- Employee Dishonesty
- Depositors Forgery
- Credit Card Fraud

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Recommended Policy Limit, Deductibles/ Retention Levels: Monies and security coverage should be purchased to cover, at minimum, the amount that is collected from normal weekly offerings and should also provide automatic limit increases for times when offerings are much higher than normal, such as Christmas or Easter. The church's policy limits should also be established to cover any exposure of loss for fundraising activities.

Employee Dishonesty limits should be adequate to cover employee theft loss that could occur over a period of time, the minimal policy limit to be considered should be $500,000.

27.260:
Directors and Officers Liability

Directors and Officers Liability coverage is for claims (either actual or alleged) arising from church's officials' obligations to act diligently, loyally and obediently. Coverage is applicable to the church or organization and the directors, officers, trustees, clergy and other elected or appointed members while acting within the scope of their duties. Coverage may be purchased by endorsement to the General Liability policy or as a separate Directors and Officers Liability policy.

Many states offer Directors and Officers of non-profit organizations limited immunity from personal liability. Please check with the church's legal counsel or with the agent/broker to see if immunity is available in your state. However, it is still strongly recommended that this line of coverage be purchased to protect the church from legal expenses that would accumulate with the defense of any allegations.

Recommended Policy Limit, Deductibles/ Retention Levels: Policy limits to $1,000,000 per claim is recommended. Typically, the policy retention level will be at $10,000 per claim.

27.265:
Employment Practices Liability

Employment Practices Liability is offered to protect an employer from employment related claims such as discrimination, harassment, or wrongful termination. This coverage may be purchased by endorsement through the General Liability policy or in combination with a Directors and Officers Liability policy.

Recommended Policy Limit, Deductibles/ Retention Levels: Policy limits of $1,000,000 per claim is recommended. Typically, the policy retention level will be at $10,000 per claim.

27.270:
Educator's Legal Liability

Educator's Legal Liability is provided for trustees (directors), officers, administrators, faculty, professional staff and other employees, student teachers, and non- compensated volunteers for their activities within the scope of their duties on behalf of the school, college or educational association/entity.

Educator's Legal Liability will provide coverage for lawsuits alleging such issues as failure to educate, student discrimination, wrongful termination or failure to hire or promote.

It is recommended that Corporal Punishment coverage also be purchased if a church has school, daycare or teaching exposures.

Recommended Policy Limit, Deductibles/ Retention Levels: Policy limits of $500,000 to $1,000,000 per claim is recommended. There may be a policy retention amount — check with your carrier.

27.300: Optional Lines of Coverage to Consider

The lines of coverage presented below are for the church's optional consideration. Please consult the agent or broker to determine if these policies are applicable to the church's unique exposures or already provided within your General Liability Policy.

27.305:
Legal Defense

Legal Defense insurance is typically provided with a General Liability policy to cover legal costs of defending lawsuits against officials, employees and volunteers of the church, school, college, camp or daycare/childcare. An endorsement may be added to cover defense costs not otherwise covered.

27.310:
Medical Expense

Medical Expense insurance is available through a General Liability policy to cover non-employees on the grounds of the church or attending an activity sponsored by the church at any venue. Coverage includes congregational members, guests and volunteers. This coverage pays out regardless of fault.

27.315:
Travel and Assistance

Travel and Assistance insurance is a separate insurance policy to cover exposures due to international travel that provides the combination of General Liability, Foreign Travel Accident and Sickness, Volunteer Workers Compensation/Employers Liability/Excess Repatriation, Automobile Liability and also has an optional endorsement for Kidnap and Ransom.

27.320:
Clergy Homeowner's Protection

Clergy Homeowner's Protection is a separate insurance coverage for a clergy's residence (whether or not the residence is owned either by the church or the pastor OR whether the residence is a leased/rental property). This

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type of policy has additional coverage and features that go beyond the typical homeowner or renter's insurance policy.

27.400: Claims

27.405: Reporting a Claim

Any claim, regardless of its type, should be reported to the insurance carrier as soon as possible and within 48 hours of its occurrence. Timely reporting allows the adjuster to investigate the claim while the events are still easy to document, allows for quicker resolution of a claim, and, if applicable, helps ensure proper medical attention and return to work solutions for those who have sustained bodily injury.

Claims can be reported to the insurance carrier by a number of methods:

- By telephone
- By fax
- By mail
- Through the internet (not all carriers will offer this service)
- By email
- By downloading the appropriate reporting forms (usually available through the internet)
- By notifying the church's agent/broker by one of the methods mentioned above

When the church needs to report a claim, there are several pieces of information that will need to be available to expedite the claim reporting process:

- The respective insurance policy number(s)
- The church's insurance account number (if known)
- The date and time of loss
- A detailed description of the claim or accident
- Name and phone number of a primary contact person whom the claims adjuster could call and ask questions about the claim

27.410: Duties in the Event of a Claim

The church's duties in the event of a claim include:

- Prompt notification of the loss
- Notification of authorities when the loss involves a crime
- Protection of property from further damage
- Protecting others from injury
- Cooperation with the insurance adjuster's investigation and settlement of the claim

If the church believes that a lawsuit or other legal action may be filed, is served with a Summons or Complaint, if the church fears legal action may arise, or if any significant injury has occurred, the insurance carrier should be contacted to seek advice, direction or file a notice of possible claim.

If an employee is injured, the loss must be immediately reported to the insurance carrier in order to report any medical attention received, file a First Report of Injury, allow time to gather facts and determine compensability. The First Report of Injury form will also allow the church to report any lost time, wage and benefit information that will be needed for wage and benefit payments.

27.415: Loss Runs and Continual Claims Management

It is good risk management practice for the church to receive detailed loss reports (a.k.a. loss run reports, loss summaries) from their insurance carrier on a quarterly or semi-annual basis. A detailed loss run can reveal a substantial amount of information as to the frequency and the severity of reported losses.

When requesting a loss report, the church should request, at minimum, the carrier to provide the following criteria within the report:

- Date the report is prepared (also known as the Valuation Date)
- Date of Loss
- Claim Number
- Claimant Name (parties involved)
- Description of Loss
- Type of Injury
- Status of Claim (Open or Closed)
- Financial position of each individual claim indicating:
  * Total Amount Reserved
  * Total Amount Paid to Date
  * Total Amount Incurred

Each line of coverage should have its own loss report and should be totaled by policy year.

When reviewing the church's loss report, procedures can be established to reduce, minimize or possibly eliminate losses that directly affect the church's insurance premiums. A review of the loss report can help identify and address the following:

- The types of claims the church incurs, e.g. lightning strikes, back strains, vehicle accidents, slips and falls
- The contribution factors that may cause or facilitate a loss, e.g. icy sidewalks, lifting too heavy items, improper driving
- Identify multiple claims by same claimant (person)
- How often (frequency) a claim occurs, e.g. three work comp claims, two property claims, five vehicle claims, 10 general liability claims; the frequency can be noted per month or per year
- How often or what types of claims result in an expensive (severity) claim
- If claims are a result of social events, maintenance/

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housekeeping, from the normal/ daily operations of the church, from vehicle use, or are weather-related

After a loss report is analyzed, the next step the church should take is to assess what steps can be taken to reduce the frequency and/or severity of the incurred claims through:

- Loss control measures
- Changes in housekeeping practices
- Driver training
- Ergonomic changes
- Promoting safety awareness throughout the church, school, daycare, camp or any other facility related to the church.

27.500: Loss Control and Safety

27.505: Safety in The Church

Daily and normal activities can expose the church, school, daycare and other church-related entities to numerous injuries that can range from minor first aid to severe or even life-threatening situations. Many of these injuries can be avoided or minimized by incorporating some basic safety planning. Safety awareness can easily become part of any church beginning with these simple steps:

- Establish a church safety committee and include individuals such as clergy, leaders of the congregation, janitorial staff, employees and volunteers. These individuals should meet periodically throughout the year to complete and review safety inspections, identify potential risks and introduce safety as part of the daily operations of the church.
- Fully equipped first aid kits should be purchased and made accessible for use in the event of an accident. Kits should be visibly located in the kitchen, nursery, staff office and maintenance areas.
- Offer or make available CPR classes to staff and congregational members. This can be coordinated through the local Red Cross.
- Consider purchasing one or more AED units. Quantity and placement should be sufficient for the size, layout and usage of your property.
- A list of emergency phone numbers should be posted alongside each first aid kit. Numbers to be included are police, ambulance, fire department, poison control center and local hospital/emergency centers.
- Establish procedures on how to handle an emergency situation. Provide the training for these procedures, as well as fire and tornado drills.
- Post emergency exit routes throughout the building and in each (class)room of the church, school, daycare or related building.
- Perform regular inspections of the church's buildings and grounds. The use of an inspection checklist is recommended in order to document any maintenance or repairs that need to be performed.
- Make sure all fire extinguishers have been inspected within the last year. Also, be sure that the correct type of extinguisher is available for the exposure for which the extinguisher will be used. There are four types of fire extinguishers:
  - **Type A** extinguishers are for ordinary combustibles such as paper, wood, cloth, or trash.
  - **Type B** extinguishers are for flammable liquids such as gasoline, paint, oil, tar and grease.

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- **Type C** extinguishers are for use on electrical fires.
- **Type K** extinguishers are for use in kitchens and on combustible cooking media.

Because of their versatility, it is recommended that a Class ABC fire extinguisher be used throughout the church, except in the kitchen. A Class ABC fire extinguisher can be used on type A, B and C fires. Type K should only be used in the church kitchen.

- Inspect all tools, lawn equipment, playground equipment, sporting equipment, watercraft, piers, stairs, bleachers, gymnasiums, toys, etc., to ensure that they are in good and maintained condition.
- Check and/or replace all light bulbs and smoke alarm batteries every six months.
- During winter months, keep parking lots, sidewalks, stairs and entryways free of snow, ice and puddles of water. Avoid excess salting of walkways since the loose salt can also create a slip and fall exposure.
- Limit access of master keys to appropriate personnel.
- Use deadbolt locks, safes, vaults, outside lighting and alarm systems to reduce or deter theft losses.

For additional safety tips, training, checklist, and other loss control/safety assistance, please contact the agent/broker.

27.510: Vehicle Safety and 15-Passenger Vans

Vehicle Safety

Every congregation should recognize the potential for serious injury or death and the losses that both the employee and church could incur as a result of a vehicle accident.

All potential drivers should be screened before operating a church vehicle. The screening process includes the verification of a valid driver's license and a Motor Vehicle Report (MVR) to check a driver's record. All existing drivers should be screened every two years to remain eligible to drive church vehicles. The screening process is the same as a new or potential driver. Copies of the Driver Evaluation and Motor Vehicle Request forms should be maintained on file.

The National Safety Council states "defensive driving means driving safely, in spite of surrounding conditions and the actions of other drivers or pedestrians." This section presents key elements of defensive driving and is the basis of the driver-training program.

- No driver shall use the cell phone while driving the vehicle. All calls and texts must be made when the vehicle is stopped.
- Employees traveling in motor vehicles on church business should wear safety belts.
- Drivers should be or become familiar with a vehicle before driving. Vehicle familiarization includes knowing the location and operation of all safety devices and dashboard controls including: temperature gauge, horn, wiper controls, turn signals, head lights, rear window defroster, hazard lights.
- Weather conditions can contribute significantly to the risk of an automobile accident. Glare, fog, rain, snow or ice can make driving conditions more hazardous. Actions to take in the event of severe weather include:
  * If visibility is poor, reduce speed or pull to the side of the road. If glare is a problem, use the vehicle sun visor and sunglasses.
  * Use headlights, set to low beam, when driving in fog, rain or snow.
  * Reduce speed when traveling in icy conditions.
  * If the vehicle starts to skid, DO NOT HIT THE BRAKES! Release the accelerator and turn the steering wheel in the direction the vehicle should be moving.
  * If the vehicle ahead is not leaving tire tracks, slow down to prevent hydroplaning.
- Driving under the influence of alcohol or illegal drugs is against the law and is expressly forbidden.
- Watch out for impaired drivers on the road. Avoid drivers who appear to be impaired. Remember that the most dangerous time to drive is after midnight on Saturdays. Signs of an impaired driver include:
  * Erratic braking
  * Weaving
  * Speeding or driving very slowly
  * Crossing lines on roadways
  * Delayed reaction to traffic signals
  * Driving with head out of window or with window rolled down in cold weather
  * Stopping for no apparent reason
- Awareness of other drivers is a key element of defensive driving. This includes passing, meeting oncoming traffic, yielding right-of-way at intersections, following vehicles and watching for small vehicles.

15-Passenger Vans

Ministries with 15-passenger vans that do not comply with current standards should consider replacing them with mini-buses or properly equipped larger vans. Fifteen-passenger vans typically have seating positions for a driver and 14 passengers. Generally, they are used to transport sports teams to games, field trips, short trips and outings related to church, school and daycare operations. It is important to note that some states prohibit the use of 15-passenger vans for transporting students.

Statistics show that wearing seat belts reduces the risk of serious injury and fatality in the case of a rollover crash. Organizations that own 15-passenger vans should have a written seat belt use policy. Drivers should be responsible for enforcing the policy.

Research conducted by the National Highway Traffic Safety Administration (NHTSA) has found that the risk of a rollover crash is greatly increased when 10 or more people ride in a 15-passenger van. This increased risk occurs because the passenger weight raises the vehicle's center of gravity and causes it to shift rearward. As a result, the van has less resistance to rollover and handles differently from other commonly driven passenger vehicles, making it

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more difficult to control in an emergency situation. Placing any load on the roof also raises the center of gravity and increases the likelihood of a rollover. A rollover crash is a complex event, heavily influenced by driver and road characteristics as well as the design of the vehicle. In studies of single-vehicle crashes, NHTSA has found that more than 90 percent of rollovers occur after a driver has lost control of the vehicle and has run off the road. Three major situations can lead to a rollover in a 15-passenger van:

- **The van goes off a rural road.** If this occurs, the van is likely to overturn when it strikes a ditch or embankment.
- **The driver is fatigued or driving too fast for conditions.** A tired driver can doze off and lose control. The driver can also lose control when traveling at a high speed causing the van to slide sideways off the road. The grassy or dirt medians that align highways can often cause the van to overturn when the tires dig into the dirt.
- **The driver overcorrects the steering as a panic reaction to an emergency or to a wheel dropping off the pavement.** Especially at freeway speeds, this situation can cause the driver to lose control, resulting in the van sliding sideways and rolling over.

Because most rollover crashes don't involve other vehicles, they are often preventable. Here are some tips for drivers to minimize the risk of a rollover crash and serious injury:

- Avoid conditions that lead to a loss of control. Never drive while under the influence of alcohol or other drugs. Make sure you are well rested and attentive, and always slow down if the roads are wet or icy.
- Drive cautiously on rural roads. Be particularly cautious on curved rural roads and maintain a safe speed to avoid running off the road.
- Know what to do if your wheels drop off the roadway. If your wheels drop off the roadway, or pavement, gradually reduce speed and steer back onto the roadway when it is safe to do so.
- Properly maintain your tires. Age of tires can affect safety regardless of tread life and appearance! Make sure tires are properly inflated and the tread is not worn down. Worn tires can cause the van to slide sideways on wet or slippery pavement. Improper inflation can cause handling problems and can lead to catastrophic tire failures, such as blowouts. Therefore, check tire pressure and tread-wear once a month.
- Other considerations for safe driving:
  * When a 15-passenger van is not full, passengers should sit in seats that are in front of the rear axle.
  * More than 15 people should never be allowed to ride in a 15-passenger van.
  * Because a 15-passenger van is substantially longer and wider than a car, it:
    1. Requires more space and additional reliance on the side-view mirrors for changing lanes
    2. Does not respond as well to abrupt steering maneuvers
    3. Requires additional braking time

Many insurance companies are requiring any driver of a 15-passenger van to comply with new guidelines for the transportation of individuals for various events, trips and/or functions. Any driver for a church, school, daycare or related entity who transports children by use of a 15-passenger van during caregiving hours must obtain a Commercial Driver's License (CDL) or a Chauffeur's License and comply with all state mandated requirements.

Defensive Driving Instructional Courses are also being imposed by insurance carriers. A Defensive Driving course offers the education and training necessary to properly respond to and react accordingly in case of an accident for any driver who will operate a 15-passenger van. Several vendors through an Internet-based program at various rates offer many courses.

Please contact the agent/broker to see if the church is required to comply with Defensive Driving Instruction and to make the appropriate arrangements.

27.600: General Information

27.605: Additional Insured and Loss Payee Rights

An Additional Insured is an individual or entity that is not automatically included as an insured under the policy of another, but for whom the named insured's policy provides a certain degree of protection. An endorsement is typically required to effect additional insured status. The named insured's impetus for providing additional insured status to others may be a desire to protect the other party because of a close relationship with that party (e.g. employees or members of an insured club) or to comply with a contractual agreement requiring the named insured to do so (e.g. customers or owners of property leased by the named insured).

Loss Payee status is where an individual, company, entity or organization is named in an insurance policy to be paid in the event of loss or damage to property that is insured by the church but legally owned by another party. Loss Payee status is granted through a multi-peril property policy for any items that are leased, rented or borrowed from another/third party. Loss Payee rights should be granted only to those who have an ownership interest in the particular property.

27.610: Waivers of Subrogation

Waiver is the intentional or voluntary relinquishment of a known right. Subrogation is the contractual right of an insurance carrier to "step into the shoes" of its insured in

order to recover claim payments it has made due to the negligence of a third party. Subrogation commonly appears in construction contracts and insurance contracts

When the church agrees to a Waiver of Subrogation, either through a contract or by way of a Certificate of Insurance, it is giving up the right to pursue a right of recovery (indemnification) from a negligent party who caused the loss. When the church is presented with this language in a contract or is requested to provide this stipulation with a Certificate of Insurance, it is advisable to consult the agent/broker to discuss the exposures at hand, identify any liability/negligence that could occur, and then determine if the waiving of recovery rights is prudent.

27.615: Tort Liability

A tort is a violation of another person's rights usually due to negligent acts or omissions. A tort is subject to civil action and subsequent judgement for damages payable to the wronged party. There are three bases for legal action under tort law: Intentional Acts, Strict Liability, and Negligence. Please see **Section 16.650 Glossary of Insurance Terms** for a definition of these terms.

The legal nature of today's society no longer provides the church "charitable immunity" from their actions. Lawsuits against the church can be disabling or financially damaging due to the increasing awards churches are directed to pay. The most common form of legal action that is taken against the church today involves torts or breach of contract.

It is advisable to discuss any and all exposures, operations and obligations of the church with the insurance agent/broker in order to prevent or reduce any possibility of finding the church involved in a lawsuit.

27.620: Volunteers

Volunteers can be a church's greatest asset or its biggest legal liability. Exposures a volunteer can create are similar to an employee of the church since they can be injured while they are working or they can cause injuries for which the church can be vicariously liable. However, volunteers can create an even greater exposure as compared to an employee:

- Workers compensation laws do not protect volunteers. Therefore, the church is exposed to potential lawsuits in case of injury.
- Volunteers frequently work many hours longer than a regular employee. In addition to this, volunteers are often undertrained, under-skilled and underequipped to perform the tasks set before them.

The Volunteer Protection Act of 1997 provides immunity from lawsuits against a volunteer where the claim alleges careless injury occurring as a result of the volunteer acting within the scope of their responsibilities. The immunity protects the volunteer only from claims alleging negligence and not gross negligence, willful or criminal misconduct, reckless misconduct or conscious flagrant indifference to the rights or safety of another individual.

Most claims against a church's volunteer include supervision of the volunteer, condition of the church's premises or the use of automobiles. The following "tips" can help reduce the church's liability exposures from volunteer workers:

- Select a capable person for completing the task at hand.
- Hire professional services for dangerous, special or difficult jobs.
- Provide a level of training and supervision.
- Carefully select any person who may work with children. Implement and maintain a thorough background screening process.
- Perform a Motor Vehicle Records check on volunteers that drive a church-owned vehicle.
- If a volunteer uses their personal vehicle for church-related duties, a copy of the volunteer's personal automobile policy Declarations page should be on file.

The General Liability policy protects the church against bodily injury or property damage claims. Most insurance carriers that specialize in insuring ministries provide liability for volunteers in the General Liability policy — check with your carrier.

27.625: Missionaries

A missionary is defined as a person who has been called to a ministry and who has crossed geographical and/or cultural boundaries to preach the Gospel and meet other forms of human need.

A missionary can present the same forms of exposures as an employee or volunteer, but if a missionary travels to a foreign country, there are additional exposures that can be created due to individual country laws, cultures and political conditions. As a sponsor of a missionary, the church should want to make every effort to ensure the safety of their missionary. Examples of risks include (this list is not complete):

- Accidents
- Property loss
- Negligence or intentional wrongdoing
- Crimes
- Terrorism or war
- Contagious disease
- Floods, earthquakes or other natural disasters
- Acts by foreign governments
- Unsafe travel conditions

The church can prepare any missionary for international travel through some advanced planning and an orientation process before any trip. Suggested travel tips would include:

- Create an Emergency Identification Kit, including photocopies of passports, phone number of U.S. embassy, driver's license, social security card, prescriptions, as well as any bank account numbers and

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a credit card. A copy of the missionary's travel itinerary should also be included.

- Find out the most recent travel security information that would pose risks to a missionary's security via the Overseas Security Advisory Council: travel.state. gov/ travel_warnings.
- Have the missionary undergo a full medical checkup six weeks before departure consisting of physical and dental examinations. Make sure all shots have been administered and are up-to-date.
- Have any prescriptions sufficiently filled to provide a supply for an extended stay. A copy of all prescriptions should be included in the Emergency Identification Kit along with any special medical conditions (allergies, etc.) and blood type.
- Ensure that all missionaries have personal insurance that will extend coverage for medical treatment in foreign countries, accidental death and dismemberment, medical assistance, emergency evacuation and repatriation. Coverages can also be obtained to cover not only medical expenses, but also medical/political evacuation, repatriation, travel expenses, liability exposures and kidnap and ransom. (Faithventures.com is one such resource.)
- Advise the missionary to make flight and lodging arrangements in their name and not the name of the church. A copy of their travel itinerary should be left with a close family member or friend.
- Advise missionaries to dress inconspicuously, eliminate jewelry and wear clothing that is void of any logos or designer labels that would attract unwelcomed company.
- Each piece of luggage should have two identification labels. The first label should be attached to the case handle and the second label should placed/fixed inside the case. Use only the first initial and last name on the label and do not include the church's name or denomination. It is recommended that churches who have foreign travel exposures contact their agent/ broker and inquire about a foreign property, liability and travel insurance package policy.

27.630: Contractors and Certificates of Insurance

The church needs protection from legal liability claims that could arise from a contractor's work or product that may cause injury or property damage. Having a certificate of insurance on file, serves as proof of insurance but does not necessarily transfer the church's risk of liability to the contractor's insurance. In order to transfer the risk of liability, it is recommended that the church obtain a written agreement from the contractor(s) in which the contractor(s) agree to indemnify the church for any injuries or damages related to the work performed by the contractor(s). A certificate of insurance should be obtained from every contractor who provides services to the church and the church should be named as Additional Insured.

A properly executed certificate of insurance will be issued on an ACORD 25 form and will contain the following criteria:

- Date of issue
- Name of insurance company(s)
- Name and address of agent/broker
- Name of insured (church)
- Types of insurance policies with coverage terms indicated
- Policy numbers
- Policy effective dates
- Policy limits
- Policy deductibles and/or retention levels
- Certificate Holder name and address
- Cancellation clause
- Any additional insured or loss payee language
- Description of event or why certificate is issued
- Signature of authorized representative

All certificate of insurance requests can be made directly to the church's agent/broker for processing.

27.640: The Church Website

The church website is one of the fastest-growing methods through which a congregation can advertise its presence in the community, solicit donations for the church or charities, communicate upcoming events, and advise church members as well as the public about any information it wishes to present. Maintaining a website can also expose a church to a variety of criminal (illegal speech, privacy issues, etc.) and civil (libel, slander, defamation, etc.) sanctions if it is not careful. There should be limitations as to who can access the website. Also, monitoring the site on a regular basis, establishing security measures and using disclaimers is strongly suggested.

Personal information such as an individual's personal information, email address, age, illness, occupation, photograph or verbal statements should never be displayed without express written permission. Parental permission should be obtained prior to posting photographs of minor children to a church's website; combined first and last names should never be used.

Please be mindful when posting any type of information regarding youth and related activities as sexual predators have been known to monitor church websites when planning or seeking opportunities to become close, near or be involved with young children.

Advertising that a congregation requires a six-month waiting period before someone can volunteer or that a congregation actively pre-screens volunteers by performing background checks will deter or "run off" possible predators.

When designing or planning a church website, it is in the best interest of the church to consult their agent/ broker and legal counsel during these early stages in order to reduce any liability.

27.645:
Laborers For Christ

Laborers For Christ is an organized group of dedicated Christians who volunteer their retirement time to work for the congregations, schools and social ministry organizations of The Lutheran Church—Missouri Synod that undertake the construction of their own buildings.

Many churches, schools and organizations have used the services of Laborers For Christ to build, remodel, renovate or expand their buildings. There are special insurance and development procedures that are required for these projects. If the church is interested in considering this form of expansion, please contact

Laborers For Christ
c/o Lutheran Church Extension Fund
10733 Sunset Office Drive
St. Louis, MO 63127
1-800-854-4004 Ext. 6441

27.650:
Sexual Misconduct/Abuse

Churches are obligated to protect their youth and congregation and preserve the mission and ministry of the organization. Claims, allegations, defense costs and lawsuits for Sexual Misconduct/Abuse are increasing at exponential rates. Settlements and courtroom judgements range anywhere from a few thousand dollars to multi-millions. These crimes and unfavorable publicity warrant the church to adopt proactive screening and prevention procedures that can help safeguard its younger church members as well as the church itself.

The importance of screening at the hiring or prior to volunteering stage cannot be overstated — especially when a church is fulfilling positions that require regular contact with young children, youth and vulnerable individuals. It has been shown that many of the Sexual Misconduct/Abuse cases would not have occurred if a church had screened out known offenders during their search. No church can be absolutely certain that sexual abusers of children are identified, but screening and prevention methods are highly successful in the reduction and elimination of potential exposures. Screening and prevention procedures include:

- National criminal background checks for previous sexual/abusive conviction.
- Verification of previous employers and employment.
- Verification of current and previous residences.
- Written prevention plans distributed, acknowledged and practiced by both new and existing employees and volunteers.
- Waiting periods for new employees and volunteers prior to contact with minors.
- It is recommended that churches and other related ministries screen all employees (regardless of position) and volunteers who work with children, youth or vulnerable adults using the following tools:
  * National background check
  * An application that inquires about sexual misconduct and/or criminal history (as allowed for by law) as well as traits or tendencies that pose a threat to vulnerable individuals
  * A personal interview and
  * References that are checked by ministry leaders

Insurance carriers today are adamant that churches initiate and maintain some form of preventative action against Sexual Misconduct/Abuse. Some carriers are requiring national background checks and written prevention plans in order to maintain policy limits and coverage. Failure to comply with these requirements result in the termination of Sexual Misconduct coverage. In addition to this, many churches are now faced with complying with privacy issues of many individuals as they deal with national criminal background checks and confidential personnel matters.

There are a number of resources available to the church that offer screening tips, a variety of background services, reference materials, websites, sample policies, release forms and advice on how to structure a sound and proactive Sexual Misconduct/Abuse program. The primary insurance carriers for congregations, Brotherhood Mutual (brotherhoodmutual.com), Church Mutual (churchmutual.com) and Guide One Insurance (guideonecenter.com) provide excellent tools for any church that will need assistance in structuring a Sexual Misconduct/Abuse preventative program.

Insurance carriers often recommend that ministries utilize the Two Adult Rule to create accountability to help prevent and deter not only misconduct, but also to reduce the ability for any false accusations to be made. The Two Adult Rule requires that two screened and unrelated adults be present at every function and in each classroom, vehicle or other enclosed area during all activities involving children, youth or vulnerable adults. When the Two Adult Rule cannot be supported, ministries are encouraged to require the Rule of Three to be followed. The Rule of Three requires at least three individuals (at least one being an adult employee or volunteer) be present. The goal is that no one adult should ever be alone with one child or youth. The age and capacity of the children being supervised should be taken into consideration when utilizing the Rule of Three. It may not be appropriate for one screened adult to be with two toddlers as there would be no accountability regarding the adult's actions. Similarly, one screened adult should not be alone with a youth volunteer and a very young child as there would be no accountability regarding the interactions between the adult and youth volunteer. It is good risk management to require children to be over five years old when considering the Rule of Three, with the Two Adult Rule being preferred for younger children.

The LCMS Group Purchasing Agreement program (formerly known as National Contract Program) offers vendors that can also assist any congregation that is in search of a background check vendor (see Chapter 15). As always,

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each church should also contact its insurance agent or broker for additional assistance.

27.655: Glossary of Insurance Terms

Accident: An unplanned event definite as to time and place that causes bodily injury or property damage.

Actual Cash Value (ACV): Replacement cost of property of comparable kind and quality less depreciation and deterioration.

Agency: An office where insurance is sold. It may be directed towards property and liability insurance or life and health insurance, or both. Also, it might be an independent organization or a company subsidiary group.

Aggregate Limit: The maximum amount of protection for all losses occurring under an insurance policy or funding arrangement during the specified term of the contract (usually one year).

Avoidance: A risk control technique whereby risk of loss is prevented in its entirety by not engaging in activities that present the risk.

Breach of Contract: The failure, without legal excuse, to perform any promise that forms the whole or part of a contract and causes injury (either bodily, property, or financial loss) to the promised party.

Certificate of Insurance: A document issued by an insurer that evidences that an insurance policy exists and provides information such as insurer, agent/broker, insured, types of insurance, policy numbers, effective dates, limits, certificate holder, cancellation procedure, special provisions, additional insured, etc.

Commission: A certain percentage of premium produced that is retained as compensation by insurance agents and brokers.

Compensatory damages: Money awarded in a civil lawsuit to make an injured person whole, including recompense for damaged property, lost wages or profits, pain, bereavement, medical expenses, etc.

Contractual liability: Liability of another party assumed under a contract or agreement, either expressed or implied, as opposed to liability incurred directly, as in tort.

Cost of risk: All components that are allocated to cover losses and expenses. Usually includes insurance premiums, retained losses, risk management department costs and outside services (such as consultants). Can also include loss of productivity, cost of overtime and opportunity costs.

Deductible: An amount specified in an insurance policy that is subtracted from a loss in determining the amount of insurance recovery.

Earned premium: The amount of the premium that is allocated to the expired portion of the policy.

Estimated premium: The amount of premium charged at the time a policy is issued. This amount may be subject to adjustment during the policy term in case of changes in coverage or additional underwriting information.

Experience rating: Describes any plan that uses the past loss experience and exposure levels of the individual risk as a basis of determining premiums.

Exposure: (1) Units used to measure loss costs. Typically, payroll is used for workers compensation, number of vehicles for auto liability, revenue for general liability and number of units in service for product liability. Forecasts of exposure can be used to forecast future losses. (2) The state of being subject to loss because of some hazard or contingency. (3) A situation, practice, or condition which might lead to a loss; an activity or resource (assets, people).

Fortuitous event: An event subject to change without the implication of suddenness.

Frame construction: Exterior walls of wood, brick veneer, wood ironclad, stucco on wood.

Frequency: (1) The number of claims per unit of exposure. (2) The number of times an incident occurs. (3) The likelihood that a loss will occur; usually expressed as low or high frequency.

Guaranteed cost: Premiums charged on a prospective basis, but never on the basis of loss experience during the policy period. These types of policies usually have no deductible.

Hired Automobile: Any auto that is loaned, leased or rented or is used under contract to be used in the course of the organization.

Hold harmless agreement: A provision in a contract that requires one contracting party to assume responsibility for specified legal liabilities of the other party, e.g. bodily injury or property damage.

Incident: An event that occurs during ministry that may become a loss or claim.

Incurred losses: The total amount of paid claims and loss reserves associated with a particular period of time, usually a policy year. Generally, incurred losses are the actual losses paid and outstanding, interest on judgement, expenses incurred in obtaining third-party recoveries, and allocated loss adjustment expenses for employer's liability losses.

Indemnify: To make compensation to an entity for incurred hurt, loss, or damage; restore to original position.

Insurance: A formal social device for reducing risk by transferring the risks of several individual entities to an insurer. The insurer agrees, for a consideration, to assume, to a specified extent, the losses suffered by the insured.

Insured: The person(s) protected under an insurance contract.

Insurer: The insurance company.

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Intentional Acts: Injury caused to a person or property that is the result of a state of mind in which a person seeks to accomplish a given result through a course of action.

Joint and several liability: A legal doctrine applying in some states that allows an injured person to sue and recover the full amount from any one or more several wrongdoers at his option, regardless of that wrongdoer's degree of negligence.

Jointed Masonry construction: Exterior walls of masonry material (adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or similar materials), with combustible floor and roof.

Kidnap-Ransom Insurance: This insurance covers named employees for individual or aggregate amounts paid as ransom.

Layering: The building of an insurance contract by steps, using the excess of loss approach, whereby one insurer writes in excess of lower limits accepted by other insurers.

Loss: (1) The basis of a claim for damages under the terms of an insurance policy. (2) Loss of assets resulting from pure risk; a reduction in value.

Loss control: A risk management technique that seeks to reduce the frequency of losses and/or reduce the severity of those that do occur. Also called Risk Control.

Loss development: The difference between the original loss as originally reported to an insurer and its subsequent evaluation at a later date or at the time of its final disposal.

Loss report: A listing of reported claims, providing such information as the date of occurrence, type of claim, amount paid and amount reserved for each as of the report's valuation date.

Loss reserve: An estimation of the liability for unpaid claims that have occurred as of a given date, including those losses incurred but not yet reported, losses due but not yet paid, and amount not yet due.

Masonry noncombustible construction: Exterior walls of masonry material (adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or similar materials), with floor and roof of metal or other noncombustible materials.

National Council on Compensation Insurance (NCCI): An association of insurers selling compensation coverage and operating as a rating organization. NCCI collects statistics, develops rates and policy forms and makes state filing for its members. It is involved only with workers compensation and does not operate in all states.

Negligence: The failure to use that degree of care that is considered to be a reasonable precaution under the given circumstances. Acts of either omission or commission, or both, may constitute negligence.

Noncombustible construction: Exterior walls, floor and supports made of metal, asbestos, gypsum or other noncombustible materials.

Non-insurance risk transfer: The transfer of risk from one party to another party other than an insurance company. This risk management technique usually involves risk transfers by way of hold harmless or indemnity provision in contracts and is also called "contractual risk transfer."

Non-Owned Automobile: Any auto that is used on the behalf of the organization for business and is registered to a third party, such as clergy, officers, directors, congregational members, volunteers or employees.

Occurrence: An accident, including similar continuing events.

Outstanding losses: Calculated by subtracting paid losses from incurred losses. Represents the remaining liability to be paid on a group of losses.

Paid losses: The amount actually paid in losses during a specified period of time, not including estimates of amounts/reserves that will be paid in the future for losses occurring in the specified period.

Peril: A "cause" of loss; an event that may be the cause of loss.

Punitive damages: Damages in excess of those required to compensate the plaintiff for the wrong done, which are imposed in order to punish the defendant because of the particularly wanton or willful character of the wrongdoing.

Reinsurance: The practice whereby one part, the "reinsurer," in consideration of a premium paid to it, agrees to indemnify another party, the "reinsured," for part or all of the liability assumed by the reinsured under a policy or policies of insurance that it has issued.

Replacement cost: Amount of money paid to replace damaged or destroyed property with similar new property.

Risk: (1) Chance of loss. (2) Uncertainty concerning loss. (3) A possibility of a variation of outcomes from a given set of circumstances.

Risk control: The technique of minimizing the frequency or severity of losses with training, safety and security measures.

Risk management process: A system for treating pure risk: identification and analysis of exposures, selection of appropriate risk management techniques to handle exposures, implementation of chosen techniques and monitoring the results.

Self-insured retention: A dollar amount specified in an insurance policy that must be paid by the insured before the insurance policy will respond to a loss.

Strict Liability: Liability "without fault" that makes some persons responsible for damages that their actions or products cause, regardless of any fault on their part.

Subrogation: The right of a person to assume a legal claim of another; the right of a person who has paid a liability or obligation of another to be indemnified by that person; an insurer's substitution in place of the insured in regard to

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a claim against a third party for indemnification of a loss paid by the insurer.

Third party administrator: A claims administrator or insurance company that processes claims on behalf of a self-insured organization.

Tort: A liability wrongful act which involves the breach of a legal duty of care owed to an individual, resulting in harm thereto.

Transfer of risk: A risk management technique whereby risk of loss is transferred to another party through a contract, e.g., a hold harmless agreement, or to a professional risk bearer, i.e., an insurance company.

Ultimate losses: Total losses that will have been paid when all claims have reached final settlement.

Unfunded reserves: Not having sufficient sums of money or any sum of money to meet future liabilities.

Vicarious liability: The imposition of liability on one party for the actionable conduct of another, based solely on a relationship between two parties.

Volunteer: A person who performs services for another, receiving no compensation in return for such services.

Waiver: The surrender of a right or privilege.

27.660: Helpful Websites

The websites presented below are to assist any individual who wishes to have available references on hand when addressing the exposures and insurance of the church. The websites are not presented in any preferential order and The Lutheran Church—Missouri Synod does not endorse or promote any information that may be contained in any of the sites presented below. The LCMS also does not represent that any of the suggested sites are accurate or consistent with the doctrines and positions of the LCMS.

alertdriving.com	Motor Vehicle Reports and Defensive Driving Course
ambest.com	A.M. Best Rating Information
brotherhoodmutual.com/resources/safety-library	Safety resources from Brotherhood Mutual Insurance Company
brotherhoodmutual.com/legalassist	Complimentary legal/risk mgmt. service by Brotherhood Mutual
churchlawandtax.com	Church Law and Tax resources – some free, some by subscription
churchmutual.com/98/Safety-Resources	Safety resources from Church Mutual Insurance Company
guideone.com/safety-resources	Safety resources from GuideOne Insurance Company
insurance.about.com	Guide to the Insurance Industry
nhtsa.gov	National Highway Traffic Safety Administration
nsc.org	National Safety Council
nonprofitrisk.org	Non Profit Risk Management Center
travel.state.gov	Overseas Security Advisory (foreign risk exposures)
insurancenewsnet.com/topics/property-casualty-news	Property and Casualty Insurance Information
nasdpts.org	School Transportation News (state laws on van use)
workerscompensation.com	Workers Comp First Report of Injury Forms

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27.665
Sample Forms (Templates)
Sample 1
Inventory of Owned Buildings
Performed (insert date)

Building Number	Address City/State/ZIP	Use of Building	Insurable Item	Square Feet	Inventory Number	Original Cost	Replacement Cost

Sample 2

Inventory of Contents and Personal Property
Performed (insert date)

Building Number	Address City/State/ZIP	Use of Building	Insurable Item	Square Feet	Inventory Number	Original Cost	Replacement Cost

Sample 3

Property Exposure Schedule

Performed (insert date)

Name of Church:_____

General Information:			
Building Number			
Street Address			
City			
State			
County			
ZIP Code			
Earthquake Zone			
Flood Zone			
Policy Limit Information:			
Building Value			
Contents Value			
Business Interruption and Extra Expense Coverage			
Total Values			
Building Information:			
Construction of Building	___Masonry ___Non Combustible ___Joisted Masonry ___Steel Concrete	___Steel ___Frame ___Glass ___Modified Fire Resistive	___Metal ___Brick ___Other
Year Built			
Occupancy/Use of Building	___Church ___Classroom ___Sports	___Bookstore/Library ___Storage ___Recreational	___Maintenance ___Other
Occupied Square Feet			
Type of Electrical Wiring			
Construction of Roof			
Number of Stories			
Sprinkler System?	YES/NO		
Smoke Alarms?	YES/NO		
Type of Protection Systems?			
Distance to Nearest Fire Hydrant or Water Source			
Liability Information:			
Number of Employees			
Number of Students			
Number of Patients			
Number of Daycare Children			

- **Does the church own any vacant land?** *(Please provide address or legal description, number of acres and use of described property)* _____

_____

_____

- **Additional liability exposures** *(cemeteries, swimming pool, nearby lakes, advertising, etc.):* _____
- **Name and address of Certificate Holder/Additional Insured/Mortgagee/Loss Payee:** _____

_____

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Sample 4
Automobile Inventory/Exposure Schedule

PRM#	Year	Make	Model	VIN#	Garage Address	Garage City	State	ZIP	Cost New	License #
1	2018	Buick	LaCrosse	1G4HR54K82U12345	1333 S. Kirkwood Road	St. Louis	MO	63122	$32,500	123 ABC
2	2010	Dodge	Caravan	1B4GH4436SX12345	1333 S. Kirkwood Road	St. Louis	MO	63122	$24,000	456 XYZ
3	2008	Chevrolet	Impala	2G1WL54T8M12345	1333 S. Kirkwood Road	St. Louis	MO	63122	$20,000	789 KLM
4	2003	Dodge	RAM Van 2500	2B4HB25Y1VK12345	1333 S. Kirkwood Road	St. Louis	MO	63122	$21,500	040 AGA
5	2003	Dodge	RAM Van 2500	2B7HB21Y1VK12345	1333 S. Kirkwood Road	St. Louis	MO	63122	$19,000	861 JUL

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Sample 5
Business Interruption/Extra Expenses Worksheet

■ **List the organization's monthly income:**

January	$_____	July	$ _____	
February	$_____	August	$ _____	
March	$_____	September	$ _____	
April	$_____	October	$ _____	
May	$_____	November	$ _____	
June	$_____	December	$ _____	
		Total of all Months		$ _____

■ **List the organization's monthly payroll:**

January	$_____	July	$ _____	
February	$_____	August	$ _____	
March	$_____	September	$ _____	
April	$_____	October	$ _____	
May	$_____	November	$ _____	
June	$_____	December	$ _____	
		Total of all Months		$ _____

■ **List the organization's monthly regular/fixed expenses:**

_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
		Total of all Months		$ _____

■ **If a catastrophic loss occurs, does the church plan to continue operations during the restoration period?** _____ If yes, then list the extra expenses that would be incurred to maintain operations during the rebuilding/repair period:

_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
		Total of all Months		$ _____

■ If the church does not elect to continue operations during the rebuilding/repair period, then what expense would continue despite the loss of revenue?

_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
_____	$_____	_____	$ _____	
		Total of all Months		$ _____

Complete this worksheet and provide a copy to the church agent/broker in order to determine the appropriate Business Interruption/Extra Expenses policy limit.

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27.670:
Insurance Policy Checklists

All new and renewed insurance policies that have been delivered by the agent/broker should be read and reviewed to determine their accuracy and gain a true understanding of the church's insurance coverage. Even though the agent/broker provides this service, it is a wise practice to perform an independent review to ensure that all of the church's exposures have been addressed.

The checklists included in this manual can be used as a reminder to help establish the correct coverage and endorsements during the policy review process. These checklists are concise and do not go into detailed coverage explanations. They should be used as a reminder to trigger the thought processes.

■ **General Checklist Questions: Applies to All Policies**	**Yes**	**No**
Name of Insured: Is it the full legal name?		
Name of Insured: Is it complete and correct?		
Are all Named Insureds listed on policy?		
Address(es) and Location(s): Are they complete and correct?		
Amounts of insurance and limits: Are they correct based on values and exposures?		
Are inception and expiration dates correct?		
Does the policy require a retroactive date? Is it correct?		
Are there any additional interests to be included such as mortgagees or loss payees?		
Are rates, classifications and premiums correct?		
Do leases and contracts affect the insurance requirements?		
Has financial stability of the insurance company been reviewed?		
Are the claims payment practices of the insurance company known?		
Did the agent/broker make coverage comparisons of the leading markets, as well as price comparisons?		
Do cancellation clauses provide at least a 60-day Notice of Cancellation?		
Are territorial limitations identified?		

Notes/Comments/Questions to ask:

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Property

■ Property Checklist Questions	Yes	No
Check policy against list of locations. Are locations correct? Is construction type correct? Is occupancy description correct?		
Is policy written on a "Special Cause of Loss" ALL RISKS form?		
Does policy provide Replacement Cost with Agreed Amount coverage?		
Does policy provide Blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for:		
Business Interruption/Extra Expense?		
Earthquake? Are limits sufficient? If not, is a Difference In Conditions policy needed?		
Flood? Are limits sufficient? If not, is a Difference In Conditions policy needed?		
New construction or major renovation (if needed)?		
Building ordinance?		
Signs, fences, antennas, satellite dishes?		
Trees, shrubs and plants?		
Fire department charge?		
Lock replacement?		
Back up of sewers and drains?		
Debris removal?		
Valuable papers?		
Fine arts? Is a separate Inland Marine policy needed?		
Watercraft?		
Property of others? Property of clergy?		
Property away from premises?		
Building foundations and underground structures?		
Are there limitations for glass breakage? If so, have policy changed for unlimited loss.		

Notes/Comments/Questions to ask:

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Systems and Equipment

■ Systems and Equipment Checklist Questions	Yes	No
Check policy against list of locations. Are locations correct? Is construction type correct? Is occupancy description correct?		
Is policy written on a "Special Cause of Loss" ALL RISKS comprehensive form?		
Does policy provide replacement cost with agreed amount coverage?		
Does policy provide blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for: Consequential damage? Hazardous substance? Off-premise power interruption? Explosion? Business interruption/extra expense?		
Are all mandatory inspections/certifications current?		
Is water damage from insured piping limited? If so, make sure limits are sufficient.		

Notes/Comments/Questions to ask:

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Inland Marine

■ Inland Marine Checklist Questions	Yes	No
Check policy against list of locations.		
Is policy written on a “Special Cause of Loss” ALL RISKS form?		
Does policy provide Replacement Cost with Agreed Amount coverage?		
Does policy provide blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for:		
Elimination of monthly reporting forms?		
Earthquake?		
Are limits sufficient? If not, is a Difference in Conditions policy needed?		
Flood?		
Are limits sufficient? If not, is a Difference in Conditions policy needed?		
Legal liability for property of others?		
Loading/unloading at terminals?		
Newly acquired property for 60 days?		
Breakage?		
Loss to pairs or sets provided?		
Fine arts, musical instruments, cameras, projection equipment, signs?		
Accounts receivable?		
Builders risk, including foundations and underground structures?		

Notes/Comments/Questions to ask:

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Business Interruption/Extra Expense

■ Business Interruption/Extra Expense Checklist Questions	Yes	No
Check policy against list of locations. Are locations correct? Is construction type correct? Is occupancy description correct?		
Is policy written on a "Special Cause of Loss" ALL RISKS form?		
Does policy provide blanket coverage?		
Check values listed in policy. Are they correct? Are any subject to co-insurance?		
Does policy provide coverage for:		
Leasehold interest?		
Ordinary payroll?		
For how long? _____days (365 days is recommended)		
Tuition and fees?		
Off-premise power failure?		

Notes/Comments/Questions to ask:

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■ General Checklist Questions	Yes	No
Is policy written on an Occurrence Form?		
If coverage is written on a Claims-Made Form, is the Retroactive Date correct?		
Is there a deductible requirement?		
Is the deductible "per claim" or "per occurrence" according to your form?		
Does the policy deductible apply to bodily injury? Property damage? Both?		
Are all premises and operations covered?		
Are all additional Insured listed on policy?		
Does policy provide coverage for:		
Care, custody, control of property of others?		
Leased or temporary workers?		
Employees as insureds?		
Volunteers as insureds?		
Independent contractors?		
Personal injury?		
Advertising liability?		
Host liquor liability?		
Sporting/athletic teams/events?		
Medical payments?		
Fire legal liability?		
Employee benefits liability?		
Automatic coverage for new entities?		
Non-owned watercraft?		
Non-owned aircraft?		
Punitive damages?		
Is the term "insured" defined as "while acting on behalf of the organization"?		
Is medical malpractice professional liability needed?		
Is sexual misconduct liability included or quoted separately?		
Is pastoral counseling liability included or quoted separately?		
Is corporal punishment included?		
Is hired and non-owned automobile coverage included if no autos are owned by church?		
Is coverage extended to schools, childcare facilities, adult daycare facilities, camps and cemeteries?		

Notes/Comments/Questions to ask:

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Crime

■ Crime Checklist Questions	Yes	No
Is Blanket Bond coverage provided for employee dishonesty?		
Is theft, disappearance and destruction inside and outside the premises provided?		
Is coverage needed for robbery/burglary of property other than monies and securities held in a safe or vault?		
Is Extortion coverage needed?		
If yes, is this provided in the policy?		
Is computer fraud loss of monies/securities provided?		
Is forgery or alteration coverage provided?		
Is coverage extended for camps?		

Notes/Comments/Questions to ask:

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Automobile Liability

■ Automobile Liability Checklist Questions	Yes	No
Does the church lease vehicles (long term)? If so, are all insurance requirements addressed in lease contract?		
Is Mexican coverage needed?		
Is no-fault coverage required by the state? If so, is this coverage provided within the policy?		
Is personal injury protection needed? If so, is this coverage provided within the policy?		
Are all auto coverage symbols correct on policy?		
Are all loss payees listed in policy (if applicable)?		
Are applicable deductibles correct?		
Will higher deductibles result in substantial premium savings? (Make sure the higher deductible assumed is worth the reduction in premiums.)		
Are all vehicle identifiers correct? (year, make, model, VIN)		
Is fleet coverage provided if more than five owned vehicles are insured?		
Is physical damage for non-owned vehicles provided?		
Is physical damage for trailers provided?		
Is liability for both bodily injury and property damage (Combined Single Limit) provided?		
Is uninsured motorist and/or underinsured motorist coverage needed?		
If so, is this coverage provided within the policy?		
Is Hired Car Loss of Use needed?		
Is Driver of Other Car Coverage needed?		

Notes/Comments/Questions to ask:

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■ Workers Compensation Checklist Questions	Yes	No
Are payrolls used to estimate premium correct and properly classified?		
Is the premium calculated correctly?		
Is the correct Experience Modification Rate applied to the premium calculation?		
Are any out-of-state exposures addressed?		
Are any foreign exposures addressed?		
Are there operations or payroll generated from a Monopolistic State?		
Is Coverage B - Employers Liability limit adequate?		
Does the carrier provide safety programs and training as part of the		
annual premium?		
Are there any Waiver of Rights Agreements in place? If so, review these contracts since they are frequently invalid.		
Are all Premium Discounts applied?		
Are all Scheduled Credits applied?		
Are Loss Expense Constants correct?		

Notes/Comments/Questions to ask:

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Umbrella

■ Umbrella Checklist Questions	Yes	No
Does policy contain “Pays on behalf of” language?		
Are defense costs outside the policy limits? If not, have this changed.		
Does policy provide first dollar defense coverage if primary/underlying policy excludes coverage?		
Does policy provide for defense if underlying policy limits are exhausted?		
Does policy “follow form” with scheduled underlying policies?		
Are all underlying policies scheduled on umbrella policy?		
Are all underlying carrier names, policy limits, deductibles, etc. correct on umbrella policy?		

Notes/Comments/Questions to ask:

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Glossary (Volume 2)

Agency Funds
The agency funds consist of funds held by the congregation as custodian or fiscal agent for other agencies. Transactions of agency funds represent charges or credits to individual asset and liability accounts and are not revenue or expense transactions of unrestricted or restricted current funds. Agency funds may be recorded as accounts payable in the current unrestricted fund.

Assets
The resources owned by the congregation. They may be tangible (land, buildings) or intangible (accounts receivable, investments, copyrights) in nature.

Audit
An inspection of the accounting records and procedures of a business or other reporting entity by a trained accountant for the purpose of verifying the accuracy and completeness of the records. It may be conducted by a member of the organization (internal audit) or by an outsider (independent audit). A CPA audit determines the overall validity of financial statements. A tax (IRS) audit determines whether the appropriate tax was paid. An internal audit generally determines whether the company's procedures are followed and whether embezzlement or other illegal activity occurred. See also: Financial Review.

Board Designated Funds
Funds that have been set aside by the board of directors or church council for a specific purpose. These internally designated funds may be redesignated at any time at the board's discretion. (See RESTRICTED FUNDS for internally designated versus externally restricted.)

Bonding of Employees
Fidelity bonds protect the congregation up to an agreed amount against loss from employee dishonesty such as fraud, embezzlement, etc. Therefore, key personnel (those having access to cash, securities and company records) should be bonded.

Budget
Used to monitor financial activities throughout the year. The budget can provide a benchmark or comparison point that will alert the board to the first indication that their financial goals will not be met.

Capital Appropriations
Current funds set aside for acquisition of or additions to fixed assets and shown as a transfer to the unexpended plant fund in the financial statements.

Capital Expenditures
Expenditures that result in the acquisition of or addition to fixed assets. The expenditures are shown as a transfer out of the unexpended plant fund and into the net invested in plant fund.

Chart of Accounts
A numerical listing in financial statement order of all accounts to be used by the congregation. The accounts are developed to conform with the organizational structure of the congregation.

Comparative Financial Statements
Financial statements of the current period should be presented on a comparative basis with financial statements for one or more prior reporting periods. Comparative financial statements may present only summarized, total-all-funds information (in a single column) for each of the prior periods because of space limitations or to avoid the confusion that a second set of statements might cause.

Contingent Liability
Liability incurred by a business (church) for acts other than those of its own employees. This particular situation may arise when an independent contractor is hired. The church can be held liable for negligent acts of the contractor to the extent that its representatives give directions or exercise control over the contractor's employees.

Depreciation
A system of accounting that aims to distribute the cost or other basis value of tangible capital assets, less salvage (if any), over the estimated useful life of the asset in a systematic and rational manner. It is a process of allocation, not valuation. The straight-line method of depreciation is the most reasonable one.

Assets that are not exhaustible, such as landmarks, monuments, cathedrals, historical treasures or structures used primarily as houses of worship need not be depreciated.

Endowment Fund
Permanent and true endowments — funds created by third-party donors with the stipulation, as a condition of the gift, that the principal is to be maintained inviolate in perpetuity (principal is not expendable) and that only the income resulting from the investment of the fund may be expended in accordance with instructions by the donor.

Term endowments — similar to permanent or true endowments except that the terms of the gift instrument permit the principal to be expended all or in part upon the happening of a particular event or the passage of a stated period of time.

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Quasi endowments — funds established by the board of directors or church council and functioning like an endowment fund. However, they are subject to change and restoration to current operating funds at the discretion of the board.

Expenditures
Recorded when liabilities are incurred. This term designates the cost of goods delivered or services rendered, whether paid or unpaid, including expenses, capital outlays, etc.

Expenses
Charges incurred, whether paid or unpaid, for operation, maintenance, interest and other charges that are presumed to benefit the current fiscal period.

Financial Accounting Standards Board (FASB)
FASB sets forth accounting standards for financial reporting and audits. Compliance is not mandatory; however, the American Institute of Certified Public Accountants (AICPA) has issued guidelines, rules and regulations with which an organization must comply to receive a certified audit report with a "clean opinion". Of particular interest to congregations are: Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations (FASB 117) and Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made (FASB 116).

Financial Review
A verification of the financial acts of the treasurer and others with financial responsibility. The "financial review" is informal in relation to the more formal "audit" which must be performed and certified by a Certified Public Accountant.

Fund
A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and fund balances and changes in the fund balances. Separate accounts are maintained for each fund to ensure observance of limitations and restrictions placed on the use of resources.

Fund-Accounting System
Funds are separated into individually balanced groups according to their end use. The procedures by which resources for various purposes are classified for accounting and reporting purposes are (1) in accordance with activities or objectives as specified by donors, (2) in accordance with regulations, restrictions, or limitations imposed by sources outside the district, or (3) in accordance with directions issued by the board of directors.

*Note: Fund-accounting does not comply with Generally Accepted Accounting Practices and is not used with financial reports prepared in accordance with FASB 117.

Fund Balance
Represents the net assets and/or the accumulated operating balance (deficit) for a period and may include funds restricted by donors, such as funds for endowment, property and equipment, and loan purposes.

General Journal
A journal containing all entries not recorded in special journals. The general journal is flexible in that any transaction can be recorded in it. However, those transactions with a high rate of occurrence, such as cash receipts and disbursements, are more appropriately recorded in separate journals.

General Ledger
A book, file, or other device that contains the accounts needed to reflect, in summary and in detail, the financial position and the results of financial operations.

Internal Control
Consists of all measures used by a business for the purposes of (1) safeguarding its resources against waste, fraud and inefficiency; (2) promoting accurate and reliable financial data; (3) promoting operational efficiency; and (4) encouraging adherence to prescribed managerial policies. The primary responsibility for internal control rests with management.

Journal Voucher
Provides for the recording of certain transactions. Usually contains an entry or entries, explanations, references to documentary evidence supporting the entry or entries and the signature of one or more properly authorized officials.

Liabilities
Debt or other legal obligation arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date.

Petty Cash
A system for handling minor disbursements whereby a fixed amount of money, designated as petty cash, is set aside for this purpose. Disbursements are made from time to time as needed, with a receipt voucher being completed in each case. At certain intervals or when the petty cash is completely expended, the petty cash fund is replenished for the amount of disbursements. The total of petty cash on hand plus the amount of signed receipt vouchers at any one time must equal the total amount of petty cash authorized.

Property (Plant) Funds
In this fund are the fixed assets owned by the congregation and related accounts. They include land, building improvements and equipment, the obligations relative thereto, and unexpended property funds.

Reimbursement
Pay back for expenses incurred.

Restricted Funds (Current)
Current restricted fund balances represent funds available

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for financing operations that are restricted by donors and other external agencies to specific purposes or programs.

Board of director or church council designations do not create restricted funds, since the removal of the designation remains the discretion of the board of directors or council.

Revenue

All income received or anticipated.

Statement of Changes in Fund Balances

Reports the support, revenue, capital or nonexpendable additions, and functional expense categories. The purpose of a statement of changes in fund balances is to reveal the activity that affected the fund balances during a specific period of time.

Statement of Financial Position (Balance Sheet)

Reflects the financial position of the congregation or organization at a particular point in time. Summarizes the assets, liabilities and fund balances of the congregation.

Subsidiary Ledger

A group of subsidiary accounts; the sum of the balances is equal to the balance of the related control account in the general ledger.

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Blank Forms (Volume 2)

These forms are provided for congregational use and may be copied.

Miscellaneous
Authorization for Payment Voucher
Bank Reconciliation Form
Count Form–Weekly Offering
Expense Reimbursement Voucher
The Congregation Budget-Planning Worksheet

AUTHORIZATION FOR PAYMENT VOUCHER

Vendor _____ Date of Request _____

Address _____ Date Needed By _____

Invoice No. (s) _____ Date of invoice _____

_____ _____

_____ _____

Special Instructions _____

Explanation _____

Amount $ _____ Account No. _____ Program _____

☐ Authorized by Church Council Date _____

☐ Budget expenditure

Requested by _____

Approved by _____ Date paid _____ Check No. _____

CUT HERE

AUTHORIZATION FOR PAYMENT VOUCHER

Vendor _____ Date of Request _____

Address _____ Date Needed By _____

Invoice No. (s) _____ Date of invoice _____

_____ _____

_____ _____

Special Instructions _____

Explanation _____

Amount $ _____ Account No. _____ Program _____

☐ Authorized by Church Council Date _____

☐ Budget expenditure

Requested by _____

Approved by _____ Date paid _____ Check No. _____

BANK RECONCILIATION FORM

_____ For the month of _____

Congregation's name

_____ Bank Account Number _____

Name of bank

General Ledger
Account Number _____

Outstanding Checks

Ending bank balance $ _____
(From bank statement)

Add deposits in transit:
(Not listed on bank statement)

Check No.	Date	Amount	
		$	
Total		$	

Date	Amount	
	$	

Total deposit(s) in transit _____

Total _____

Less: outstanding checks _____

Balance per bank _____

Balance per checkbook _____

(Adjusted balance per bank and balance per checkbook must agree.)

Completed by: _____
Signed

_____
Title Date

COUNT FORM–WEEKLY OFFERING

FIRST LUTHERAN CHURCH
ST. LOUIS, MISSOURI

Date _____

	Coins	Currency	Checks	Sub Total	Total
GENERAL FUND					
Plate	$	$	$	$	
Envelope					$
BUILDING FUND					
ORGAN FUND					
AGENCY FUNDS					
American Bible Society					
Lutheran Hour					
World Relief					
_____					
_____					
_____					
OTHER RECEIPTS					
Sunday school:					
Plate					
Envelope					
TOTAL SOURCE/DEPOSIT					

Counted by: _____ Date: _____

Counted by: _____ Date: _____

EXPENSE REIMBURSEMENT VOUCHER

Date _____

Name _____

Address _____

City _____ State _____ Zip _____

Travel Expense:

Auto Expense _____ @ $/mile _____

(Mileage log should be attached)

Other Expense _____

(Explanation & receipts attached)

Other Expense _____ _____

Other Expense _____ _____

Other Expense _____ _____

Total Expenses _____ _____

Signature _____

Approved by _____ Date _____ Acct # _____ Amt $ _____

Approved by _____ Date _____ Acct # _____ Amt $ _____

EXPENSE REIMBURSEMENT VOUCHER

Date _____

Name _____

Address _____

City _____ State _____ Zip _____

Travel Expense:

Auto Expense _____ @ $/mile _____

(Mileage log should be attached)

Other Expense _____

(Explanation & receipts attached)

Other Expense _____ _____

Other Expense _____ _____

Other Expense _____ _____

Total Expenses _____ _____

Signature _____

Approved by _____ Date _____ Acct # _____ Amt $ _____

Approved by _____ Date _____ Acct # _____ Amt $ _____

THE CONGREGATION
BUDGET PLANNING WORKSHEET

	Factor	Number of Households	Adjusted Households
A. Households			
1. Husband and wife (two incomes)	1.50		
2. Husband and wife (one income)	1.00		
3. Singles, single parent	.50		
4. Mixed marriage (two denominations)	.33		
5. Restricted incomes (retired, disabled, etc.)	.25		
6. Unemployed	.00		
7. Inactive members	.10		
8. Total households			
B. Annual average household income			
C. (Line A.8 x B)			
D. Total congregation giving (previous year)			
E. Percentage of income given per household (divide D by C)			
F. Giving potential:	%	Offerings would be:	Increase (decrease)
If membership contributed:	3%		
	5%		
	7%		
	10%		
	12%		

Resources

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Resources: Introduction

A number of books, manuals and bulletins are published on topics relevant to the church and the clergy. Many of these publications address tax and legal issues as these are topics of frequent change.

Listed below and on the following pages are the organizations that publish material on the subjects addressed in this manual. The resources available range from textbooks to monthly newsletters.

As some organizations publish several booklets on specific subjects, only the larger publications are specifically noted. Most organizations will send you a list of their publications, so the address is included. Your district and the Synod office may have copies of most of the publications listed, so you may contact them for recommendations.

List of Resources

	TOPICS			
	Tax	Acctg.	Legal	Other
THE LUTHERAN CHURCH—MISSOURI SYNOD 1333 S. Kirkwood Road St. Louis, MO 63122-7295 Telephone: 314-996-(plus four digit extension) 314-965-9000 (operator assisted) 888-843-5267 (THE LCMS) International Center (Synod offices):				
Accounting Department				
Pam Palmer (ext. 1441) Email: *pam.palmer@lcms.org*	x	x	x	x
Nathan Haak (ext. 1425) Email: *nathan.haak@lcms.org*	x	x	x	x
Communication Services (ext. 1202) Congregation information, public relations; official periodicals and publications of the Synod.				
The Lutheran Witness				x
Reporter	x		x	x
Church Information Center (888-843-5267/THE LCMS) Resource linking service. Web page: *lcms.org/cic* Email: *infocenter@lcms.org*				x
Office of National Mission—Stewardship (ext. 1732)				x
Devotions: "Simple Gifts" and other resources at *lcms.org/how-we-serve/national/stewardship-ministry*				x
Office of National Mission Recognized Service Organizations (ext. 1636) RSO Application Information for organizations interested in applying for Recognized Service Organization (RSO) status (can download at *lcms.org/rsos*)				x
School Ministry (ext. 1716)				x
Group Purchasing Agreements (ext. 1441) *lcms.org/group-purchasing-agreement*				x

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TOPICS

	Tax	Acctg.	Legal	Other
District offices: (Addresses/phone numbers listed in *The Lutheran Annual* or at *lcms.org/districts*) For links to additional church and school office administration resources, please visit the LCMS website at *lcms.org/resources/church-and-school-administration*.				
U.S. CITIZENSHIP AND IMMIGRATION SERVICES *uscis.gov/i-9central* or *uscis.gov/i-9-central/form-i-9-resources/handbook-for-employers-m-274* *Handbook for Employers, M-274* A publication to help employers understand The Homeland Security Act of 2002 and complete Form I-9, Employment Eligibility Verification				x
CHRISTIAN LEADERSHIP ALLIANCE 101 Roper Creek Dr. Greenville, SC 29615 949-487-0900 *christianleadershipalliance.org* Christian Leadership Alliance (CLA) is an association that represents over 1200 different nonprofit ministries, churches, educational institutes and businesses. It is a resource for professional nonprofit leadership development.	x	x	x	x
CHURCH LAW & TAX Christianity Today, publisher *churchlawandtax.com*				
Church and Clergy Tax Guide Richard Hammar Provide comprehensive help understanding U.S. tax laws as they relate to pastors and churches.	x			
Church Finance Update Richard Hammar, senior editor A monthly review of financial, accounting and tax developments affecting churches and clergy.	x	x	x	x
Church Law & Tax Update A weekly newsletter with a review of legal and tax developments affecting ministers and churches.	x		x	x
Pastor, Church & Law, Fifth Edition A comprehensive study and analysis of laws and regulations that affect ministers and the church.	x	x	x	

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TOPICS

	Tax	Acctg.	Legal	Other
CONCORDIA PLAN SERVICES 1333 S. Kirkwood Road St. Louis, MO 63122 Telephone: 888-927-7526 *concordiaplans.org*				
Administrative Information for Treasurers and Business Managers	X		X	X
CRSP Employer Administrative Guide	X		X	X
Employer Guide to Personal Spending Accounts	X			X
HSA Reference Guide	X			X
HRA Resource Guide	X			X
Log into your online benefits portal at *concordiaplans.org/myaccount* to review a plethora of information.				X
CONCORDIA PUBLISHING HOUSE 3558 S. Jefferson Ave. St. Louis, MO 63118-3968 Telephone: 800-325-3040 *cph.org*		X		X
INTERNAL REVENUE SERVICE Phone 800-829-3676 for forms and publications or *irs.gov*	X			
Publication 15, *Circular E, Employer's Tax Guide*				
Publication 15-A, *Employer's Supplemental Tax Guide*				
Publication 463, *Travel, Entertainment, Gift and Car Expenses*				
Publication 505, *Tax Withholding and Estimated Tax*				
Publication 510, *Excise Taxes*				
Publication 517, *Social Security and other information for Members of the Clergy and Religious Workers*				
Publication 521, *Moving Expenses*				
Publication 525, *Taxable and Nontaxable Income*				
Publication 526, *Charitable Contributions*				
Publication 557, *Tax-Exempt Status for Your Organization*				
Publication 560, *Retirement Plans for Small Businesses*				
Publication 561, *Determining Value of Donated Property*				
Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*				
Publication 583, *Starting a Business and Keeping Records*				
Publication 590-A, *Contributions to Individual Retirement Accounts (IRAs)*				
Publication 590-B, *Distributions from Individual Retirement Accounts (IRAs)*				
Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*				
Publication 915, *Social Security Benefits*				
Publication 969, *Health Savings Accounts and other Tax-Favored Health Plans*				
Publication 970, *Tax Benefits for Education*				
Publication 1544, *Reporting Cash Payments of Over $10,000*				
Publication 1771, *Charitable Contributions Substantiation and Disclosure Requirements*				

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	TOPICS			
	Tax	Acctg.	Legal	Other
Publication 1828, *Tax Guide For Churches and Religious Organizations*				
Publication 3079, *Gaming Publication for Tax-Exempt Organizations and Gaming*				
Publication 4573, *Group Exemptions*				
LUTHERAN CHURCH EXTENSION FUND PO Box 229009, St. Louis, MO 63122-9009 Telephone: 800-843-5233 *lcef.org*				X
Journey of Discovery, a bible study program				X
Young Investors (Y.I.) Club, stewardship education for young people				X
Joyful Response, a free electronic offering and tuition payment system				X
Helping Hands in the Lending Process, a step-by-step guide for the loan process				X
Architectural Handbook, a facility planning guide for capital projects				X
Putting Energy into Stewardship (produced by the Environmental Protection Agency EPA)				X
LCMS FOUNDATION 1333 South Kirkwood Rd., St. Louis, MO 63122-9008 Telephone: 800-325-7912 or 314-965-9000 *lcmsfoundation.org*				
Wills, trusts, gift-planning services.	X		X	X
Investment and endowment management for today, tomorrow and forever.		X	X	X

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