Clergy with Federal and State Income Tax Withholding

Clergy without voluntary Federal and State Income Tax withholding taken out should be given a W-2. The salary and auto or other allowances for non-reimbursable expenses are added as One figure and put in under “Wages, tips and other compensation” (Box 1). NOTE: The Housing Allowance can be reported in (Box 14) or by a separate letter. (we recommend using a separate letter). Clergy who are provided more than $50,000.00 of life insurance will have an additional amount of income which must be added to the amount in (Box 1) and reported in (Box 12) using a code “C”. (This includes the life insurance provided by The Church Pension Fund, the Diocese and any insurance provided by the church or other church related employer). To calculate the amount to be reported use the IRS table located on our website. 403(b) reductions from clergy salary must be reported in (Box 12) using a code “E”. The IRS has ruled that housing allowances ARE NOT “compensation for purposes of computing the contribution limits to a tax-sheltered annuity (403(b) plan).

Note: All amounts, withheld for income, Medicare and Social Security should be reported in (Box 2).