

Integrated Annual Ministry Agreement for Pastors

Fillable PDF Version

Introduction
Annual Compensation Agreement
Annual Compensation Table
Annual Shared Ministry Priorities Agreement
For Treasurers and Church Leaders

~ This agreement is to be renewed annually. ~

Pastoral Compensation and Benefits Advisory Committee Office of Ministry
Church of the Brethren
1451 Dundee Avenue
Elgin, Illinois 60120-1694

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INTRODUCTION TO THE 2022 REVIEW OF PASTORAL COMPENSATION AND BENEFITS PRACTICES IN THE CHURCH OF THE BRETHREN

The Pastoral Compensation and Benefits Advisory Committee is a Committee of the Annual Conference of the Church of the Brethren, and is tasked to perform a 5-year review of our compensation and benefits practices.

We came to this review knowing that 77% of our pastors are serving in less than full time or less than fully compensated roles; that our churches are growing smaller, not larger; and that our overall membership is shrinking, not growing. Other considerations included the frustrations we have heard from pastors and congregations alike about trying to meet the dollar amounts in the Minimum Cash Salary Table published by our Committee every year; the pressure to perform full-time ministry on part-time pay; and the lack of a framework that would assist our congregations to participate in ministry with our pastors.

Knowing all this, the Committee decided to re-imagine the compensation and working relationships between pastors and congregations.

WE BELIEVE *that every pastor should be compensated fairly for their time.*

We developed a Calculator, hosted by Eder Financial (formerly Brethren Benefit Trust), that starts with what the congregation can afford to pay, includes the costs of housing, pension, and other benefits, and calculates how many hours (based on the Minimum Cash Salary Table) of average weekly pastoral time the congregation should expect for their money.

WE BELIEVE *in the Priesthood of All Believers.*

In at least 77% of our congregations, average weekly pastoral time won't equal the full time standard of 44 hours per week. A critical new section of this Agreement is the "Annual Shared Ministry Priorities Agreement" that helps the congregation and the pastor figure out how and where the pastor is going to spend their time, and who (what committees or persons) and how the congregation will be responsible for the other ministry needs of the church. Specific tasks are assigned for each responsibility. We recommend that it be reviewed annually. Our hope is that this review will be used to assess what did and didn't work, where ministry needs have changed and new opportunities have emerged. We see this as a tool for shared ministry and openness to the needs of the Spirit.

WE BELIEVE *that ministry is enhanced* when congregations and pastors effectively navigate budget and salary conversations in ways that are life-giving and affirming for both the congregation and the pastor.

We have sought to help Treasurers (and other Church Leaders) understand pastoral compensation and taxation, and the effects of compensation decisions on pastors' taxes.

To that end, we have redesigned the Annual Compensation Agreement to be easier to navigate. In addition, experience has shown us that Treasurers appreciate assistance in preparing pastors' W-2s, so we have added a section with "line-by-line" and "box-by-box" instructions for filling out the W-2. We believe it will be a helpful guide.

The Committee, as constituted during this process, which began in the fall of 2018:

Ms. Beth Cage, Laity (2015-2020), Chair (2018-2021) *term extended due to cancellation of 2020 Annual Conference*

Mr. Ray Flagg, Laity: Calculator (2016-2021)

Rev. Dan Rudy, Clergy: Researcher (2017-2022), Secretary (2019-2022)

Rev. Deb Oskin, Laity, Secular Compensation Practitioner: Clergy Taxation (2018-2023), Chair (2021-2023)

Rev. Dr. Terry Grove, Atlantic Southeast District Executive Minister, CODE Representative (2019-2020), until his death on December 5, 2020.

Rev. Gene Hagenberger, Mid-Atlantic District Executive Minister, CODE Representative (2021-2022), filling Rev. Dr. Terry Grove's unexpired term.

Mr. Art Fourman, Laity: Training (2020-2024) *term shortened due to cancellation of 2020 Annual Conference*

Mr. Bob McMinn, Esq., Laity: Video Recordings (2021-2025)

Rev. Nancy Sollenberger Heishman, Director of the Office of Ministry (ex officio)

ANNUAL COMPENSATION AGREEMENT FOR PASTOR AND CONGREGATION IN THE CHURCH OF THE BRETHREN

(to see descriptions of fillable PDF fields, hover cursor over field)

This agreement between the _____ Church of the Brethren and _____ will begin on _____.

TERMS OF CALL TO SERVICE.

The pastor's call is for an average of _____ ministry hours per week. The call shall begin on the date stated above and will continue indefinitely, with an annual review/evaluation by the Executive Committee (or other appropriate committee) with or in consultation with the District Executive/Minister. Any changes in the terms of service will be negotiated in consultation with the District Executive/Minister and accepted by a majority vote of the Church Board and Congregation. Ninety (90) days notice shall be given in the event of a reduction in service. The "Annual Shared Ministry Priorities Agreement" shall be part of the negotiations and shall be attached to this Agreement.

TERMINATION OF CALL TO SERVICE.

By Pastor: Service may be terminated by the pastor's resignation to the Church Board, giving ninety (90) days notice, after the pastor has obtained the counsel of the District Executive/Minister. A shorter or longer notice of termination by the pastor shall be negotiated with the Church Board also in consultation with the District Executive/Minister.

By Congregation: Service may be terminated with ninety (90) days notice by the Congregation after obtaining the counsel of the District Executive/Minister. The pastor may be counseled to resign by the District Executive/Minister and/or the Executive Committee (or other appropriate committee). As a last resort, if the Church Board decides that the matter should be put before the Congregation, the service of the pastor may be terminated, unless the Congregation votes by a two-thirds majority to retain the services of the pastor.

By District Ministry Commission: Under extenuating circumstances, the District Ministry Commission is given the responsibility for considering termination of the pastor's service.

FINANCIAL TERMS.

Figures in the following section are annualized and should be pro-rated for the remainder of the current budget year. Future changes in compensation and benefits shall reflect a mutually negotiated agreement between the pastor and the Executive Committee (or other appropriate committee focusing on pastoral relations and responsible to the Church Board), and accepted by a majority vote of the Church Board and Congregation. Ninety (90) days notice shall be given in the event of a reduction in service. Major changes to this Agreement shall be made in consultation with the District Executive/Minister.

PASTOR'S AGREEMENT

As part of my employment, I reaffirm my covenant as a credentialed Minister in the Church of the Brethren, and will uphold the "Code of Ethics for Ministerial Leaders" as adopted by the Church of the Brethren Annual Conference. I recognize and accept the authority of district and denomination, being at all times subject to its discipline and governance. I will transfer my letter of membership at the time of installation or before.

Pastor

Date

CONGREGATION'S AGREEMENT

I, the Board Chair, acknowledge the Congregation's responsibility to uphold and periodically review the Annual Conference "Congregational Ethics" paper. I also acknowledge that it is my responsibility to place a signed copy of this Agreement in a secure file in the Church Office, communicate its existence and location to my successor(s), and distribute copies to those Officers identified below.

Board Chair

Date

District Executive/Minister *(only necessary for initial agreement or for significant changes)*

Date

Copies: District Executive/Minister, Pastor, Board Chair, Treasurer, Church Clerk

~ This agreement is to be renewed annually. ~

The following "Annual Compensation Table" shall be completed annually, and a copy shall be submitted to the District Office.

Consult "Guidelines for Pastors' Salaries and Benefits"
<http://www.brethren.org/ministryoffice>
for assistance in completing all sections of this Agreement.

ANNUAL COMPENSATION TABLE

ITEM	CONGREGATION	PASTOR
SALARY		
1 Negotiated Cash Salary (from Minimum Cash Salary Table or Pastoral Compensation Calculator)		
HOUSING (complete EITHER 2 or 3)		
2 PARSONAGE PROVIDED		
2a Fair Rental Value (FRV) of Parsonage		
2b Housing Equity Fund Contribution (1% of Parsonage Fair Market/Sale Value)		
2c Designated Housing Exclusion (from 1 above)		
3 PARSONAGE NOT PROVIDED		
3a Parsonage Adjustment (from Calculator)		
3b Designated Housing Exclusion (from 1 above)		
TOTAL SALARY AND HOUSING:		
BENEFITS		
4 PENSION CONTRIBUTIONS (available from Eder Financial)		
4a Pastor's Contribution (at least 4%)		
4b Congregation's Contribution (11%)		
4c Church Worker's Assistance Plan (1%)		
5 MEDICAL INSURANCE		
5a Medical Insurance (Congregation pays 2/3 or 100% of increase to Spouse's plan)		
6 RECOMMENDED INSURANCE (available from Eder Financial)		
6a Basic Life Insurance (required if any other insurance is purchased from Eder Financial)		
6b Short Term Disability		
6c Long Term Disability		
7 ELECTIVE INSURANCE (available from Eder Financial)		
7a Dental Insurance		
7b Vision Insurance		
7c Accident Insurance		
8 WORKER'S COMPENSATION		
9 MOVING EXPENSES		
Congregation will pay the pastor's mutually negotiated moving expenses.		
TOTAL BENEFITS:		

ANNUAL COMPENSATION TABLE

CONGREGATION

PASTOR-RELATED EXPENSES

10 Travel and Mileage	
11 Annual Conference and District Conference	
12 Continuing Education Expenses	
13 Professional Expenses	
14 Other Pastoral Needs (e.g., saving for future Sabbath Rest)	
TOTAL PASTOR-RELATED EXPENSES:	

PASTOR'S TIME OFF

15 CALCULATED AVERAGE WEEKLY MINISTRY HOURS Enter the number of hours from the Pastoral Compensation Calculator. <i>44 hours is full-time; benefits are available at 16 hours ></i>	
16 WEEKLY TIME OFF Full-time Pastor shall have at least one and one-half (1½) regular days free of congregational responsibilities (barring crisis needs). Part-time Pastor shall have a specific number of hours free of congregational responsibilities (barring crisis needs), as defined by agreement. <i>44 hours – Weekly Ministry Hours [Box 15] = Hours Off ></i>	List FT Days Off: _____
	PT Hours Off: _____
17 VACATION WORK WEEKS OFF Pastor's years of service have earned pastor a specified number of work weeks of vacation annually. (3 weeks annually for years of service 0-3; 4 weeks annually for years 4-20; 5 weeks annually for years beyond 20.) <i>Enter the number of work weeks of vacation ></i>	
18 HOLIDAYS OFF Up to ten (10) holidays can be used as additional paid days off, negotiated by pastor and congregation. <i>Enter the number of holidays ></i>	
19 CONTINUING EDUCATION DAYS OFF Annual Conference Guidelines for Continuing Education recommend at least seven (7) days per calendar year, including not more than one Sunday. <i>Enter the number of Continuing Education Days ></i>	
20 SPECIAL CIRCUMSTANCES DAYS (SCD) OFF Pastor has accumulated a specified number of paid days for Special Circumstances from prior service. (A detailed explanation of Special Circumstances Days is found in the Appendix of the "Guidelines for Pastors' Salaries and Benefits.") <i>Enter the number of SCD days pastor has accrued from prior service or as of the beginning of the year ></i> Pastor begins each calendar year with no less than thirty-two (32) SCD. Ten (10) SCD are added at the beginning of each succeeding calendar year, up to ninety (90) SCD total. Congregation is not required to pay any accrued SCD after the pastor's service is ended.	

GLOSSARY OF TERMS

PASTORAL HOUSING

The congregation is expected to provide a home for the pastor and their family.

I. DESIGNATED HOUSING EXCLUSION

The **Designated Housing Exclusion** (previously known as the Housing Allowance) is the amount the pastor designates from their cash salary to be used to provide everything which makes the home livable (e.g., rent and/or mortgage payments, utilities, furnishings, household items, cleaning supplies, etc.).

The congregation must approve this designation in writing before the first designated housing exclusion payment is made. This amount should be reviewed each year, and can be changed prospectively throughout the year, upon the pastor's request with the congregation's written approval.

A designated housing exclusion should be requested by every pastor, regardless of whether they are living in a parsonage or in their own home. It can be up to 100% of the pastor's cash salary-- after pastor's contributions to their pension and the pastor's costs for insurance are paid. There is no liability to the congregation if the pastor does not spend this money on housing.

It is the responsibility of the pastor to prove their housing expenses on their personal income tax return. The designated housing exclusion amount, provided it was spent on housing, is exempt from federal income tax but is subject to self-employment tax. The officially designated amount should be entered on the pastor's W-2 in Box 14.

II. CONGREGATION DOES NOT PROVIDE A PARSONAGE

A. The **Parsonage Adjustment Amount** is the cash amount **added** to the "Negotiated Cash Salary" or "Minimum Cash Salary Table for Pastors" amount to allow the pastor to secure housing. This amount is added to the cash salary for every pastor whose congregation does not provide a parsonage.

The amount added is equal to the average annual cost of renting a 3-bedroom home in the congregation's zip code. The pastor will owe self-employment taxes on the parsonage adjustment amount. The parsonage adjustment amount is also used in calculating the pastor's pension contributions and short- and long-term disability insurances.

This amount is added to the designated housing exclusion and entered on the pastor's W-2 in Box 14.

III. CONGREGATION PROVIDES A PARSONAGE

A. The **Fair Rental Value of the Parsonage** is the amount of money that the congregation could reasonably expect to receive annually if it used the parsonage as a rental home.

To calculate this amount, take into consideration:

- the actual condition of the parsonage;
- the location of the parsonage; and
- the actual cost of any utilities paid by the congregation on the pastor's behalf.

(Asking a Realtor for help is a very good idea. Zillow.com overestimates both the sale and rental values, and does not assess the actual condition of the building.)

The Fair Rental Value (or FRV) of the parsonage affects the pastor's taxes: the pastor must pay self-employment taxes on the annual FRV amount, as well as on the pastor's cash salary, including the designated housing exclusion. The FRV of the parsonage is also used in calculating the pastor's pension contributions and short- and long-term disability insurances.

B. Housing Equity Fund

Pastors living in parsonages lack the ability to acquire equity in a home, and after leaving the parsonage often have difficulty purchasing their first home. To help provide this equity, the congregation contributes 1% of the Fair Market or Sale Value of the parsonage to the pastor's Housing Equity Fund. Since 1975, the Housing Equity Fund has been held in a taxable mutual fund account for the pastor, jointly owned with the Church of the Brethren Inc.

ANNUAL SHARED MINISTRY PRIORITIES AGREEMENT

The "Annual Shared Ministry Priorities Agreement" shall be completed annually.

This document is a companion to the
"Annual Compensation Agreement" and the "Annual Compensation Table."

INSTRUCTIONS:

Working together, the Congregation and the Pastor will:

1. Identify Pastoral Priorities and rank them.
 - If less than 40% time (less than 18 hours a week), choose 1-3 Pastoral Priorities
 - If 40-70% time (18-30 hours a week), choose 4-5 Pastoral Priorities
 - If more than 70% time (more than 30 hours a week), choose 6-7 Pastoral Priorities

2. Identify Congregational Priorities and rank them.

(to see descriptions of fillable PDF fields, hover cursor over field)

PASTOR			CONGREGATION	
Priorities	Rank Order	% of Time # of Hours	Priorities	Rank Order
<i>% of Time (do not exceed 100%) OR # of Hours (do not exceed weekly calculated hours)</i>		<i>Total</i>		

Feel free to use "% of Time" or "# of Hours," whichever makes more sense to you.

Shared Ministry Priorities may include:

Crisis Pastoral Care; Denominational Work; Discipleship; District Work; Ecumenical Activities; Evangelism; Leadership Development; Ministry in Community; Music Ministry; Organizational Leadership / Administration; Pastoral Care; Preaching; Relating to Various Age Groups within the Church; Teaching; Visitation; Working with Groups; Worship Leadership; Other (specify)

This Agreement of Shared Ministry Priorities has been agreed to on this date by:

Pastor

Date

Board Chair

Date

District Executive/Minister (only necessary for initial agreement or for significant changes)

Date

Copies: District Executive/Minister, Pastor, Board Chair, Treasurer, Church Clerk

~ This agreement is to be renewed annually. ~

ANNUAL AGREEMENT OF SHARED MINISTRY PRIORITIES

Pastoral Priorities

INSTRUCTIONS:

- Describe Pastoral Priorities in rank order.
- Enter the percentage of average weekly time or number of hours expected to be spent on each Priority.
- List at least three specific tasks to be completed for each Priority.

(to see descriptions of fillable PDF fields, hover cursor over field)

FIRST PASTORAL PRIORITY

DESCRIPTION:

WEEKLY % OF TIME / # OF HOURS:

SPECIFIC TASKS:

-
-
-

SECOND PASTORAL PRIORITY

DESCRIPTION:

WEEKLY % OF TIME / # OF HOURS:

SPECIFIC TASKS:

-
-
-

THIRD PASTORAL PRIORITY

DESCRIPTION:

WEEKLY % OF TIME / # OF HOURS:

SPECIFIC TASKS:

-
-
-

FOURTH PASTORAL PRIORITY

DESCRIPTION:

WEEKLY % OF TIME / # OF HOURS:

SPECIFIC TASKS:

-
-
-

FIFTH PASTORAL PRIORITY

DESCRIPTION:

WEEKLY % OF TIME / # OF HOURS:

SPECIFIC TASKS:

-
-
-

SIXTH PASTORAL PRIORITY

DESCRIPTION:

WEEKLY % OF TIME / # OF HOURS:

SPECIFIC TASKS:

-
-
-

SEVENTH PASTORAL PRIORITY

DESCRIPTION:

WEEKLY % OF TIME / # OF HOURS:

SPECIFIC TASKS:

-
-
-

ANNUAL AGREEMENT OF SHARED MINISTRY PRIORITIES

Congregational Priorities

INSTRUCTIONS:

- Describe Congregational Priorities in rank order.
- Enter the person or group within the Congregation responsible for each Priority.
- List at least three specific tasks to be completed for each Priority.

(to see descriptions of fillable PDF fields, hover cursor over field)

FIRST CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

SECOND CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

THIRD CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

FOURTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

FIFTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

SIXTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

SEVENTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

EIGHTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

NINTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

TENTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

ELEVENTH CONGREGATIONAL PRIORITY

DESCRIPTION:

RESPONSIBLE PARTY:

SPECIFIC TASKS:

-
-
-

FOR TREASURERS & CHURCH LEADERS

GLOSSARY OF TERMS

I. PASTORAL COMPENSATION

Includes the following items, where they are reported on IRS Form W-2, and which federal taxes apply:

- Negotiated Cash Salary: (subtract Designated Housing Exclusion Amount) W-2 Box 1; subject to federal income & self-employment taxes
- Designated Housing Exclusion: W-2 Box 14; subject to self-employment taxes
- Fair Rental Value of the Parsonage: W-2 Box 14; subject to self-employment taxes
- Parsonage Adjustment Amount: W-2 Box 14; subject to self-employment taxes
 - NOTE: Box 14 will never contain BOTH the Fair Rental Value of the Parsonage AND the Parsonage Adjustment Amount on the same W-2, unless the pastor moved out of the parsonage during the year to their own home (or vice versa).
 - NOTE: Box 14 should ALWAYS contain a Designated Housing Exclusion amount.

II. PASTORAL TAXATION

In the Church of the Brethren, pastors are not self-employed, but are rather common-law employees of the congregation who are exempt from FICA (Federal Insurance Contributions Act) but are subject to SECA (Self Employment Contributions Act).

Employers of pastors are prohibited from withholding FICA (Social Security & Medicare) taxes for them, as they do for their non-pastor employees. Thus, pastors are required to pay self-employment taxes on all income earned as pastors to contribute to Social Security & Medicare.

Employers of pastors may, however, withhold federal (and state and local, if required) income taxes for the pastor so that the pastor does not have to make estimated tax payments. This should occur upon request of the pastor and upon receipt from the pastor of IRS Form W-4.

Types of Taxes

- Federal (and State and Local) Income Taxes
- FICA (Federal Insurance Contributions Act) Taxes are taxes on Social Security and Medicare income, and are paid half by the employer and half by the employee through employer withholding.
- SECA (Self-Employment Contributions Act) Taxes are essentially both halves of FICA taxes, paid by the self-employed person. They accomplish the same result: full payment of taxes due for Social Security and Medicare for the pastor.


States and municipalities vary on whether they tax housing exclusions and parsonage adjustments.

This brief description is meant to be a resource but should not be considered tax advice. Please consult with a knowledgeable clergy tax professional.

IRS FORM W-2

IRS operates a centralized call site to answer questions about reporting information on W-2 forms.
If you have any questions about completing a Form W-2, call the IRS at **1-866-455-7438**.

Social Security operates a Business Services Online Portal for Employers where you can electronically file Forms W-2 and W-3 (total of all Forms W-2) for free:
<https://www.ssa.gov/bsowelcome.htm>

a Employee's social security number		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld					
c Employer's name, address, and ZIP code		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 Last name Suff.		11 Nonqualified plans		12a See instructions for box 12					
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b					
		14 Other		12c					
f Employee's address and ZIP code				12d					
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			

Form **W-2** Wage and Tax Statement 2021 Department of the Treasury—Internal Revenue Service
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

COMPLETING THE PASTOR'S W-2

IRS FORM W-2 BOX NUMBERS	PAGE 7 TABLE CELLS: CONGREGATION ^C PASTOR ^P
Box 1: Wages, tips, other compensation	(1 ^c + 9 ^c) MINUS (2c ^P + 3b ^P + 4a ^P [Codes D, E, F, G, H only] + 5a ^P + 6a ^P + 6b ^P + 6c ^P + 7a ^P + 7b ^P + 7c ^P)
Box 2: Federal income tax withheld	**see note below**
Box 3: Social security wages	Leave blank or enter \$0.00
Box 4: Social security tax withheld	Leave blank or enter \$0.00; **see note below**
Box 5: Medicare wages and tips	Leave blank or enter \$0.00
Box 6: Medicare tax withheld	Leave blank or enter \$0.00; **see note below**
Box 7: Social security tips	Leave blank
Box 8: Allocated tips	Leave blank
Box 9: Verification code	
Box 10: Dependent care benefits	
Box 11: Nonqualified plans	
Box 12: Codes	4a ^P (choose appropriate code for pension contribution type from attached list). Other codes may also be appropriate (e.g., "W" for an HSA or "FF" for a QSEHRA).
Box 13: (Checkboxes) Statutory employee, Retirement plan, Third-party sick pay	If 4a ^P or 4b ^C , check the box labeled "Retirement plan"
Box 14: Other	If 2a ^C (label "Parsonage FRV" or "PAR FRV") If 2c ^P or 3b ^P (label "Housing Exclusion" or "HOU EXCL") If 3a ^C (label "Parsonage Adjustment" or "PAR ADJ")
Box 15: State	Abbreviation for the congregation's state
Box 16: State wages, tips, etc.	Varies by state (check your state law)
Box 17: State income tax	Varies by state (check your state law)
Box 18: Local wages, tips, etc.	Varies by locality (check your local law)
Box 19: Local income tax	Varies by locality (check your local law)
Box 20: Locality name	Name or abbreviation of locality (check your local law)
<p>** BOX 2 NOTE:</p> <ul style="list-style-type: none"> • Congregations are not required to withhold federal income taxes for their pastors. However, they may do so if requested by their pastor. • Using Form W-4, the pastor can request that the congregation withholds enough federal income tax to effectively pay the pastor's entire Self-Employment Tax. This would allow the pastor to avoid paying estimated taxes throughout the year. • We <i>strongly recommend</i> that congregations and pastors contact a knowledgeable tax professional to help calculate the total withholding amount that would meet this goal. 	
<p>** BOXES 4 & 6 NOTE:</p> <ul style="list-style-type: none"> • Congregations are prohibited by law from withholding Social Security and Medicare (FICA) taxes from their pastor's income. These boxes must be empty or zero (\$0.00). 	

W-2 BOX 12 CODES

Code must be entered as a Capital Letter.

- A Uncollected social security or RRTA tax on tips. Include this tax on Form 1040 Schedule 4 line 58.
- B Uncollected Medicare tax on tips. Include this tax on Form 1040 Schedule 4 line 58.
- C * Taxable costs of group-term life insurance over \$50,000. Included in W-2 box 1. (This code does not apply to Eder Financial's Basic Life Insurance, which is limited to \$50,000.)
- D Elective deferral under a 401(k) cash or arrangement plan. This includes a SIMPLE 401(k) arrangement.
- E * Elective deferrals under a Section 403(b) salary reduction agreement (e.g., pre-tax contributions to Eder Financial's retirement plans).
- F Elective deferrals under a Section 408(k)(6) salary reduction SEP.
- G Elective deferrals and employer contributions (including non-elective deferrals) to a Section 457(b) deferred compensation plan.
- H Elective deferrals to a Section 501(c)(18)(D) tax-exempt organization plan.
- J Nontaxable sick pay. Information only, not included in W-2 box 1.
- K 20% excise tax on excess golden parachute payments.
- L Substantiated employee business expense reimbursements (nontaxable).
- M Uncollected Social Security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only).
- N Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (former employees only).
- P Excludable moving expense reimbursements paid directly to a member of the U.S. Armed Forces (not included in Box 1).
- Q Nontaxable combat pay. See the instructions for Form 1040 or Form 1040A for details on reporting this amount.
- R Employer contributions to your Archer medical savings account (MSA). Report on Form 8853: Archer MSAs and Long-Term Care Insurance Contracts.
- S Employee salary reduction contributions under a Section 408(p) SIMPLE (not included in Box 1).
- T Adoption benefits (not included in Box 1). Complete Form 8839: Qualified Adoption Expenses, to compute any taxable and nontaxable amounts.
- V Income from exercise of non-statutory stock option(s). Included in Box 1. See Publication 525: Taxable and Nontaxable Income, for reporting requirements.
- W * Employer contributions (including amounts the employee elected to contribute using a Section 125 cafeteria plan) to your health savings account (HSA).
- Y Deferrals under a Section 409A nonqualified deferred compensation plan.

W-2 BOX 12 CODES

Code must be entered as a Capital Letter.

- Z Income under a nonqualified deferred compensation plan that fails to satisfy Section 409A. This amount is also included in Box 1 and is subject to an additional 20% tax plus interest. See Form 1040 instructions for more information.
- AA Designated Roth contribution under a 401(k) plan.
- BB * Designated Roth contributions under a 403(b) plan (e.g., Roth contributions to Eder Financial's retirement plans).
- CC (For employer use only.)
- DD Cost of employer-sponsored health coverage.
- EE Designated Roth contributions under a governmental 457(b) plan. This amount doesn't apply to contributions under a tax-exempt organization Section 457(b) plan.
- FF * Permitted benefits under a qualified small employer health reimbursement arrangement (QSEHRA).
- GG Income from qualified equity grants under section 83(i).
- HH Aggregate deferrals under section 83(i) elections as of the close of the calendar year.

* *Commonly used codes for pastors in the Church of the Brethren.*