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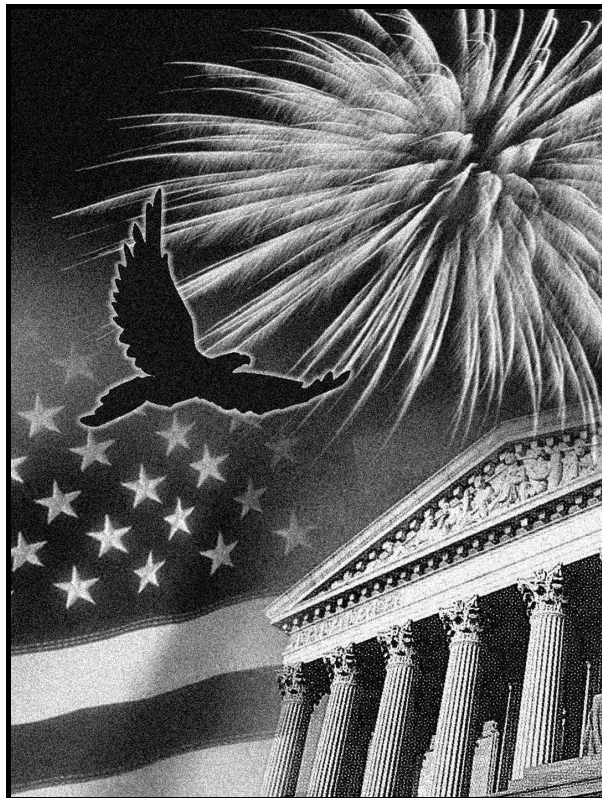
Internal
Revenue
Service

Publication 517

Cat. No. 15021X

Social Security and Other Information for Members of the Clergy and Religious Workers

For use in preparing
2009 Returns



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What's New

Increased earnings subject to social security. For 2009, the maximum wages and self-employment income subject to social security tax (6.2%) is increased to \$106,800. All wages and self-employment income are subject to Medicare tax (1.45%).

Modified AGI limit for retirement savings contribution credit increased. For 2009, you may be able to claim the retirement savings contribution credit if your modified adjusted gross income (AGI) is not more than:

- \$55,500 if your filing status is married filing jointly,
- \$41,625 if your filing status is head of household, or
- \$27,750 if your filing status is single, married filing separately, or qualifying widow(er).

See Publication 590, Individual Retirement Arrangements (IRAs), for more information.

Modified AGI limit for traditional IRA contributions increased. For 2009, you may be able to take an IRA deduction if you were covered by a retirement plan at work and your modified AGI is:

- Less than \$109,000 if married filing jointly or qualifying widow(er), or
- Less than \$65,000 if single or head of household.

If you file a joint return and either you or your spouse was not covered by a retirement plan at work, you may be able to take an IRA deduction if your modified AGI is less than \$176,000.

Modified AGI limit for Roth IRA contributions increased. For 2009, you may be able to contribute to your Roth IRA if your modified AGI is:

- Less than \$176,000 if married filing jointly or qualifying widow(er), or
- Less than \$120,000 if single, head of household, or married filing separately and did not live with your spouse at any time during the year.

Increased earned income credit (EIC). For 2009, your EIC may increase if you have three or more qualifying children.

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

Social security and Medicare taxes are collected under two systems. Under the Self-Employment Contributions Act (SECA), the self-employed person pays all the taxes. Under the Federal Insurance Contributions Act (FICA), the employee and the employer each pay half of the taxes. No earnings are subject to both systems.

This publication covers the following topics about the collection of social security and Medicare taxes from members of the clergy and religious workers.

- Which earnings are taxed under FICA and which under SECA. See [Table 1](#).
- How a member of the clergy (minister, member of a religious order, or Christian Science practitioner) can apply for an exemption from self-employment tax.
- How to figure net earnings from self-employment.

This publication also covers certain income tax rules of interest to the clergy.

A [Comprehensive Example](#) shows filled-in forms for a minister who has income taxed under SECA, other income taxed under FICA, and income tax reporting of items specific to the clergy.



In the back of Publication 517 is a set of [Worksheets](#) that you can use to figure the amount of your taxable ministerial income and allowable deductions. You will find these worksheets right after the *Comprehensive Example*.

Note. In this publication, the term “church” is generally used in its generic sense and not in reference to any particular religion.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Table 1. Are You Covered Under FICA or SECA?

Find your occupation in the left column and read across the table to find if you are covered under FICA or SECA. Do not rely on this table alone. Also read the discussion for your occupation in the following pages.

Occupation	Covered under FICA?	Covered under SECA?
Minister	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.*
Member of a religious order who has not taken a vow of poverty	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.*
Member of a religious order who has taken a vow of poverty	YES, if: <ul style="list-style-type: none"> • Your order elected FICA coverage for its members, or • You worked outside the order and the work was not required by, or done on behalf of, the order. NO, if neither of the above applies.*	NO. You are exempt.*
Christian Science practitioner or reader	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS. NO, if you have an approved exemption.*
Religious worker (church employee)	YES, if your employer did not elect to exclude you. NO, if your employer elected to exclude you.	YES, if your employer elected to exclude you from FICA. NO, if you are covered under FICA.
Member of a recognized religious sect	YES, if you are an employee and do not have an approved exemption from the IRS. NO, if you have an approved exemption.	YES, if you are self-employed and do not have an approved exemption from the IRS. NO, if you have an approved exemption.

* The exemption applies only to qualified services, as defined later under [Qualified Services](#).

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We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at taxforms@irs.gov. (The asterisk must be included in the address.) Please put “Publications Comment” on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to the address below and receive a response within 10 days after your request is received.

Tax questions. If you have a tax question, check the information available on www.irs.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

- 54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 525** Taxable and Nontaxable Income
- 529** Miscellaneous Deductions
- 535** Business Expenses
- 590** Individual Retirement Arrangements (IRAs)

- ❑ **596** Earned Income Credit (EIC)

Form (and Instructions)

- ❑ **SS-8** Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
- ❑ **SS-16** Certificate of Election of Coverage Under the Federal Insurance Contributions Act
- ❑ **Schedule SE (Form 1040)** Self-Employment Tax
- ❑ **1040-ES** Estimated Tax for Individuals
- ❑ **1040X** Amended U.S. Individual Income Tax Return
- ❑ **4029** Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits
- ❑ **4361** Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners
- ❑ **8274** Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes

Ordering publications and forms. See [How To Get Tax Help](#), near the end of this publication, for information about getting these publications and forms.

Social Security Coverage

The services you perform in the exercise of your ministry are covered by social security and Medicare under SECA. Your earnings for these services are subject to self-employment (SE) tax unless one of the following applies.

- You are a member of a religious order who has taken a vow of poverty.
- You ask the Internal Revenue Service (IRS) for an exemption from SE tax for your services and the IRS approves your request. See [Exemption From Self-Employment \(SE\) Tax](#), later.
- You are subject only to the social security laws of a foreign country under the provisions of a social security agreement between the United States and that country. For more information, see *Binational Social Security (Totalization) Agreements* in Publication 54.

Your earnings that are not from the exercise of your ministry may be subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general. See [Qualified Services](#), later.

Ministers

If you are a minister of a church, your earnings for the services you perform in your capacity as a minister are subject to SE tax unless you have requested and received an exemption. See [Exemption From Self-Employment \(SE\) Tax](#), later.

These earnings are subject to SE tax whether you are an employee of your church or a self-employed person under the common law rules. For the specific services covered, see [Qualified Services](#), later.

Ministers Defined

Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. They are given the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination.

If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.

Employment Status for Other Tax Purposes

Even though, for social security tax purposes, you are considered a self-employed individual in performing your ministerial services, you may be considered an employee for income tax or retirement plan purposes. For income tax or retirement plan purposes, some of your income may be considered self-employment income and other income may be considered wages.

Common-law employee. Depending on all the facts and circumstances, under common-law rules you are considered either an employee or a self-employed person. Generally, you are an employee if your employer has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see Publication 15-A, *Employer's Supplemental Tax Guide*.

If you are employed by a congregation for a salary, you are generally a common-law employee and income from the exercise of your ministry is considered wages for income tax purposes. However, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, are considered self-employment income.

Example. A church hires and pays you a salary to perform ministerial services subject to its control. Under the common-law rules, you are an employee of the church while performing those services.

Form SS-8. If you are not certain whether you are an employee or a self-employed person, you can get a determination from the IRS by filing Form SS-8.

Members of Religious Orders

If you are a member of a religious order who has not taken a vow of poverty, your earnings for qualified services you performed as a member of the order are subject to SE tax. See [Qualified Services](#), later. This does not apply if you have

requested and received an exemption as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later.

Vow of poverty. If you are a member of a religious order who has taken a vow of poverty, you are exempt from paying SE tax on your earnings for qualified services (defined later) you perform as an agent of your church or its agencies. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order.

Services covered under FICA at the election of the order. Even if you have taken a vow of poverty, the services you perform for your church or its agencies may be covered under social security. Your services are covered if your order, or an autonomous subdivision of the order, elects social security coverage for its current and future vow-of-poverty members.

The order or subdivision elects coverage by filing Form SS-16. It can elect coverage for certain vow-of-poverty members for a retroactive period of up to 20 calendar quarters before the quarter in which it files the certificate. If the election is made, the order or subdivision pays both the employer's and employee's share of the tax. You do not pay any of the FICA tax.

Services performed outside the order. Even if you are a member of a religious order who has taken a vow of poverty and are required to turn over to the order amounts you earn, your earnings are subject to federal income tax withholding and employment (FICA) tax if you:

- Work for an organization outside your religious community, and
- Perform work that is not required by, or done on behalf of, the order.

In this case, you are considered an employee of that outside organization. You may, however, be able to take a charitable deduction for the amount you turn over to the order. See Publication 526, *Charitable Contributions*.

Lay employees. Lay employees generally are covered by social security. However, see [Election by Church To Exclude Their Employees From FICA Coverage](#), later, under *Religious Workers (Church Employees)*.

Rulings. Organizations and individuals may request rulings from the IRS on whether they are religious orders, or members of a religious order, respectively, for FICA tax, SE tax, and federal income tax withholding purposes. To request a ruling, follow the procedures in Revenue Procedure 2009-1, 2009-1 I.R.B. 1, available at www.irs.gov/irb/2009-01_IRB/ar06.html.

Christian Science Practitioners and Readers

Your earnings from services you performed in your profession as a Christian Science practitioner or reader are generally subject to SE tax. However, you can request an exemption as discussed under [Exemption From Self-Employment \(SE\) Tax](#), later.

Practitioners. Christian Science practitioners are members in good standing of the Mother Church, The First Church of Christ, Scientist, in Boston, Massachusetts, who practice healing according to the teachings of Christian Science. Christian Science practitioners are specifically exempted from licensing by state laws.

Some Christian Science practitioners also are Christian Science teachers or lecturers. Income from teaching or lecturing is considered the same as income from their work as practitioners.

Readers. Christian Science readers are considered the same as ordained, commissioned, or licensed ministers.

Religious Workers (Church Employees)

If you are a religious worker (a church employee) and are not in one of the classes already discussed, your wages are generally subject to social security and Medicare tax (FICA) and not to SE tax. Some exceptions are discussed next.

Election by Church To Exclude Their Employees From FICA Coverage

Churches and qualified church-controlled organizations (church organizations) that are opposed for religious reasons to the payment of social security and Medicare taxes can elect to exclude their employees from FICA coverage. If you are an employee of a church or church organization that makes this election and pays you \$108.28 or more in wages during the tax year, you must pay SE tax on those wages.

Churches and church organizations make this election by filing two copies of Form 8274. For more information about making this election, see Form 8274.

Election by Church Employees Who Are Opposed to Social Security and Medicare

You may be able to choose to be exempt from social security and Medicare taxes, including the SE tax, if you work for a church (or church-controlled nonprofit division) that does not pay the employer's part of the social security tax on wages. You can make the choice if you are a member of a religious sect or division opposed to social security and Medicare. This exemption does not apply to your service, if any, as a minister of a church or as a member of a religious order.

You can make this choice by filing Form 4029. See [Requesting Exemption—Form 4029](#), later, under *Members of Recognized Religious Sects*.

U.S. Citizens and Resident and Nonresident Aliens

To be covered under the SE tax provisions (SECA), individuals generally must be citizens or resident aliens of the United States. Nonresident aliens are not covered under SECA.

To determine your alien status, see Publication 519, U.S. Tax Guide for Aliens.

Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa. If you are a resident of one of these U.S. possessions but not a U.S. citizen, for SE tax purposes you are treated the same as a citizen

or resident alien of the United States. For information on figuring the tax, see [Self-Employment Tax: Figuring Net Earnings](#), later.

Exemption From Self-Employment (SE) Tax

You can request an exemption from SE tax if you are one of the following.

- A minister.
- A member of a religious order who has not taken a vow of poverty.
- A Christian Science practitioner.
- A member of a recognized religious sect.

TIP Generally, members of religious orders who have taken a vow of poverty are exempt from paying SE tax, as discussed earlier under [Members of Religious Orders](#). They do not have to request the exemption.

Who cannot be exempt. You cannot be exempt from SE tax if you made one of the following elections to be covered under social security. These elections are irrevocable.

- You elected to be covered under social security by filing Form 2031, Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners, for your 1986, 1987, 2000, or 2001 tax year.
- You elected before 1968 to be covered under social security for your ministerial services.

Requesting exemption. Table 2 briefly summarizes the procedure for requesting exemption from the SE tax. More detailed explanations follow.

Table 2. **The Self-Employment Tax Exemption Application and Approval Process**

	Who Can Apply	
	Ministers, Members of Religious Orders, and Christian Science Practitioners	Members of Recognized Religious Sects
How	File Form 4361	File Form 4029
When	File by the due date (including extensions) of your income tax return for the second tax year in which you had at least \$400 of net earnings from self-employment (at least part from qualified services)	File anytime
Approval	If approved, you will receive an approved copy of Form 4361	If approved, you will receive an approved copy of Form 4029
Effective Date	For all tax years after 1967 in which you have at least \$400 of net earnings from self-employment	First day of first quarter after the quarter in which Form 4029 was filed



If you are a minister, member of a religious order, or Christian Science practitioner, an approved exemption only applies to earnings you receive for qualified services, discussed later. It does not apply to any other self-employment income.

Ministers, Members of Religious Orders, and Christian Science Practitioners

To claim the exemption from SE tax, you must meet all of the following conditions.

- You file Form 4361, described later under [Requesting Exemption—Form 4361](#).
- You are conscientiously opposed to public insurance because of your individual religious considerations (not because of your general conscience), or you are opposed because of the principles of your religious denomination.
- You file for other than economic reasons.
- You inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to public insurance if you are a minister or a member of a religious order (other than a vow-of-poverty member). This requirement does not apply to Christian Science practitioners.
- You establish that the organization that ordained, commissioned, or licensed you, or your religious order, is a tax-exempt religious organization.
- You establish that the organization is a church or a convention or association of churches.
- You did not make an election discussed earlier under [Who cannot be exempt](#).
- You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed on the statement.

Requesting Exemption—Form 4361

To request exemption from SE tax, file Form 4361 in triplicate (original and two copies) with the IRS.



The IRS will return to you a copy of the Form 4361 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

When to file. File Form 4361 by the date your income tax return is due, including extensions, for the second tax year in which you have net earnings from self-employment of at least \$400. This rule applies if any part of your net earnings for each of the 2 years came from your services as a:

- Minister,
- Member of a religious order, or
- Christian Science practitioner.

The 2 years do not have to be consecutive tax years.



The approval process can take some time, so you should file Form 4361 as soon as possible.

Example 1. Rev. Lawrence Jaeger, a clergyman ordained in 2009, has net self-employment earnings of \$450 in 2009 and \$500 in 2010. He must file his application for exemption by the due date, including extensions, for his 2010 income tax return. However, if Rev. Jaeger does not receive IRS approval for an exemption by April 15, 2011, his SE tax for 2010 is due by that date.

Example 2. Rev. Louise Wolfe has \$300 in net self-employment earnings as a minister in 2009, but earned more than \$400 in 2008 and expects to earn more than \$400 in 2010. She must file her application for exemption by the due date, including extensions, for her 2010 income tax return. However, if she does not receive IRS approval for an exemption by April 15, 2011, her SE tax for 2010 is due by that date.

Example 3. In 2007, Rev. David Moss was ordained a minister and had \$700 in net self-employment earnings as a minister. In 2008, he received \$1,000 as a minister, but his related expenses were over \$1,000. Therefore, he had no net self-employment earnings as a minister in 2008. Also in 2008, he opened a book store and had \$8,000 in net self-employment earnings from the store. In 2009, he had net earnings of \$1,500 as a minister and \$10,000 net self-employment earnings from the store.

Rev. Moss had net earnings from self-employment in 2007 and 2009 that were \$400 or more each year, and part of the earnings in each of those years was for his services as a minister, so he must file his application for exemption by the due date, including extensions, for his 2009 income tax return.

Death of individual. The right to file an application for exemption ends with an individual's death. A surviving spouse, executor, or administrator cannot file an exemption application for a deceased clergy member.

Effective date of exemption. An approved exemption is effective for all tax years after 1967

in which you have \$400 or more of net earnings from self-employment and any part of the earnings is for services as a member of the clergy. Once the exemption is approved, it is irrevocable.

Example. Rev. Trudy Austin, ordained in 2006, had \$400 or more in net self-employment earnings as a minister in both 2006 and 2009. She files an application for exemption on February 19, 2010. If an exemption is granted, it is effective for 2006 and the following years.

Refunds of SE tax. If, after receiving an approved Form 4361, you find that you overpaid SE tax, you can file a claim for refund on Form 1040X before the period of limitations ends. This is generally within 3 years from the date you filed the return or within 2 years from the date you paid the tax, whichever is later. A return you filed, or tax you paid, before the due date is considered to have been filed or paid on the due date.

If you file a claim after the 3-year period but within 2 years from the time you paid the tax, the credit or refund will not be more than the tax you paid within the 2 years immediately before you file the claim.

Members of Recognized Religious Sects

If you are a member of a recognized religious sect, or a division of a recognized religious sect, you can apply for an exemption from payment of social security and Medicare taxes on both your wages and self-employment income.

Exception. If you received social security benefits or payments, or anyone else received these benefits or payments based on your wages or self-employment income, you cannot apply. However, if you pay your benefits back, you may be considered for exemption. Contact your local Social Security Administration office to find out the amount to be paid back.

Eligibility requirements. To claim this exemption from SE tax, all the following requirements must be met.

1. You must file Form 4029, discussed later on this page under [Requesting Exemption—Form 4029](#).
2. As a follower of the established teachings of the sect or division, you must be conscientiously opposed to accepting benefits of any private or public insurance that makes payments for death, disability, old age, retirement, or medical care, or provides services for medical care.
3. You must waive all rights to receive any social security payment or benefit and agree that no benefits or payments will be made to anyone else based on your wages and self-employment income.
4. The Commissioner of Social Security must determine that:
 - a. Your sect or division has the established teachings as in (2) above,
 - b. It is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their dependent members in a manner that is reasonable in view of the members' general level of living, and

- c. The sect or division has existed at all times since December 31, 1950.

Requesting Exemption—Form 4029

To request the exemption, file Form 4029 in triplicate with the Social Security Administration at the address shown on the form. The sect or division must complete part of the form.



The IRS will return to you a copy of the Form 4029 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

When to file. You can file Form 4029 at any time.

If you have an approved exemption from SE tax and for some reason that approved exemption ended, you must file a new Form 4029 if you subsequently meet the eligibility requirements, discussed earlier. See *Effective date of exemption*, below, for information on when the newly approved exemption would become effective.

If you have a previously approved exemption from SE tax and you change membership to another recognized religious sect, without any change to your eligibility requirements, then you do not need to file a new Form 4029.

Effective date of exemption. An approved exemption generally is effective on the first day of the first quarter after the quarter in which Form 4029 is filed. For example, if you meet all eligibility requirements and file Form 4029 on January 30, 2010, and your exemption is approved, it will become effective on April 1, 2010.

The exemption does not apply to any tax year beginning before you meet the eligibility requirements discussed earlier.

The exemption will end if you fail to meet the eligibility requirements or if the Commissioner of Social Security determines that the sect or division fails to meet them. You must notify the IRS within 60 days if you are no longer a member of the religious group, or if you no longer follow the established teachings of this group. The exemption will end on the date you notify the IRS.

Refunds of SE tax paid. To get a refund of any SE tax you paid while the exemption was in effect, file Form 1040X. For information on filing this form, see [Refunds of SE tax](#), under [Requesting Exemption—Form 4361](#), earlier.

Exemption From FICA Taxes

Generally, under FICA, the employer and the employee each pay half of the social security and Medicare tax. Both the employee and the employer, if they meet the eligibility requirements discussed earlier, can apply to be exempt from their share of FICA taxes on wages paid by the employer to the employee.

A partnership in which each partner holds a religious exemption from social security and Medicare is an employer for this purpose.



If the employer's application is approved, the exemption will apply only to FICA taxes on wages paid to employees who also received an approval of identical applications.

Information for employers. If you have an approved Form 4029 and you have an employee who has an approved Form 4029, do not report wages you paid to the employee as social security and Medicare wages.

If you have an employee who does not have an approved Form 4029, you must withhold the employee's share of social security and Medicare taxes and pay the employer's share.

Form W-2. When preparing a Form W-2 for an employee with an approved Form 4029, enter "Form 4029" in box 14, "Other." Do not make any entries in boxes 3, 4, 5, or 6.

Forms 941, 943, and 944. If both you and your employee have received approved Forms 4029, do not include these exempt wages on the following forms. Instead, follow the instructions given below.

- Form 941, Employer's QUARTERLY Federal Tax Return: check the box on line 4 and enter "Form 4029" in the empty space below the check box.
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees: enter "Form 4029" to the right of the wage entry spaces on lines 2 and 4.
- Form 944, Employer's ANNUAL Federal Tax Return: check the box on line 3 and enter "Form 4029" in the empty space below the check box.

Effective date. An approved exemption from FICA becomes effective on the first day of the first calendar quarter after the quarter in which Form 4029 is filed. The exemption will end on the last day of the calendar quarter before the quarter in which the employer, employee, sect, or division fails to meet the requirements.

Qualified Services

Qualified services, in general, are the services you perform in the exercise of your ministry or in the exercise of your duties as required by your religious order. Income you receive for performing qualified services is subject to SE tax unless you have an exemption as explained earlier. If you have an exemption, only the income you receive for performing qualified services is exempt. The exemption does not apply to any other self-employment income.

The following discussions provide more detailed information on qualified services of ministers, members of religious orders, and Christian Science practitioners and readers.

Ministers

Most services you perform as a minister, priest, rabbi, etc., are qualified services. These services include:

- Performing sacerdotal functions,
- Conducting religious worship, and
- Controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination.

You are considered to control, conduct, and maintain a religious organization if you direct, manage, or promote the organization's activities.

A religious organization is under the authority of a religious body that is a church or denomination if it is organized for and dedicated to carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith.

Services for nonreligious organizations. Your services for a nonreligious organization are qualified services if the services are assigned or designated by your church. Assigned or designated services qualify even if they do not involve performing sacerdotal functions or conducting religious worship.

If your services are not assigned or designated by your church, they are qualified services only if they involve performing sacerdotal functions or conducting religious worship.

Services that are not part of your ministry. Income from services that are not qualified services is generally subject to social security and Medicare tax withholding (not self-employment tax) under the rules that apply to employees in general. The following are not qualified services.

- Services you perform for nonreligious organizations other than the services stated earlier.
- Services you perform as a duly ordained, commissioned, or licensed minister of a church as an employee of the United States, the District of Columbia, a foreign government, or any of their political subdivisions. This is true even if you are performing sacerdotal functions or conducting religious worship. (For example, if you perform services as a chaplain in the Armed Forces of the United States, those services are not qualified services.)
- Services you perform in a government-owned and operated hospital. (These services are considered performed by a government employee, not by a minister as part of the ministry.) However, services that you perform at a church-related hospital or health and welfare institution, or a private nonprofit hospital, are considered to be part of the ministry and are considered qualified services.

Books or articles. Writing religious books or articles is considered to be in the exercise of your ministry and is considered a qualified service.

This rule also applies to members of religious orders and to Christian Science practitioners.

Members of Religious Orders

Services you perform as a member of a religious order in the exercise of duties required by the order are qualified services. The services are qualified because you perform them as an agent of the order.

For example, if you are directed to perform services for another agency of the supervising church or an associated institution, you are considered to perform the services as an agent of the order.

However, if you are directed to work outside the order, the employment will not be considered a duty required by the order unless:

- Your services are the kind that are ordinarily performed by members of the order, and
- Your services are part of the duties that must be exercised for, or on behalf of, the religious order as its agent.

Effect of employee status. Ordinarily, if your services are not considered directed or required of you by the order, you and the outside party for whom you work are considered employee and employer. In this case, your earnings from the services are taxed under the rules that apply to employees in general, not under the rules for services provided as agent for the order. This is true even if you have taken a vow of poverty.

Example. Pat Brown and Chris Green are members of a religious order and have taken vows of poverty. They renounce all claims to their earnings. The earnings belong to the order.

Pat is a licensed attorney. The superiors of the order instructed her to get a job with a law firm. Pat joined a law firm as an employee and, as she requested, the firm made the salary payments directly to the order.

Chris is a secretary. The superiors of the order instructed him to accept a job with the business office of the church that supervises the order. Chris took the job and gave all his earnings to the order.

Pat's services are not duties required by the order. Her earnings are subject to social security and Medicare tax under FICA and to federal income tax.

Chris' services are considered duties required by the order. He is acting as an agent of the order and not as an employee of a third party. He does not include the earnings in gross income, and they are not subject to income tax withholding, social security and Medicare tax, or SE tax.

Christian Science Practitioners and Readers

The exemption from SE tax, discussed earlier, applies only to the services a Christian Science practitioner or reader performs in the exercise of his or her profession. If you do not have an exemption, amounts you receive for performing these qualified services are subject to SE tax.

Self-Employment Tax: Figuring Net Earnings

There are two methods for figuring your net earnings from self-employment as a minister, member of a religious order, Christian Science practitioner, or church employee.

- Regular method.
- Nonfarm optional method.



You may find Worksheets 1 through 4 helpful in figuring your net earnings from self-employment. Blank worksheets are in the back of this publication, after the Comprehensive Example.

Regular Method

Most people use the regular method. Under this method, figure your net earnings from self-employment by totaling your gross income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. Then, subtract your allowable business deductions and multiply the difference by 92.35% (.9235). Use Schedule SE (Form 1040) to figure your net earnings and SE tax.

If you are an employee of a church that elected to exclude you from FICA coverage, figure net earnings by multiplying your church wages shown on Form W-2 by 92.35% (.9235). Do not reduce your wages by any business deductions when making this computation. Use Schedule SE (Form 1040), Section B, to figure your net earnings and SE tax.



If you have an approved exemption, or you are automatically exempt, do not include the income or deductions from qualified services in figuring your net earnings from self-employment.

Amounts included in gross income. To figure your net earnings from self-employment (on Schedule SE (Form 1040)), include in gross income:

1. Salaries and fees for your qualified services (discussed earlier),
2. Offerings you receive for marriages, baptisms, funerals, masses, etc.,
3. The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience,
4. The fair rental value of a parsonage provided to you (including the cost of utilities that are furnished) and the rental allowance (including an amount for payment of utilities) paid to you, and
5. Any amount a church pays toward your income tax or SE tax, other than withholding the amount from your salary. This amount is also subject to income tax.

For the income tax treatment of items (2) and (4), see [Income Tax: Income and Expenses](#), later.

Example. Pastor Roger Adams receives an annual salary of \$39,000 as a full-time minister. The \$39,000 includes \$5,000 that is designated as a rental allowance to pay utilities. His church owns a parsonage that has a fair rental value of \$12,000 per year. Pastor Adams is given the use of the parsonage. He is not exempt from SE tax. He must include \$51,000 (\$39,000 plus \$12,000) when figuring net earnings from self-employment.

The results would be the same if, instead of the use of the parsonage and receipt of the rental allowance for utilities, Pastor Adams had received an annual salary of \$51,000 of which \$17,000 (\$5,000 plus \$12,000) per year was designated as a rental allowance.

Overseas duty. Your net earnings from self-employment are determined without any foreign earned income exclusion or the foreign housing exclusion or deduction if you are a U.S. citizen or resident alien serving abroad and living in a foreign country.

For information on excluding foreign earned income or the foreign housing amount, see Publication 54.

Example. Paul Jones was the minister of a U.S. church in Mexico. He earned \$35,000 in that position and was able to exclude it all for income tax purposes under the foreign earned income exclusion. The United States does not have a social security agreement with Mexico, so Mr. Jones is subject to U.S. SE tax and must include \$35,000 when figuring net earnings from self-employment.

Specified U.S. possessions. The exclusion from gross income for amounts derived from American Samoa or Puerto Rico does not apply in computing net earnings from self-employment. Also see [Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa](#), earlier, under [U.S. Citizens and Resident and Nonresident Aliens](#).

Amounts not included in gross income. Do not include the following amounts in gross income when figuring your net earnings from self-employment.

- Offerings that others made to the church.
- Contributions by your church to a tax-sheltered annuity plan set up for you, including any salary reduction contributions (elective deferrals) that are not included in your gross income.
- Pension payments or retirement allowances you receive for your past qualified services.
- The rental value of a parsonage or a parsonage allowance provided to you after you retire.

Allowable deductions. When figuring your net earnings from self-employment, deduct all your nonemployee ministerial expenses. Also, deduct all your allowable unreimbursed trade or business expenses that you incur in performing ministerial services as a common-law employee of the church. Include this net amount on Schedule SE (Form 1040), Section A, line 2, or Section B, line 2. Attach an explanation.

Nonemployee ministerial expenses. These are qualified expenses you incurred while not working as a common-law employee of the church. They include expenses incurred in performing marriages and baptisms, and in delivering speeches.

Reimbursement arrangements. If you received an advance, allowance, or reimbursement for your expenses, how you report this amount and your expenses depends on whether the reimbursement was paid to you under an accountable plan or a nonaccountable plan. If you are not sure if you are reimbursed from an accountable plan or a nonaccountable plan, ask your employer.

Accountable plans. To be an accountable plan, your employer's reimbursement arrangement must include all three of the following rules.

- Your expenses must have a business connection—that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.

- You must adequately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.

The reimbursement is not reported on your Form W-2. Generally, if your expenses equal your reimbursement, you have no deduction. If your expenses are more than your reimbursement, you can deduct your excess expenses for SE tax and income tax purposes.

Nonaccountable plan. A nonaccountable plan is a reimbursement arrangement that does not meet all three of the rules listed under *Accountable plans*. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan.

- Excess reimbursements you fail to return to your employer.
- Reimbursement of nondeductible expenses related to your employer's business.

Your employer will combine any reimbursement paid to you under a nonaccountable plan with your wages, salary, or other compensation and report the combined total in box 1 of your Form W-2. You can deduct your related expenses (for SE tax and income tax purposes) regardless of whether they are more than, less than, or equal to your reimbursement.

For more information on accountable and nonaccountable plans, see Publication 463, *Travel, Entertainment, Gift, and Car Expenses*.

Husband and Wife Missionary Team

If a husband and wife are both duly ordained, commissioned, or licensed ministers of a church and have an agreement that each will perform specific services for which they are paid jointly or separately, they must divide the self-employment income according to the agreement.

If the agreement is with one spouse only and the other spouse is not paid for any specific duties, amounts received for their services are included only in the self-employment income of the spouse having the agreement.

Maximum Earnings Subject to SE Tax

For 2009, the maximum net earnings from self-employment subject to social security (old age, survivors, and disability insurance) tax is \$106,800 minus any wages and tips you earned that were subject to social security tax. The tax rate for the social security part is 12.4%. In addition, all of your net earnings are subject to the Medicare (hospital insurance) part of the SE tax. This tax rate is 2.9%. The combined self-employment tax rate is 15.3%.

Nonfarm Optional Method

You may be able to use the nonfarm optional method for figuring your net earnings from self-employment. In general, the nonfarm optional method is intended to permit continued

coverage for social security and Medicare purposes when your income for the tax year is low.

You may use the nonfarm optional method if you meet all the following tests.

1. You are self-employed on a regular basis. This means that your actual net earnings from self-employment were \$400 or more in at least 2 of the 3 tax years before the one for which you use this method. The net earnings can be from either farm or nonfarm earnings or both.
2. You have used this method less than 5 years. (There is a 5-year lifetime limit.) The years do not have to be consecutive.
3. Your net nonfarm profits were:
 - a. Less than \$4,721, and
 - b. Less than 72.189% of your gross nonfarm income.

If you meet the three tests, use Table 3 to figure your net earnings from self-employment under the nonfarm optional method.

Table 3. Figuring Nonfarm Net Earnings

IF your gross nonfarm income is ...	THEN your net earnings are equal to ...
\$6,540 or less	Two-thirds of your gross nonfarm income.
More than \$6,540	\$4,360.

Actual net earnings. Multiply your total earnings subject to SE tax by 92.35% (.9235) to get actual net earnings. Actual net earnings are equivalent to net earnings under the “Regular Method.”

More information. For more information on the nonfarm optional method, see Publication 334, Tax Guide for Small Business, and the Schedule SE (Form 1040) instructions.

Income Tax: Income and Expenses

Some income and expense items are treated the same for both income tax and SE tax purposes and some are treated differently.

Income Items

The tax treatment of offerings and fees, outside earnings, rental allowances, rental value of parsonage, earnings of members of religious orders, and foreign earned income is discussed here.

Offerings and Fees

If you are a member of the clergy, you must include in your income offerings and fees you receive for marriages, baptisms, funerals, masses, etc., in addition to your salary. If the offering is made to the religious institution, it is not taxable to you.

Outside Earnings

If you are a member of a religious organization and you give your outside earnings to the organization, you still must include the earnings in your income. However, you may be entitled to a charitable contribution deduction for the amount paid to the organization. For more information, see Publication 526.

Exclusion of Rental Allowance and Fair Rental Value of a Parsonage

Ordained, commissioned, or licensed ministers of the gospel may be able to exclude the rental allowance or fair rental value of a parsonage that is provided to them as pay for their services. Services include:

- Qualified services, discussed earlier,
- Administrative duties and teaching at theological seminaries, and
- The ordinary duties of a minister performed as an employee of the United States (other than as a chaplain in the Armed Forces), a state, possession, political subdivision, or the District of Columbia.

This exclusion applies only for income tax purposes. It does not apply for SE tax purposes, as [discussed earlier](#) under *Self-Employment Tax: Figuring Net Earnings*.

Designation requirement. The church or organization that employs you must officially designate the payment as a housing allowance before the payment is made. A definite amount must be designated. The amount of the housing allowance cannot be determined at a later date.

If you are employed and paid by a local congregation, a resolution by a national church agency of your denomination does not effectively designate a housing allowance for you. The local congregation must officially designate the part of your salary that is to be a housing allowance. However, a resolution of a national church agency can designate your housing allowance if you are directly employed by the national agency. If no part has been officially designated, you must include your total salary in your income.

Rental allowances. If you receive in your salary an amount officially designated as a rental allowance (including an amount to pay utility costs), you can exclude the allowance from your gross income if:

- The amount is used to provide or rent a home, and
- The amount is not more than reasonable pay for your services.

The amount you exclude cannot be more than the fair rental value of the home, including furnishings, plus the cost of utilities.

Fair rental value of parsonage. You can exclude from gross income the fair rental value of a house or parsonage, including utilities, furnished to you as part of your earnings. However, the exclusion cannot be more than the reasonable pay for your services. If you pay for the utilities, you can exclude any allowance designated for utility costs, up to your actual cost.

Example. Rev. Joanna Baker is a full-time minister. The church allows her to use a parsonage that has an annual fair rental value of \$24,000. The church pays her an annual salary of \$67,000, of which \$7,500 is designated for utility costs. Her actual utility costs during the year were \$7,000.

For income tax purposes, Rev. Baker excludes \$31,000 from gross income (\$24,000 fair rental value of the parsonage plus \$7,000 from the allowance for utility costs). She will report \$60,000 (\$59,500 salary plus \$500 of unused utility allowance). Her income for SE tax purposes, however, is \$91,000 (\$67,000 salary + \$24,000 fair rental value of the parsonage).

Home ownership. If you own your home and you receive as part of your salary a housing or rental allowance, you may exclude from gross income the smallest of:

- The amount actually used to provide a home,
- The amount officially designated as a rental allowance, or
- The fair rental value of the home, including furnishings, utilities, garage, etc.

Excess rental allowance. You must include in gross income the amount of any rental allowance that is more than the smallest of:

- Your reasonable salary,
- The fair rental value of the home plus utilities, or
- The amount actually used to provide a home.

Include in the total on Form 1040, line 7. On the dotted line next to line 7, enter “Excess allowance” and the amount.

TIP You may deduct the home mortgage interest and real estate taxes you pay on your home even though all or part of the mortgage is paid with funds you get through a tax-free rental or parsonage allowance. However, these expenses can be deducted only as itemized deductions on Schedule A (Form 1040).

Retired ministers. If you are a retired minister, you can exclude from your gross income the rental value of a home (plus utilities) furnished to you by your church as a part of your pay for past services, or the part of your pension that was designated as a rental allowance. However, a minister’s surviving spouse cannot exclude the rental value unless the rental value is for ministerial services he or she performs or performed.

Teachers or administrators. If you are a minister employed as a teacher or administrator by a church school, college, or university, you are performing ministerial services for purposes of the housing exclusion. However, if you perform services as a teacher or administrator on the faculty of a nonchurch college, you cannot exclude from your income a housing allowance or the value of a home that is provided to you.

TIP If you live in faculty lodging as an employee of an educational institution or academic health center, all or part of the value of that lodging may be nontaxable under a different rule. In Publication 525, see Faculty lodging in the discussion on meals and lodging under Fringe Benefits.

If you serve as a minister of music or minister of education, or serve in an administrative or other function of your religious organization, but are not authorized to perform substantially all of the religious duties of an ordained minister in your church (even if you are commissioned as a minister of the gospel), the housing exclusion does not apply to you.

Theological students. If you are a theological student serving a required internship as a part-time or assistant pastor, you cannot exclude a parsonage or rental allowance from your income unless you are ordained, commissioned, or licensed as a minister.

Traveling evangelists. You can exclude a designated rental allowance from out-of-town churches if you meet all of the following requirements.

- You are an ordained minister.
- You perform qualified services at churches located away from your community.
- You actually use the rental allowance to maintain your permanent home.

Cantors. If you have a bona fide commission and your congregation employs you on a full-time basis to perform substantially all the religious functions of the Jewish faith, you can exclude a rental allowance from your gross income.

Earnings—Members of Religious Orders

Your earnings may be exempt from both income tax and SE tax if you are a member of a religious order who:

- Has taken a vow of poverty,
- Receives earnings for services performed as an agent of the order and in the exercise of duties required by the order, and
- Renounces the earnings and gives them to the order.

See [Members of Religious Orders](#), earlier, under *Social Security Coverage*.

Foreign Earned Income

Certain income may be exempt from income tax if you work in a foreign country or in a specified U.S. possession. Publication 54 discusses the foreign earned income exclusion. Publication 570, *Tax Guide for Individuals With Income From U.S. Possessions*, covers the rules for taxpayers with income from U.S. possessions. You can get these free publications from the Internal Revenue Service or from most U.S. Embassies or consulates.

Expense Items

The tax treatment of ministerial trade or business expenses, expenses allocable to tax-free income, and health insurance costs is discussed here.

Ministerial Trade or Business Expenses as an Employee

When you figure your income tax, you must itemize your deductions on Schedule A (Form 1040) to claim allowable deductions for ministerial trade or business expenses incurred while working as an employee. You also may have to file Form 2106, *Employee Business Expenses* (or Form 2106-EZ, *Unreimbursed Employee Business Expenses*).

These expenses are claimed as miscellaneous itemized deductions and are subject to the 2%-of-adjusted-gross-income (AGI) limit. See Publication 529 for more information on this limit.

However, any of your employee business expenses that are allocable to tax-free income will not be deductible (discussed next).

Expenses Allocable to Tax-Free Income

If you receive a rental or parsonage allowance that is exempt from income tax (tax free), you must allocate a portion of the expenses of operating your ministry to that tax-free income. You cannot deduct the portion of your expenses that is allocated to your tax-free rental or parsonage allowance.

Exception. This rule does not apply to your deductions for home mortgage interest or real estate taxes on your home.

Figuring the allocation. Figure the portion of your otherwise deductible expenses that you cannot deduct (because that portion must be allocated to tax-free income) by multiplying the expenses by the following fraction:

$$\frac{\text{Tax-free rental or parsonage allowance}}{\text{All income (taxable and tax free) earned from your ministry}}$$

When figuring the allocation, include the income and expenses related to the ministerial duties you perform both as an employee and as a self-employed person.



Reduce your otherwise deductible expenses only in figuring your income tax, not your SE tax.

Example. Rev. Charles Ashford received \$40,000 in ministerial earnings consisting of a \$28,000 salary for ministerial services, \$2,000 for weddings and baptisms, and a \$10,000 tax-free parsonage allowance. He incurred \$4,000 of unreimbursed expenses connected with his ministerial earnings. \$3,500 of the \$4,000 is related to his ministerial salary, and \$500 is related to the weddings and baptisms he performed as a self-employed person.

The nondeductible (tax-free) portion of expenses related to Rev. Ashford's ministerial salary is figured as follows:

$$(\$10,000 \div \$40,000) \times \$3,500 = \$875$$

The nondeductible (tax-free) portion of expenses related to Rev. Ashford's wedding and baptism income is figured as follows:

$$(\$10,000 \div \$40,000) \times \$500 = \$125$$

Required statement. If you receive a tax-free rental or parsonage allowance and have ministerial expenses, attach a statement to your tax return. The statement must contain all of the following information.

- A list of each item of taxable ministerial income by source (such as wages, salary, weddings, baptisms, etc.) plus the amount.
- A list of each item of tax-free ministerial income by source (parsonage allowance) plus the amount.
- A list of each item of otherwise deductible ministerial expenses plus the amount.
- How you figured the nondeductible part of your otherwise deductible expenses.
- A statement that the other deductions claimed on your tax return are not allocable to your tax-free income.

See the [attachments](#) prepared for the *Comprehensive Example*, later. Following the example, you will find blank worksheets for your own use.

Health Insurance Costs of Self-Employed Ministers

If you are self-employed, you may be able to deduct the amount you paid in 2009 for medical and dental insurance and qualified long-term care insurance for you, your spouse, and your dependents.

If you qualify, you can take this deduction as an adjustment to income on Form 1040, line 29. See the instructions for Form 1040 to figure your deduction.

The following special rules apply to the self-employed health insurance deduction.

- The expenses taken into account for purposes of this deduction are not allowed as a medical expense deduction on Schedule A.
- The deduction is not allowed for any month you are eligible to participate in a subsidized plan of your (or your spouse's) employer.
- The deduction is not used to reduce your net earnings for SE tax.
- The deduction cannot exceed your net earnings from the business under which the insurance plan is established. Your net earnings under this rule do not include the income you earned as a common-law employee ([discussed earlier](#)) of a church.

More information. For more information about the self-employed health insurance deduction, see chapter 6 in Publication 535.

Deduction for SE Tax

You can deduct one-half of your SE tax in figuring adjusted gross income. This is an income tax deduction only, on Form 1040, line 27.



This is not a deduction in figuring net earnings from self-employment subject to SE tax.

Income Tax Withholding and Estimated Tax

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. An employee usually has income tax withheld from his or her wages or salary. However, your salary generally is not subject to federal income tax withholding if both of the following conditions apply.

- You are a duly ordained, commissioned, or licensed minister, a member of a religious order (who has not taken a vow of poverty), or a Christian Science practitioner.
- Your salary is for qualified services (see [Qualified Services](#), earlier).

If your salary is not subject to withholding, or if you do not pay enough tax through withholding, you may need to make estimated tax payments to avoid penalties for not paying enough tax as you earn your income.

You generally must make estimated tax payments if you expect to owe taxes, including SE tax, of \$1,000 or more, when you file your return.

Determine your estimated tax by using the worksheet in Form 1040-ES. Then, using the Form 1040-ES payment voucher, pay the entire estimated tax for 2010 or the first installment by April 15, 2010. The April 15 date applies whether or not your tax home and your abode are outside the United States and Puerto Rico. For more information, see chapter 2 of Publication 505, *Tax Withholding and Estimated Tax*.

If you perform your services as a common-law employee of the church and your salary is not subject to income tax withholding, you can enter into a voluntary withholding agreement with the church to cover any income and SE tax that may be due.

Filing Your Return

You must file an income tax return for 2009 if your gross income was at least the amount shown in the third column of Table 4.

Additional requirements. Even if your income was less than the amount shown in Table 4, you must file an income tax return on Form 1040, and attach a completed Schedule SE (Form 1040), if:

- You are not exempt from SE tax, and you have net earnings from self-employment (discussed earlier under [Self-Employment Tax: Figuring Net Earnings](#)) of \$400 or more in the tax year,
- You are exempt from SE tax on earnings from qualified services and you have \$400 or more of other net earnings subject to SE tax, or
- You had wages of \$108.28 or more from an electing church or church-controlled organization (see [Religious Workers \(Church Employees\)](#), earlier, under *Social Security Coverage*).

Self-employment tax. If you are liable for SE tax, you must file Schedule SE (Form 1040) with your return.

Exemption from SE tax. If you filed Form 4361 and received IRS approval not to be taxed on those earnings, and you do not have any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter “Exempt—Form 4361” on the dotted line next to Form 1040, line 56.

If you filed Form 4029 and received IRS approval not to be taxed on those earnings, and you do not have any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter “Exempt—Form 4029” on the dotted line next to Form 1040, line 56.

More information. For more information on filing your return, including when and where to file it, see the instructions for Form 1040.

Retirement Savings Arrangements

Retirement savings arrangements are plans that offer you a tax-favored way to save for your retirement. You generally can deduct your contributions to the plan. Your contributions and the earnings on them are not taxed until they are distributed.

Retirement plans for the self-employed. To set up one of the following plans you must be self-employed.

- Qualified retirement plan (also called a Keogh or H.R. 10 plan).
- SEP (simplified employee pension plan).
- SIMPLE (savings incentive match plan for employees) plan.

The common-law rules determine whether you are an employee or a self-employed person for purposes of setting up a retirement plan. See [Employment Status for Other Tax Purposes](#), earlier, under *Social Security Coverage*. This is true even if your compensation for qualified services ([discussed earlier](#)) is subject to SE tax.

For example, if a congregation pays you a salary for performing qualified services, and you are subject to the congregation’s control, you are a common-law employee. You are not a self-employed person for purposes of setting up a retirement plan. This is true even if your salary is subject to SE tax.

On the other hand, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services that are reported on Schedule C or C-EZ, are earnings from self-employment for all tax purposes.

For more information on establishing a SEP, SIMPLE, or qualified retirement plan, see Publication 560, *Retirement Plans for Small Business*.

Individual retirement arrangements (IRAs).

The traditional IRA and the Roth IRA are two individual retirement arrangements you can use to save money for your retirement. Generally, your maximum contribution for 2009 to either of these plans (or to a combination of the two) is the smaller of your taxable compensation, or \$5,000 (6,000 if you are age 50 or older).

However, your contributions to a Roth IRA may be further limited if your adjusted gross income is above a certain amount. Roth IRA contributions are not deductible, but if you satisfy certain requirements, all earnings in the Roth IRA are tax free and neither your nondeductible contributions nor any earnings on them are taxable when withdrawn.

If you contribute to a traditional IRA, your deduction may be reduced or eliminated if you or your spouse is covered by an employer retirement plan (including, but not limited to, a SEP, SIMPLE, or qualified retirement plan).

For more information on IRAs, see Publication 590.

Tax-sheltered annuity plans. Church employees, members of religious orders, and duly ordained, commissioned, or licensed ministers working as ministers or chaplains can participate in tax-sheltered annuity (403(b)) plans. For more information, see Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans) For*

Table 4. 2009 Filing Requirements for Most Taxpayers

IF your filing status is ...	AND at the end of 2009 you were ...*	THEN file a return if your gross income was at least ...**
single	under age 65 65 or older	\$ 9,350 10,750
married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$18,700 19,800 20,900
married filing separately	any age	\$ 3,650
head of household	under 65 65 or older	\$12,000 13,400
qualifying widow(er) with dependent child	under 65 65 or older	\$15,050 16,150

* If you were born on January 1, 1945, you are considered to be age 65 at the end of 2009.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States (even if you can exclude part or all of it). **Do not** include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2009, or (b) one-half of your social security benefits plus your other gross income is more than \$25,000 (\$32,000 if married filing jointly). If (a) or (b) applies, see the instructions for Form 1040, lines 20a and 20b, to figure the taxable part of social security benefits you must include in gross income.

*** If you did not live with your spouse at the end of 2009 (or on the date your spouse died) and your gross income was at least \$3,650, you must file a return regardless of your age.

Employees of Public Schools and Certain Tax-Exempt Organizations.

Deducting contributions to tax-sheltered annuity plans. If you are an employee, your employer may exclude allowable contributions to a 403(b) plan from your income. These contributions will not be included in your total wages on your Form W-2, but you will pay tax on distributions from your plan. However, if you choose to have contributions made to a Roth contribution program, they will not be excluded from your income, but will be distributed tax free.

An exception to the above applies if you are a minister or chaplain and, in the exercise of your ministry, you are either self-employed or employed by an organization that is not exempt from tax under section 501(c)(3) of the Internal Revenue Code. If the exception applies to you, you can deduct your contributions to a 403(b) plan as explained next.

- If you are self-employed, deduct your contributions on Form 1040, line 28.
- If you are not self-employed and your employer does not exclude your contributions from your earned income, deduct your contributions on Form 1040, line 36. Enter the amount of your deduction and "403(b)" on the dotted line next to line 36.

Retirement savings contributions credit.

You may be able to take a tax credit of up to \$1,000 (up to \$2,000 if filing jointly) for certain contributions you make to any of the retirement plans or IRAs discussed above. The credit is based on the contributions you make and your credit rate. The credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income. Figure the credit on Form 8880, Credit for Qualified Retirement Savings Contributions.

You cannot take the credit if any of the following apply.

1. You were born after January 1, 1992.
2. You were a full-time student in 2009.
3. Someone, such as your parent(s), claims an exemption for you on his or her 2009 tax return.
4. Your adjusted gross income for 2009 is more than:
 - a. \$55,500, if your filing status is married filing jointly,
 - b. \$41,625, if your filing status is head of household, or
 - c. \$27,750, if your filing status is single, married filing separately, or qualifying widow(er) with dependent child.

When figuring adjusted gross income, you must add back any exclusion or deduction claimed for the year for:

1. Foreign earned income,
2. Foreign housing costs,
3. Income of bona fide residents of American Samoa, and
4. Income of bona fide residents of Puerto Rico.

More information. For more information about the credit, see Publication 590.

Earned Income Credit

The earned income credit is a credit for certain people who work. If you qualify for it, the earned income credit reduces the tax you owe. Even if you do not owe tax, you can get a refund of the credit. Also, you may be able to get part of the credit added to your wages or salary instead of waiting until after the end of the year.

You cannot take the credit if your earned income (or adjusted gross income) is:

- \$13,440 or more (\$18,440 or more if married filing jointly) and you do not have a qualifying child,
- \$35,463 or more (\$40,463 or more if married filing jointly) and you have one qualifying child,
- \$40,295 or more (\$45,295 or more if married filing jointly) and you have two qualifying children, or
- \$43,279 or more (\$48,279 if married filing jointly) and you have three or more qualifying children.

Earned income. Earned income includes your:

- Wages, salaries, tips, and
- Net earnings from self-employment minus the amount you claimed (or should have claimed) on Form 1040, line 27, for one-half of your SE tax.

Earned income for a minister with an approved Form 4361. If you have earnings from qualified services that are exempt from SECA (because you have an approved Form 4361), amounts you received for performing ministerial duties as an employee are earned income. This includes wages, salaries, tips, and other taxable employee compensation.

Amounts you received for nonemployee ministerial duties are not earned income. This includes fees for performing marriages and baptisms, and honoraria for delivering speeches.

If you had nonministerial duties, any net earnings from self-employment, minus one-half of your SE tax, and any compensation received as an employee is earned income.

Earned income for a minister whose income from qualified services is not exempt from SECA. Earned income includes your net earnings from self-employment plus any compensation you received for nonministerial duties minus your Form 1040, line 27, amount for one-half of SE tax.

Your net earnings from self-employment include those net earnings from qualified services. See [Self-Employment Tax: Figuring Net Earnings](#), earlier. Net earnings also include net earnings from self-employment related to nonministerial duties.

Earned income for a member of a recognized religious sect with an approved Form 4029. If you have an approved Form 4029, all wages, salaries, tips, and other taxable employee compensation are earned income. Amounts you received as a self-employed individual are not earned income. Also, in figuring earned income, losses from Schedules C, C-EZ, or F cannot be subtracted from wages on Form 1040, line 7.

More information. For detailed rules on this credit, see Publication 596. To figure the amount of your credit, you can either fill out a worksheet or have the IRS compute the credit for you. You may need to complete Schedule EIC and attach it to your tax return. For details on getting part of the credit added to your wages or salary, get Form W-5, Earned Income Credit Advance Payment Certificate, from your employer or the IRS.

Comprehensive Example

Rev. John White is the minister of the First United Church. He is married and has one child. The child is considered a qualifying child for the child tax credit. Mrs. White is not employed outside the home. Rev. White is a common-law employee of the church, and he has not applied for an exemption from SE tax.

The church paid Rev. White a salary of \$31,000. In addition, as a self-employed person, he earned \$4,000 during the year for weddings, baptisms, and honoraria. He made estimated tax payments during the year totaling \$7,000. He taught a course at the local community college, for which he was paid \$3,400.

Rev. White owns a home next to the church. He makes a \$650 per month mortgage payment of principal and interest only. He paid \$1,800 in real estate taxes for the year on the home. The church paid him \$800 per month as his parsonage allowance (excluding utilities). The home's fair rental value for the year (excluding utilities) is \$9,840. The utility bills for the year totaled \$960. The church paid him \$100 per month designated as an allowance for utility costs.

The parts of Rev. and Mrs. White's income tax return are explained in the order they are completed. They are illustrated in the order that Rev. White will assemble the return to send it to the IRS.

Form W-2 From Church

The church completed its [Form W-2](#) for Rev. White as follows.

Box 1. The church entered Rev. White's \$31,000 salary.

Box 2. The church left this box blank because Rev. White did not request federal income tax withholding.

Boxes 3 through 6. Rev. White is considered a self-employed person for purposes of social security and Medicare tax withholding, so the church left these boxes blank.

Box 14. The church entered Rev. White's total parsonage and utilities allowance for the year and identified them.

Form W-2 From College

The community college gave Rev. White a [Form W-2](#) that showed the following.

Box 1. The college entered Rev. White's \$3,400 salary.

Box 2. The college withheld \$272 in federal income tax on Rev. White's behalf.

Boxes 3 and 5. As an employee of the college, Rev. White is subject to social security and

Medicare withholding on his full salary from the college.

Box 4. The college withheld \$210.80 in social security taxes.

Box 6. The college withheld \$49.30 in Medicare taxes.

Schedule C-EZ (Form 1040)

Some of Rev. White's entries on [Schedule C-EZ](#) are explained here.

Line 1. Rev. White reports the \$4,000 from weddings, baptisms, and honoraria.

Line 2. Rev. White reports his expenses related to the line 1 amount. He paid \$87 for marriage and family booklets and drove his car 445 miles for business, mainly in connection with honoraria. Rev. White used the standard mileage rate to figure his car expense, as follows.

$$445 \text{ miles} \times 55 \text{ cents} = \underline{\$245}$$

These expenses total \$332 (\$245 + \$87). However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance.

First, Rev. White uses Worksheet 1 (see [page 21](#)) to figure what percentage of his business expenses are not deductible. Then he completes Worksheet 2 (see [page 22](#)) to show that 23% (or \$76) of his business expenses are not deductible because they are allocable to his tax-free allowance. He subtracts the \$76 from the \$332, enters the \$256 difference on line 2, and adds a note at the bottom of the page to see the attached statement.

Rev. White attaches Worksheets 1 and 2 to his return. This is part of his required statement, Attachment 1 (see [pages 21](#) and [22](#)).

Line 3. He enters his net profit of \$3,744 on both line 3 and Form 1040, line 12.

Lines 4 through 8b. Rev. White fills out these lines to report information about his car.

Form 2106-EZ

Rev. White fills out [Form 2106-EZ](#) to report the unreimbursed business expenses he had as a common-law employee of First United Church.

Line 1. Before completing line 1, Rev. White fills out Part II because he used his car for church business. His records show that he drove 2,521 business miles, which he reports in Part II. Then, he figures his car expense for his line 1 entry.

$$2,521 \text{ miles} \times 55 \text{ cents} = \underline{\$1,387}$$

Line 4. He enters \$231 for his professional publications and booklets.

Line 6. Before entering the total expenses on line 6, Rev. White must reduce them by the amount allocable to his tax-free parsonage allowance. After completing Worksheet 3 (see [page 22](#)), he finds that \$372 (23%) of his employee business expenses are not deductible. He subtracts \$372 from \$1,618 and enters the result, \$1,246, on line 6, adding a note at the

bottom of the page about the attached statement. He also enters \$1,246 on Schedule A (Form 1040), line 21.

Schedule A (Form 1040)

Rev. White fills out [Schedule A](#) as explained here.

Line 5. Rev. White checks the box on line 5b for "General sales tax" and deducts \$722.

Line 6. He deducts \$1,800 in real estate taxes.

Line 10. He deducts \$5,572 of home mortgage interest.

Line 16. Rev. and Mrs. White contributed \$4,800 in cash during the year to various qualifying charities. Each individual contribution was less than \$250 and they have the required records for all donations.

Line 21. Rev. White enters his unreimbursed employee business expenses from Form 2106-EZ, line 6.

Lines 25, 26, and 27. He can deduct only the part of his employee business expenses that exceeds 2% of his adjusted gross income. After he completes page 1 of Form 1040, he fills out these lines to figure the amount he can deduct.

Line 29. The total of all the Whites' itemized deductions is \$13,434, which he enters here and on Form 1040, line 40a.

Schedule SE (Form 1040)

After Rev. White prepares Schedule C-EZ and Form 2106-EZ, he fills out [Schedule SE \(Form 1040\)](#). He reads the chart on page 1 of the schedule and determines that he can use *Section A—Short Schedule SE* to figure his self-employment tax. Rev. White is a minister, so his salary from the church is not considered church employee income. Thus, he does not have to use *Section B—Long Schedule SE*. He fills out the following lines in Section A.

Line 2. Rev. White attaches a statement (see [Attachment 2](#), Worksheet 4, on page 23) that explains how he figures the amount (\$43,850) to enter.

Line 4. He multiplies \$43,850 by 92.35% (.9235) to get his net earnings from self-employment (\$40,495).

Line 5. The amount on line 4 is less than \$106,800, so Rev. White multiplies the amount on line 4 (\$40,495) by 15.3% (.153) to get his self-employment tax of \$6,196. He enters that amount here and on Form 1040, line 56.

Line 6. Rev. White multiplies the amount on line 5 by 50% (.50) to get his deduction for one-half of self-employment tax of \$3,098. He enters that amount here and on Form 1040, line 27.

Schedule M (Form 1040)

Rev. White fills out Form 1040, [Schedule M](#), to claim the making work pay credit as follows:

Line 1a. Rev. White checks the "Yes" box to indicate that he had earnings of more than \$12,903 and enters \$800 on line 4.

Line 5. He enters his adjusted gross income from Form 1040, line 38.

Line 6. He enters \$150,000 for married filing jointly.

Line 7. He checks the "No" box on line 7 and enters \$800 on line 9.

Lines 10 and 11. He checks the "No" boxes on both lines 10 and 11 and enters -0-.

Line 13. He subtracts line 12 from line 9 and enters the result of \$800 on line 13.

Line 14. Rev. White enters \$800 as his making work pay credit on line 14 and includes this amount on Form 1040, line 63.

Form 1040

After Rev. White prepares Form 2106-EZ and the other schedules, he fills out Form 1040. He files a joint return with his wife. First, he fills out the address area and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the form as follows.

Line 7. Rev. White reports \$34,640. This amount is the total of his \$31,000 church salary, \$3,400 college salary, and \$240, his excess allowance. The two salaries were reported to him in box 1 of the Forms W-2 he received.

Line 12. He reports his net profit of \$3,744 from Schedule C-EZ, line 3.

Line 27. He enters \$3,098, half his SE tax from Schedule SE, line 6.

Line 40a. He enters the total itemized deductions from Schedule A, line 28.

Line 51. The Whites can take the child tax credit for their daughter, Jennifer. Rev. White figures the credit by completing the Child Tax Credit Worksheet (not shown) in the instructions for Form 1040. He enters \$1,000 credit on line 51.

Line 56. He enters the self-employment tax from Schedule SE, line 5.

Line 61. He enters the federal income tax withheld, as shown in box 2 of his Form W-2 from the college.

Line 62. He enters the \$7,000 estimated tax payments he made for the year.

Line 63. He enters \$800 for the making work pay credit.

Line 74. He wants to have any overpayment of tax applied to his 2010 estimated tax.

Attachment 1

[Attachment 1](#) (Worksheets 1, 2, and 3) shows the computation of expenses that are nondeductible because they are allocable to tax-free ministerial income and the allowance deductions.

Attachment 2

[Attachment 2](#) (Worksheet 4) shows the computation of net self-employment income.

22222		a Employee's social security number 011-00-2222		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile.	
b Employer identification number (EIN) 00-0246810				1 Wages, tips, other compensation 31000.00		2 Federal income tax withheld					
c Employer's name, address, and ZIP code First United Church 1042 Main Street Hometown, TX 77099				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 Advance EIC payment		10 Dependent care benefits					
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12			
John E. White 1040 Main Street Hometown, TX 77099						13 Statutory employee Retirement plan Third-party sick pay		12b			
						14 Other		12c			
						Parsonage Allowance 9600.00 Utilities Allowance 1200.00		12d			
f Employee's address and ZIP 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	

Form **W-2 Wage and Tax Statement** **2009** 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.

22222		a Employee's social security number 011-00-2222		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile.	
b Employer identification number (EIN) 00-1357913				1 Wages, tips, other compensation 3400.00		2 Federal income tax withheld 272.00					
c Employer's name, address, and ZIP code Hometown College 40 Honor Road Hometown, TX 77099				3 Social security wages 3400.00		4 Social security tax withheld 210.80					
				5 Medicare wages and tips 3400.00		6 Medicare tax withheld 49.30					
				7 Social security tips		8 Allocated tips					
d Control number				9 Advance EIC payment		10 Dependent care benefits					
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12			
John E. White 1040 Main Street Hometown, TX 77099						13 Statutory employee Retirement plan Third-party sick pay		12b			
						14 Other		12c			
								12d			
f Employee's address and ZIP 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	

Form **W-2 Wage and Tax Statement** **2009** 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.

Label

(See instructions on page 14.)

Use the IRS label.

Otherwise, please print or type.

Presidential Election Campaign

For the year Jan. 1–Dec. 31, 2009, or other tax year beginning , 2009, ending , 20
Your first name and initial Last name
John E. White
If a joint return, spouse's first name and initial Last name
Susan R. White
Home address (number and street). If you have a P.O. box, see page 14. Apt. no.
1040 Main Street
City, town or post office, state, and ZIP code. If you have a foreign address, see page 14.
Hometown, TX 77099

OMB No. 1545-0074
Your social security number
011 00 2222
Spouse's social security number
011 00 1111
You must enter your SSN(s) above.

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) You Spouse

Filing Status

Check only one box.

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (see page 16)

Exemptions

If more than four dependents, see page 17 and check here

6a Yourself. If someone can claim you as a dependent, do not check box 6a
6b Spouse
6c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 17)
Jennifer White 111 00 1113 daughter
6d Total number of exemptions claimed

Boxes checked on 6a and 6b 2
No. of children on 6c who:
lived with you 1
did not live with you due to divorce or separation (see page 18)
Dependents on 6c not entered above
Add numbers on lines above 3

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 22.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Table with 2 columns: Description and Amount. Rows include Wages, salaries, tips, etc. (34,640); Taxable interest; Ordinary dividends; Taxable refunds, credits, or offsets of state and local income taxes; Alimony received; Business income or (loss) (3,744); Capital gain or (loss); Other gains or (losses); IRA distributions; Pensions and annuities; Rental real estate, royalties, partnerships, S corporations, trusts, etc.; Farm income or (loss); Unemployment compensation in excess of \$2,400 per recipient; Social security benefits; Other income; Total income (38,384).

Adjusted Gross Income

Table with 2 columns: Description and Amount. Rows include Educator expenses; Certain business expenses of reservists, performing artists, and fee-basis government officials; Health savings account deduction; Moving expenses; One-half of self-employment tax (3,098); Self-employed SEP, SIMPLE, and qualified plans; Self-employed health insurance deduction; Penalty on early withdrawal of savings; Alimony paid; IRA deduction; Student loan interest deduction; Tuition and fees deduction; Domestic production activities deduction; Add lines 23 through 31a and 32 through 35 (3,098); Subtract line 36 from line 22. This is your adjusted gross income (35,286).

Tax and Credits

38	Amount from line 37 (adjusted gross income)	38	35,286
39a	Check <input type="checkbox"/> You were born before January 2, 1945, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1945, <input type="checkbox"/> Blind. Total boxes checked ▶ 39a <input type="checkbox"/>		
b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 35 and check here ▶ 39b <input type="checkbox"/>		
40a	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40a	13,434
b	If you are increasing your standard deduction by certain real estate taxes, new motor vehicle taxes, or a net disaster loss, attach Schedule L and check here (see page 35) ▶ 40b <input type="checkbox"/>		
41	Subtract line 40a from line 38	41	21,852
42	Exemptions. If line 38 is \$125,100 or less and you did not provide housing to a Midwestern displaced individual, multiply \$3,650 by the number on line 6d. Otherwise, see page 37	42	10,950
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	10,902
44	Tax (see page 37). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	44	1,093
45	Alternative minimum tax (see page 40). Attach Form 6251	45	
46	Add lines 44 and 45	46	1,093
47	Foreign tax credit. Attach Form 1116 if required	47	
48	Credit for child and dependent care expenses. Attach Form 2441	48	
49	Education credits from Form 8863, line 29	49	
50	Retirement savings contributions credit. Attach Form 8880	50	
51	Child tax credit (see page 42)	51	1,000
52	Credits from Form: a <input type="checkbox"/> 8396 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 5695	52	
53	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	53	
54	Add lines 47 through 53. These are your total credits	54	1,000
55	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-	55	93

Other Taxes

56	Self-employment tax. Attach Schedule SE	56	6,196
57	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	57	
58	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	58	
59	Additional taxes: a <input type="checkbox"/> AEIC payments b <input type="checkbox"/> Household employment taxes. Attach Schedule H	59	
60	Add lines 55 through 59. This is your total tax	60	6,289

Payments

61	Federal income tax withheld from Forms W-2 and 1099	61	272
62	2009 estimated tax payments and amount applied from 2008 return	62	7,000
63	Making work pay and government retiree credits. Attach Schedule M	63	800
64a	Earned income credit (EIC)	64a	
b	Nontaxable combat pay election 64b		
65	Additional child tax credit. Attach Form 8812	65	
66	Refundable education credit from Form 8863, line 16	66	
67	First-time homebuyer credit. Attach Form 5405	67	
68	Amount paid with request for extension to file (see page 72)	68	
69	Excess social security and tier 1 RRTA tax withheld (see page 72)	69	
70	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> 4136 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8885	70	
71	Add lines 61, 62, 63, 64a, and 65 through 70. These are your total payments	71	8,072

Refund

72	If line 71 is more than line 60, subtract line 60 from line 71. This is the amount you overpaid	72	1,783
73a	Amount of line 72 you want refunded to you . If Form 8888 is attached, check here ▶ <input type="checkbox"/>	73a	
b	Routing number <input type="text"/>	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number <input type="text"/>		
74	Amount of line 72 you want applied to your 2010 estimated tax ▶ 74	74	1,783

Amount You Owe

75	Amount you owe. Subtract line 71 from line 60. For details on how to pay, see page 74 ▶	75	
76	Estimated tax penalty (see page 74)	76	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 75)? **Yes.** Complete the following. **No**

Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶
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Sign Here

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

Joint return? See page 15. Keep a copy for your records. ▶	Your signature <i>John E. White</i>	Date <i>3/1/2010</i>	Your occupation <i>Minister</i>	Daytime phone number
	Spouse's signature. If a joint return, both must sign. <i>Susan R. White</i>	Date <i>3/1/2010</i>	Spouse's occupation <i>Homemaker</i>	

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN	Phone no.	

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0074

2009

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.**

▶ **See Instructions for Schedule A (Form 1040).**

Name(s) shown on Form 1040

Your social security number

John E. White and Susan R. White

011-00-2222

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.					
	1	Medical and dental expenses (see page A-1)	1			
	2	Enter amount from Form 1040, line 38 <u>2</u>	2			
	3	Multiply line 2 by 7.5% (.075)	3			
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	
Taxes You Paid <small>(See page A-2.)</small>	5 State and local (check only one box):		5	722		
	a <input type="checkbox"/> Income taxes, or					
	b <input checked="" type="checkbox"/> General sales taxes					
	6	Real estate taxes (see page A-5)	6	1,800		
	7	New motor vehicle taxes from line 11 of the worksheet on back. Skip this line if you checked box 5b	7			
	8	Other taxes. List type and amount ▶	8			
	9 Add lines 5 through 8					9
						2,522
	Interest You Paid <small>(See page A-6.)</small>	10	Home mortgage interest and points reported to you on Form 1098	10	5,572	
11		Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-7 and show that person's name, identifying no., and address ▶	11			
12		Points not reported to you on Form 1098. See page A-7 for special rules	12			
13		Qualified mortgage insurance premiums (see page A-7)	13			
14		Investment interest. Attach Form 4952 if required. (See page A-8.)	14			
15		Add lines 10 through 14				15
					5,572	
Gifts to Charity <small>If you made a gift and got a benefit for it, see page A-8.</small>	16	Gifts by cash or check. If you made any gift of \$250 or more, see page A-8	16	4,800		
	17	Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500	17			
	18	Carryover from prior year	18			
	19	Add lines 16 through 18				19
					4,800	
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See page A-10.)	20			
Job Expenses and Certain Miscellaneous Deductions <small>(See page A-10.)</small>	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-10.) ▶	21	1,246		
	22	Tax preparation fees	22			
	23	Other expenses—investment, safe deposit box, etc. List type and amount ▶	23			
	24	Add lines 21 through 23	24	1,246		
	25	Enter amount from Form 1040, line 38 <u>25</u> <u>35,286</u>	25			
	26	Multiply line 25 by 2% (.02)	26	706		
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-				27
					540	
Other Miscellaneous Deductions	28	Other—from list on page A-11. List type and amount ▶	28			
Total Itemized Deductions	29	Is Form 1040, line 38, over \$166,800 (over \$83,400 if married filing separately)? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40a. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-11 for the amount to enter.	29			
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>				
					13,434	

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 17145C

Schedule A (Form 1040) 2009

**SCHEDULE C-EZ
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)
Name of proprietor

**Net Profit From Business
(Sole Proprietorship)**

► **Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.**
► **Attach to Form 1040, 1040NR, or 1041. ► See instructions on page 2.**

OMB No. 1545-0074

2009
Attachment
Sequence No. **09A**

John E. White

Social security number (SSN)

011-00-2222

Part I General Information

**You May Use
Schedule C-EZ
Instead of
Schedule C
Only If You:**

- Had business expenses of \$5,000 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as either a sole proprietor, qualified joint venture, or statutory employee.

And You:

- Had no employees during the year.
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-5 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service

Minister

B Enter business code (see page 2)

5 4 1 9 9 0

C Business name. If no separate business name, leave blank.

D Enter your EIN (see page 2)

E Business address (including suite or room no.). Address not required if same as on page 1 of your tax return.

1042 Main Street

City, town or post office, state, and ZIP code

Hometown, TX 77099

Part II Figure Your Net Profit

1 Gross receipts. Caution. See the instructions for Schedule C, line 1, on page C-4 and check the box if:

- This income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, or
- You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax.

... ►

1 4,000

2 Total expenses (see page 2). If more than \$5,000, you **must** use Schedule C

2 256*

3 Net profit. Subtract line 2 from line 1. If less than zero, you **must** use Schedule C. Enter on both **Form 1040, line 12**, and **Schedule SE, line 2**, or on **Form 1040NR, line 13**. (If you checked the box on line 1, **do not** report the amount from line 3 on Schedule SE, line 2.) Estates and trusts, enter on **Form 1041, line 3**

3 3,744

Part III Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 2.

4 When did you place your vehicle in service for business purposes? (month, day, year) ► 7/15/2006 .

5 Of the total number of miles you drove your vehicle during 2009, enter the number of miles you used your vehicle for:

a Business 445 **b** Commuting (see page 2) -0- **c** Other 7,247

6 Was your vehicle available for personal use during off-duty hours? **Yes** **No**

7 Do you (or your spouse) have another vehicle available for personal use? **Yes** **No**

8a Do you have evidence to support your deduction? **Yes** **No**

b If "Yes," is the evidence written? **Yes** **No**

For Paperwork Reduction Act Notice, see page 2.

Cat. No. 14374D

Schedule C-EZ (Form 1040) 2009

*See attached statement.

**SCHEDULE SE
(Form 1040)**

Self-Employment Tax

OMB No. 1545-0074

2009

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.**

▶ **See Instructions for Schedule SE (Form 1040).**

Attachment
Sequence No. **17**

Name of person with **self-employment** income (as shown on Form 1040)

John E. White

Social security number of person
with **self-employment** income ▶

011-00-2222

Who Must File Schedule SE

You must file Schedule SE if:

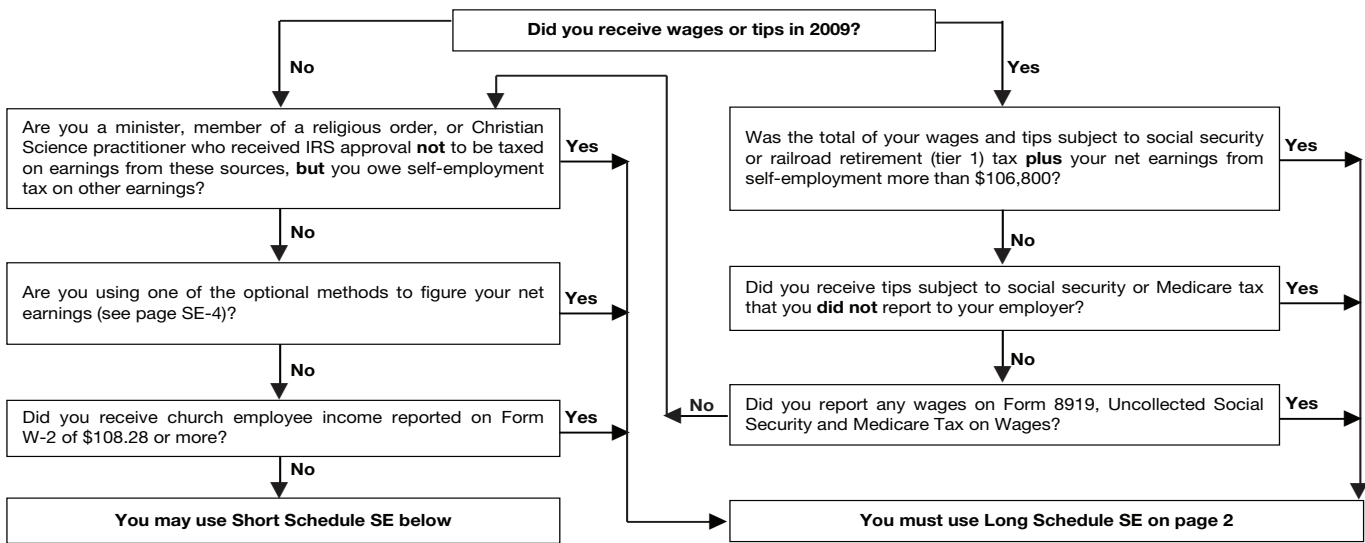
- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, **or**
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-4).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt—Form 4361" on Form 1040, line 56.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE*, above.



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1a	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1a		
b	If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 6b, or listed on Schedule K-1 (Form 1065), box 20, code Y	1b	()
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see page SE-1 for types of income to report on this line. See page SE-3 for other income to report	2	43,850*	
3	Combine lines 1a, 1b, and 2	3	43,850	
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	40,495	
5	Self-employment tax. If the amount on line 4 is: • \$106,800 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 56. • More than \$106,800, multiply line 4 by 2.9% (.029). Then, add \$13,243.20 to the result. Enter the total here and on Form 1040, line 56.	5	6,196	
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.50). Enter the result here and on Form 1040, line 27	6	3,098	

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2009

*See attached statement.

Unreimbursed Employee Business Expenses

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040 or Form 1040NR.**

2009
Attachment
Sequence No. **129A**

Your name <i>John E. White</i>	Occupation in which you incurred expenses <i>Minister</i>	Social security number <i>011-00-2222</i>
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You Can Use This Form Only if All of the Following Apply.

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2009.

Caution: You can use the standard mileage rate for 2009 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, **or** (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

Part I Figure Your Expenses

1 Vehicle expense using the standard mileage rate. Complete Part II and multiply line 8a by 55¢ (.55)	1	1,387	
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2		
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3		
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4	231	
5 Meals and entertainment expenses: \$ _____ × 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	5		
6 Total expenses. Add lines 1 through 5. Enter here and on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 9). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.)	6	1,246*	

Part II Information on Your Vehicle. Complete this part **only** if you are claiming vehicle expense on line 1.

7 When did you place your vehicle in service for business use? (month, day, year) ▶ 7/15/2006

8 Of the total number of miles you drove your vehicle during 2009, enter the number of miles you used your vehicle for:

a Business 2,521 b Commuting (see instructions) -0- c Other 5,171

9 Was your vehicle available for personal use during off-duty hours? **Yes** **No**

10 Do you (or your spouse) have another vehicle available for personal use? **Yes** **No**

11a Do you have evidence to support your deduction? **Yes** **No**

 b If "Yes," is the evidence written? **Yes** **No**

*See attached statement.

SCHEDULE M
(Form 1040A or 1040)

**Making Work Pay and Government
Retiree Credits**

OMB No. 1545-0074

2009
Attachment
Sequence No. **166**

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040A, 1040, or 1040NR.**

▶ **See separate instructions.**

Name(s) shown on return

John E. White and Susan R. White

Your social security number

011-00-2222

1a Important: See the instructions if you can be claimed as someone else's dependent or are filing Form 1040NR. Check the "No" box below and see the instructions if **(a)** you have a net loss from a business, **(b)** you received a taxable scholarship or fellowship grant not reported on a Form W-2, **(c)** your wages include pay for work performed while an inmate in a penal institution, **(d)** you received a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan, or **(e)** you are filing Form 2555 or 2555-EZ.

Do you (and your spouse if filing jointly) have 2009 wages of more than \$6,451 (\$12,903 if married filing jointly)?

Yes. Skip lines 1a through 3. Enter \$400 (\$800 if married filing jointly) on line 4 and go to line 5.

No. Enter your earned income (see instructions)

b Nontaxable combat pay included on line 1a (see instructions)

2 Multiply line 1a by 6.2% (.062)

3 Enter \$400 (\$800 if married filing jointly)

4 Enter the **smaller** of line 2 or line 3 (unless you checked "Yes" on line 1a)

5 Enter the amount from Form 1040, line 38*, or Form 1040A, line 22

6 Enter \$75,000 (\$150,000 if married filing jointly)

7 Is the amount on line 5 more than the amount on line 6?

No. Skip line 8. Enter the amount from line 4 on line 9 below.

Yes. Subtract line 6 from line 5

8 Multiply line 7 by 2% (.02)

9 Subtract line 8 from line 4. If zero or less, enter -0-

10 Did you (or your spouse, if filing jointly) receive an economic recovery payment in 2009? You may have received this payment if you received social security benefits, supplemental security income, railroad retirement benefits, or veterans disability compensation or pension benefits (see instructions).

No. Enter -0- on line 10 and go to line 11.

Yes. Enter the total of the payments received by you (and your spouse, if filing jointly). Do not enter more than \$250 (\$500 if married filing jointly)

11 Did you (or your spouse, if filing jointly) receive a pension or annuity in 2009 for services performed as an employee of the U.S. Government or any U.S. state or local government from work **not** covered by social security? Do not include any pension or annuity reported on Form W-2.

No. Enter -0- on line 11 and go to line 12.

Yes. • If you checked "No" on line 10, enter \$250 (\$500 if married filing jointly and the answer on line 11 is "Yes" for both spouses)
• If you checked "Yes" on line 10, enter -0- (exception: enter \$250 if filing jointly and the spouse who received the pension or annuity did not receive an economic recovery payment described on line 10)

12 Add lines 10 and 11

13 Subtract line 12 from line 9. If zero or less, enter -0-

14 Making work pay and government retiree credits. Add lines 11 and 13. Enter the result here and on Form 1040, line 63; Form 1040A, line 40; or Form 1040NR, line 60

*If you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico, see instructions.

Attachment 1—John E. White 011-00-2222

Worksheet 1. Figuring the Percentage of Tax-Free Income

Note. For each line, enter the appropriate amount in **all** boxes that are not shaded.

	Source of Income		(a) Taxable	(b) Tax-free	(c) Total
1	W-2 salary as a minister (from box 1 of Form W-2)	1	31,000		31,000
2	Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1 of Schedule C or C-EZ)	2	4,000		4,000
<p>Note. Complete either lines 3a–3e or lines 4a–4i.</p> <ul style="list-style-type: none"> If your church provides you with a parsonage, complete lines 3a–3e. If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i. 					
3a	FRV* of parsonage provided by church	3a			
b	Utility allowance, if any	3b			
c	Actual expenses for utilities	3c			
d	Enter the smaller of line 3b or 3c	3d			
e	Excess utility allowance (subtract line 3d from line 3b)	3e			
4a	Parsonage or rental allowance	4a	9,600		
b	Utility allowance, if separate	4b	1,200		
c	Total allowance (add lines 4a and 4b)	4c	10,800		
d	Actual expenses for parsonage	4d	9,600		
e	Actual expenses for utilities	4e	960		
f	Total actual expenses for parsonage and utilities (add lines 4d and 4e)	4f	10,560		
g	FRV* of home, plus the cost of utilities	4g	10,800		
h	Enter the smaller of line 4c, 4f, or 4g	4h		10,560	10,560
i	Excess allowance (Subtract line 4h from line 4c)	4i	240		240
5	Ministerial income (for columns (a), (b), and (c), add lines 1 through 4i)	5	35,240	10,560	45,800
6	Percentage of tax-free income:		$\frac{\text{Total tax-free income } \$ 10,560}{\text{Total income } \$ 45,800} = 23 \%^{**}$		

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses will not be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.

Attachment 1—John E. White 011-00-2222 (continued)

Worksheet 2. Figuring the Allowable Deduction for Schedule C or C-EZ Expenses

1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): <u>23</u> %			
2	Business use of car: <u>445</u> miles × 55¢ (.55)	2		245
3	Meals and entertainment: \$ _____ × 50% (.50)	3		
4	Other expenses (list item and amount)			
a	<i>Marriage and family booklets</i>	4a	87	
b		4b		
c		4c		
d		4d		
e		4e		
f	Total other expenses (add lines 4a through 4e)	4f		87
5	Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)	5		332
6	Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)	6		76
7	Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27, or Schedule C-EZ, line 2.	7		256

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 3. Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses

		<i>Column A</i>	<i>Column B</i>
1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): <u>23</u> %		
2	Use of car for church business: <u>2,521</u> miles × 55¢ (.55)	2	1,387
3	Meals and entertainment	3	
4	Other expenses (list item and amount)		
a	<i>Professional publications and booklets</i>	4a	231
b		4b	
c		4c	
d		4d	
e		4e	
5	Total expenses. In column A, add lines 2 and 4a through 4e and enter the result. In column B, enter the amount from line 3.	5	1,618
6	Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2	6	
7	Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)	7	1,618
8	In Column A, enter the amount from line 7. In Column B, multiply line 7 by 50% (.50)	8	1,618
9	Add the amounts on line 8 of both columns and enter the total here	9	1,618
10	Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)	10	372
11	Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.	11	1,246

* None of the other deductions claimed in this return are allocable to tax-free income.

Attachment 2—John E. White 011-00-2222

Worksheet 4. Figuring Net Self-Employment Income for Schedule SE (Form 1040)

1	W-2 salary as a minister (from box 1 of Form W-2)	1		<i>31,000</i>
2	Net profit from Schedule C, line 31, or Schedule C-EZ, line 3	2		<i>3,744</i>
3a	Parsonage allowance (from Worksheet 1, line 3a or 4a)	3a	<i>9,600</i>	
b	Utility allowance (from Worksheet 1, line 3b or 4b)	3b	<i>1,200</i>	
c	Total allowance (add lines 3a and 3b)	3c		<i>10,800</i>
4	Add lines 1, 2, and 3c	4		<i>45,544</i>
5	Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)	5	<i>76</i>	
6	Unreimbursed ministerial employee business expenses (from Worksheet 3, line 9)	6	<i>1,618</i>	
7	Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)	7		<i>1,694</i>
8	Net self-employment income. Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.	8		<i>43,850</i>

Worksheets

These worksheets are provided to help you figure your taxable ministerial income, your allowable deductions, and your net self-employment income.

Worksheet 1. Figuring the Percentage of Tax-Free Income

Note. For each line, enter the appropriate amount in **all** boxes that are not shaded.

	Source of Income		(a) Taxable	(b) Tax-free	(c) Total
1	W-2 salary as a minister (from box 1 of Form W-2)	1			
2	Gross income from weddings, baptisms, writing, lecturing, etc. (from line 1 of Schedule C or C-EZ)	2			
<p>Note. Complete either lines 3a–3e or lines 4a–4i.</p> <ul style="list-style-type: none"> • If your church provides you with a parsonage, complete lines 3a–3e. • If, instead of providing a parsonage, your church provides you with a rental or parsonage allowance, complete lines 4a–4i. 					
3a	FRV* of parsonage provided by church	3a			
b	Utility allowance, if any	3b			
c	Actual expenses for utilities	3c			
d	Enter the smaller of line 3b or 3c	3d			
e	Excess utility allowance (subtract line 3d from line 3b)	3e			
4a	Parsonage or rental allowance	4a			
b	Utility allowance, if separate	4b			
c	Total allowance (add lines 4a and 4b)	4c			
d	Actual expenses for parsonage	4d			
e	Actual expenses for utilities	4e			
f	Total actual expenses for parsonage and utilities (add lines 4d and 4e)	4f			
g	FRV* of home, plus the cost of utilities	4g			
h	Enter the smaller of line 4c, 4f, or 4g	4h			
i	Excess allowance (Subtract line 4h from line 4c)	4i			
5	Ministerial income (for columns (a), (b), and (c), add lines 1 through 4i)	5			
6	Percentage of tax-free income:		$\frac{\text{Total tax-free income } \$}{\text{Total income } \$}$	=	%**

* FRV (Fair Rental Value): As determined objectively and between unrelated parties, what it would cost to rent a comparable home (including furnishings) in a similar location.

** This percentage of your ministerial expenses will not be deductible. Use Worksheets 2 and 3 to figure your allowable deductions.

Worksheet 2. **Figuring the Allowable Deduction for Schedule C or C-EZ Expenses**

1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): _____%		
2	Business use of car: _____ miles × 55¢ (.55)	2	
3	Meals and entertainment: \$_____ × 50% (.50)	3	
4	Other expenses (list item and amount)		
a		4a	
b		4b	
c		4c	
d		4d	
e		4e	
f	Total other expenses (add lines 4a through 4e)	4f	
5	Total Schedule C or C-EZ expenses (add lines 2, 3, and 4f)	5	
6	Nondeductible part of Schedule C or C-EZ expenses (multiply line 5 by the percent in line 1)	6	
7	Deduction allowed.* Subtract line 6 from line 5. Enter the result here and on Schedule C, line 27, or Schedule C-EZ, line 2.	7	

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 3. **Figuring the Allowable Deduction for Form 2106 or 2106-EZ Expenses**

		<i>Column A</i>	<i>Column B</i>
1	Percentage of expenses that are nondeductible (from Worksheet 1, line 6): _____%		
2	Use of car for church business: _____ miles × 55¢ (.55)	2	
3	Meals and entertainment	3	
4	Other expenses (list item and amount)		
a		4a	
b		4b	
c		4c	
d		4d	
e		4e	
5	Total expenses. In column A, add lines 2 and 4a through 4e and enter the result. In column B, enter the amount from line 3.	5	
6	Enter reimbursements received for other expenses (Column A) and meals and entertainment (Column B) that were not included in box 1 of Form W-2	6	
7	Total Form 2106 or 2106-EZ unreimbursed expenses (subtract line 6 from line 5)	7	
8	In Column A, enter the amount from line 7. In Column B, multiply line 7 by 50% (.50)	8	
9	Add the amounts on line 8 of both columns and enter the total here	9	
10	Nondeductible part of Form 2106 or 2106-EZ expenses (multiply line 9 by the percent in line 1)	10	
11	Ministerial employee business expense deduction allowed.* Subtract line 10 from line 9. Enter the result here and on Form 2106, line 10, or Form 2106-EZ, line 6.	11	

* None of the other deductions claimed in this return are allocable to tax-free income.

Worksheet 4. Figuring Net Self-Employment Income for Schedule SE (Form 1040)

1	W-2 salary as a minister (from box 1 of Form W-2)	1		
2	Net profit from Schedule C, line 31, or Schedule C-EZ, line 3	2		
3a	Parsonage allowance (from Worksheet 1, line 3a or 4a)	3a		
b	Utility allowance (from Worksheet 1, line 3b or 4b)	3b		
c	Total allowance (add lines 3a and 3b)	3c		
4	Add lines 1, 2, and 3c	4		
5	Schedule C or C-EZ expenses allocable to tax-free income (from Worksheet 2, line 6)	5		
6	Unreimbursed ministerial employee business expenses (from Worksheet 3, line 9)	6		
7	Total business expenses not deducted in lines 1 and 2 above (add lines 5 and 6)	7		
8	Net self-employment income. Subtract line 7 from line 4. Enter here and on Schedule SE, Section A, line 2, or Section B, line 2.	8		

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. Here are seven things every taxpayer should know about TAS:

- TAS is your voice at the IRS.
- Our service is free, confidential, and tailored to meet your needs.
- You may be eligible for TAS help if you have tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn't working as it should.
- TAS helps taxpayers whose problems are causing financial difficulty or significant cost, including the cost of professional representation. This includes businesses as well as individuals.
- TAS employees know the IRS and how to navigate it. We will listen to your problem, help you understand what needs to be done to resolve it, and stay with you every step of the way until your problem is resolved.
- TAS has at least one local taxpayer advocate in every state, the District of Columbia, and Puerto Rico. You can call your local advocate, whose number is in your phone book, in Pub. 1546, Taxpayer Advocate Service—Your Voice at the IRS, and on our website at www.irs.gov/advocate. You can also call our toll-free line at

1-877-777-4778 or TTY/TDD
1-800-829-4059.

- You can learn about your rights and responsibilities as a taxpayer by visiting our online tax toolkit at www.taxtoolkit.irs.gov.

Low Income Taxpayer Clinics (LITCs). The Low Income Taxpayer Clinic program serves individuals who have a problem with the IRS and whose income is below a certain level. LITCs are independent from the IRS. Most LITCs can provide representation before the IRS or in court on audits, tax collection disputes, and other issues for free or a small fee. If an individual's native language is not English, some clinics can provide multilingual information about taxpayer rights and responsibilities. For more information, see Publication 4134, Low Income Taxpayer Clinic List. This publication is available at www.irs.gov, by calling 1-800-TAX-FORM (1-800-829-3676), or at your local IRS office.

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains lists of free tax information sources, including publications, services, and free tax education and assistance programs. It also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on your telephone.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

Free help with your return. Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Many VITA sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, call 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or

visit AARP's website at
www.aarp.org/money/taxaide.

For more information on these programs, go to www.irs.gov and enter keyword "VITA" in the upper right-hand corner.



Internet. You can access the IRS website at www.irs.gov 24 hours a day, 7 days a week to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2009 refund. Go to www.irs.gov and click on *Where's My Refund*. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2009 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- Use the online Internal Revenue Code, Regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.



Phone. Many services are available by phone.

- **Ordering forms, instructions, and publications.** Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- **Asking tax questions.** Call the IRS with your tax questions at 1-800-829-1040.
- **Solving problems.** You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.
- **TTY/TDD equipment.** If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- **TeleTax topics.** Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- **Refund information.** To check the status of your 2009 refund, call 1-800-829-1954 during business hours or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2009 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- **Other refund information.** To check the status of a prior year refund or amended return refund, call 1-800-829-1954.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



Walk-in. Many products and services are available on a walk-in basis.

- **Products.** You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- **Services.** You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local

office, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.



Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613



DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
 - The first release will ship the beginning of January 2010.
 - The final release will ship the beginning of March 2010.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for \$30 (plus a \$6 handling fee).



To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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